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EXECUTIVE – 3 FEBRUARY 2022

MEDIUM TERM FINANCIAL STRATEGY (MTFS), GENERAL FUND, SERVICE PLANS, BUDGETS AND PRUDENTIAL INDICATORS 2022-23

Executive Summary

The General Fund Estimates for 2022/23 are presented for recommendation to Council. The provisional local government settlement was announced on 16 December 2021. Despite a 3 year settlement at government departmental level, local authority funding was only set for 2022/23. The provisional levels were similar to 2021/22, representing a further 'roll forward' of the existing arrangements, and a £800k improvement compared to the November draft budget where reductions in government support were envisaged.

Offsetting this there have been additional costs, most notably significant forecast increases in energy costs, together with some additional staffing costs and reprofiling of the savings forecast. The overall use of reserves to support services and provide against reductions in income as a result of the pandemic, has reduced from £8.2m in the base 2021/22 budget to £4m in 2022/23.

It is expected that income streams will increase over the next 2 years as the impact of Council investments and the recovery from the pandemic continue to improve the financial position. However, work will need to continue through the Council's Fit for the Future programme to reduce the underlying budget deficit recognising there will also be further service, and central pressures as the Council embeds improved corporate arrangements.

The net budget for the General Fund is £10.1m and the resulting Band D Council Tax figure for 2022/23 of £255.46, an increase of £5.00 (2%) compared to 2021/22. The increase is within the referendum limit flexibilities of 2% or £5 proposed by the Government in December 2021. When assessing the resources available to the Council the government assumes that Council tax is increased by the maximum amount.

The draft budget position was discussed at the Finance Task Group on 27 January 2022.

The Medium Term Financial Strategy (MTFS) will be updated in March alongside the Council's Corporate Strategy. This report provides details of the community engagement undertaken during 2021/22 and the outcomes and objectives on which the Corporate Strategy will be based and which have been used to inform the 2022/23 budget.

Recommendations

The Executive is requested to:

RESOLVE That

(i) as detailed in paragraph 8.18 of the report, the parent company guarantee provided to Total Gas and Power to ensure Thameswey can supply energy to Victoria Square, be increased to £843,000;

(ii) the Comprehensive Statement (Appendices 5a and 5b to the report) and the Overview and Scrutiny Committee's consideration of the Statement (section 4.21 of the report) be noted;

(iii) the response to the Comprehensive Statement (Appendix 5 to the report) be noted;

(iv) the actions for the Council in response to the statement as highlighted in section 4.19 of the report be agreed and that these actions to incorporate the issues raised by the Overview and Scrutiny Committee highlighted in section 4.21:

a. adopting a stronger strategic approach to the management of assets;

b. development of its commercial and strategic finance capacity and expertise in order to drive out the returns from our investments;

c. completing the review of Governance of Companies, the strategic alignment between the Council and Thameswey group (through the established business and financial planning framework) and the intelligent client capability retained within the Council. This review should address the specific risks highlighted for Thameswey Energy Limited (TEL) and Thameswey Milton Keynes Limited (TCMK);

d. strengthening the oversight of Town Centre management including the strategic management of the assets;

e. *continuing to develop and strengthen the Medium and Long-Term Financial Strategy and the strategic management of reserves within this.*

RECOMMEND TO COUNCIL That

(v) the Revenue Estimates and Human Resource requirements for 2022/23 be approved;

(vi) a Band D Council Tax for the Borough of Woking for 2022/23 of £255.46 be approved; and

(vii) the Prudential Indicators at Appendix 3 to the report be approved, subject to any changes arising from consideration of the Investment Programme, revenue budgets and Final Government Settlement.

Reasons for Decision

Reason: To recommend that Council approves the resources necessary for the provision of services and raises the necessary revenue through the determination of Council Tax for 2022/23.

The Executive has authority to determine recommendations (i) to (iv) above; (v) to (vii) will need to be dealt with by way of a recommendation to Council.

Background Papers: None.

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1.0 Introduction

1.1 This paper provides an update on the Medium Term Financial Strategy, and sets out the draft General Fund budgets and reserves (Appendices 1-2) and Prudential Indicators for 2022/23 (Appendix 3).

1.2 Section 2 provides an update on the National Developments and Economic Environment.

1.3 Section 3 sets out the details of the Provisional settlement and Minimum Revenue Provision (MRP) consultation.

1.4 Section 4 is a Corporate Update including Corporate Strategy, Community Engagement, Comprehensive Statement and Fit for the Future programme.

1.5 Section 5 covers the detail of the 2022/23 General Fund budget.

1.6 Sections 6-8 provide supporting information covering the Investment Programme, Thameswey Group and the Robustness of the budget and risks.

1.7 Details of the Council tax proposal for 2022/23 can be found in section 9. The net budget for the General Fund is £10.6m and the resulting Band D Council Tax figure for 2022/23 is £255.46, £5 more than in 2021/22, and a 2% increase in Council Tax.

1.8 The Reserves position and details of the Medium Term Financial Strategy update are summarised in sections 10 and 11. The Prudential Indicators and Chief Finance Officer Statement can be found at sections 12 and 13.

1.9 The draft General Fund Budget for 2022/23 incorporates the first year of proposed savings identified through the Council's Fit for the Future programme. There continues to be a requirement for reserves to support the General Fund budget for 2022/23 as the economy emerges from the pandemic, however the forecast use has reduced compared to 2021/22. Work will need to continue to reduce ongoing reliance to ensure a sustainable financial position.

2.0 National Developments and Economic Environment

Covid-19

2.1 Since the draft budget prepared in November the Covid-19 Omicron variant has resulted in a fourth wave of infections in the UK with record case numbers recorded during December and January and a drive to offer booster vaccinations to the adult population in the final weeks of 2021.

2.2 Government guidance 'Plan B' was announced on 8 December, to counter the rapidly increasing numbers which would affect resilience of public services as well as cause pressures on the health service. There was a return to working from home wherever possible, vaccine certificates (or proof of a negative test) for large gatherings, and face masks made compulsory in most public indoor venues.

2.3 A new Business Grant was introduced for qualifying Leisure and Hospitality businesses to provide some support for lost trade as a result of the changes.

2.4 At the time of writing this report, there has been a reduction from the peak seen earlier in January and, despite case numbers remaining high, the restrictions have been lifted.

Economic Indicators

2.5 Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021. Gradual interest rate increases are expected over the next 3 years however there is a risk of more significant increases as a result of rising inflation.

2.6 The HM Treasury comparison of independent forecasts published in November 2021 shows GDP growth of 5.3% for 2022, 2.2% in 2023, falling to 1.6% in 2024 and 1.5% in 2025.

2.7 Further economic forecasts and commentary can be found in the Capital, Investment and Treasury Management Strategies also on this agenda.

3.0 Government Policy

3.1 The most notable government policy announcements during December and January, have been the Provisional Government Settlement on 16th December and a consultation on changes to the Minimum Revenue Provision (MRP). In addition there has been updated guidance and business support during the surge in Omicron Covid cases, and a Business Rates technical consultation and Covid relief scheme.

Provisional Settlement

3.2 Whilst the Comprehensive Spending Review (CSR) set government departmental budgets for the 3 years from 2022/23 – 2024/25, the provisional settlement was again for just a single year – 2022/23 – with no indications of funding beyond.

3.3 This was perhaps not surprising given the lack of time between the CSR and the need to provide local authorities with certainty of funding to enable budgets and Council Tax to be set. However, it is disappointing again to be in a position with no indication of funding levels beyond the next year.

3.4 There has been further delay in the proposed reforms to Local Government funding. This includes the review of Fair Funding (where resources should be allocated) and a review of the Business Rates system (the mechanics of how income is distributed and to what extent any growth is retained). It also includes the future of the New Homes Bonus scheme or any alternative replacement incentive scheme.

3.5 Given the time elapsed since the original consideration of potential funding reform, as well as the political changes, it is difficult to predict the direction of any reform. However, the Levelling Up agenda is not expected to benefit authorities in the South East, and funding for Social Care remains a significant challenge on resources for which District Councils will be competing. It therefore remains likely that the government funding will reduce as envisaged in the current MTFS. It is not clear what view will be taken on the balance between incentive schemes such as New Homes Bonus or funding through a formulaic approach. With the significant scope of work and consultation required it is possible that any changes may not be implemented until 2023/24.

3.6 As in 2021/22 the Council receives a Lower Tier Services Grant which for 2022/23 is £95k. A new 'Services Grant' of £147k covers the majority of the assumed National Insurance costs, £151k, which the government had committed to funding. Lower Tier grant and Services Grant

are not included in 'base funding' so would not be subject to any transitional protection when a new funding system is introduced.

Minimum Revenue Provision (MRP)

3.7 On 30 November 2021 the Department for Levelling Up, Housing and Communities (DLUHC) published a 'Consultation on changes to the capital framework: Minimum Revenue Provision'. The consultation closes on 8 February 2022.

3.8 The Minimum Revenue Provision (MRP) is the amount set aside each year from the Council's revenue account for the repayment of debt. Local Authorities have flexibility in how they calculate MRP, providing they have regard to statutory guidance and that the charge is 'prudent'. Authorities must have regard to the CIPFA Prudential Code to ensure that capital plans are prudent, affordable and sustainable.

3.9 The government has been concerned that some Authorities have not made a prudent revenue provision for the repayment of debt in particular in relation to commercial investments. Studies by the National Audit Office and Public Accounts Committee during 2020 have also raised this issue.

3.10 Underprovision of MRP can result in an authority being unable to repay a proportion of its debt, passing the liability into the future, which will need to be met by capital receipts or accelerated MRP payments.

3.11 The Consultation seeks to address two issues:

- Local authorities not charging MRP on debt related to certain assets
- Local authorities using sales from assets (capital receipts) in place of a charge to revenue.

3.12 The Proposals will amend the regulations such that no debt can be excluded from MRP and that capital receipts (which include loan repayments) cannot be used for MRP.

3.13 Capital loans to the Council's group companies would be impacted by this proposed change in regulation. In effect it would require a revenue charge to the budget in addition to the loan repayment and would duplicate the funds set aside. Given the Council's levels of investment, and the amounts invested through capital loans in the group structure, the impact of this change could be substantial.

3.14 The Council debt affected is regeneration, housing and sustainable energy derived, not investment for commercial purposes. There are not excess yields from these investments from which to set aside further funds in the short term.

3.15 The flexibility provided by the current framework has enabled the Council to further policy objectives enabling the transformation of the town centre, and the provision of vital affordable housing. The proposals risk undermining the business plans for the investment in the Borough, requiring unnecessary double-counting of amounts to be set aside, and inconsistent approach to housing assets where for Housing Revenue Account debt no MRP is required.

3.16 The Council has engaged with DLUHC, expressing concern at the proposals and explaining the issues and how they impact the Council. There are a series of 'round table' events planned for early February which the Council will attend and a full consultation response will be prepared.

Business Rates

3.17 During the pandemic the government has awarded Business Rates relief to businesses in the direct Retail, Leisure and Hospitality sectors as well as extended relief for small businesses and nurseries. The Council is funded through section 31 grants for the relief granted to businesses. This means the business rates being collected has been much less than previous years. The effect is that the government has paid the business rates for these businesses.

3.18 To continue to provide support as the economy recovers from the pandemic the government announced in the October budget that Retail, Leisure and Hospitality relief, currently at 66%, will continue into 2022/23 but at the lower rate of 50%. This reduces the Business Rates bills payable by eligible businesses and for the Local Authority provides full payment of 50% of these collectable rates by the government. The Chancellor also announced the freezing of business rates multipliers, keeping charges at 2020/21 levels through to 31 March 2023.

3.19 On 25 March 2021 the government announced a new COVID-19 Additional Relief Fund (CARF). The fund is available to support those businesses affected by the pandemic but that have been ineligible for existing support linked to business rates. Details and allocations were announced on 15 December 2021 with Woking being allocated £3.163m to provide relief to businesses in 2021/22 which have not currently received support. A scheme is being developed to allocate these funds.

4.0 Corporate Update

Corporate Strategy – Outcomes and Objectives

4.1 In 2021/22, the Council adopted an integrated service and financial planning approach to align resourcing decisions with the priorities of the Council.

4.2 The Corporate Strategy sets the core priorities for the Council and informs where our spending is directed in order to ensure that we target our finite resources towards the areas of highest priority and need.

4.3 The new Corporate Strategy 2022/23 – 2026/27 is being produced alongside the Medium-Term Financial Strategy and the response to the Community Engagement. These are being presented to the 24th March 2022 meeting of the Executive. This approach ensures we have the policy and priority context for developing proposals that sustain our financial resilience whilst ensuring we remain focussed on the priorities for our communities.

4.4 In advance of the meeting of the Executive on 24th March 2022, a draft set of Corporate Strategy Outcomes and Objectives have been developed and are attached at Appendix 6. These have been used to inform where our spending is directed in order to ensure that we target our finite resources towards the areas of highest priority and need.

4.5 The actions that we will focus on in 2022/23 to support the delivery of the Corporate Strategy will be part of the Corporate Strategy 2022/23 – 2026/27 being reported to the Executive on 24th March 2022.

4.6 In previous years, Service Plans have been presented alongside the proposed budget for the next year. These translate the Council's strategic vision, objectives and priorities into operational plans that drive improvement. Each Service Plan identifies what needs to happen for each area of Council activity to achieve success, what resources will be required, the outputs and outcomes that are anticipated and any risks that might impact delivery.

4.7 With the adoption of integrated service and financial planning approach in 2021/22, Directorate Plans will now be presented to the Executive on 24th March 2022 alongside the Corporate Strategy. This approach further supports the "Golden Thread" that runs from Corporate Strategy through to operational plans and staff performance objectives.

Community Engagement

4.8 The Council has a bold vision to be in constant communication with residents and to have an embedded culture of consultation in how it operates and makes decisions that are in the best interests of the communities of Woking Borough Council.

4.9 Investment has been made into an on-line civic engagement digital platform, the Woking Community Forum, and a representative Residents' Panel has been established. At the time of this report the Woking Community Forum has already hosted engagement on a number of key projects including:

- Housing Strategy;
- Economic Development Action Plan for Woking's recovery 2021-2023;
- Planet Woking, and
- Public Spaces Protection Order for Woking Town Centre.

4.10 The Community Forum also hosts a budget balancing tool where residents can simulate their priorities for spending whilst equally needing to make sure that the budget balances.

4.11 A series of community roadshows took place between November and December 2021 alongside an engagement questionnaire. The purpose of this engagement was to obtain community feedback in order to inform and influence the corporate priorities for the Council. An independent report providing analysis of the feedback from the questionnaire was commissioned and was reported to the meeting of the Executive on 20th January 2022. An initial response from the Executive of the Council to this engagement was webcast on 11th January 2022.

4.12 The Council will be producing a more comprehensive response to the engagement showing the actions taken as a result of the feedback. This response will be reported to the meeting of the Executive on 24th March 2022 alongside the 2022- 27 Corporate Plan and the 2022/23 – 2024/25 Medium Term Financial Strategy.

4.13 The Council faces significant financial challenges and it also has an ambitious development and growth agenda. The views of residents, businesses, partners and staff have an important role to play in establishing a clear vision for the future and clear priorities that will guide the development of our five-year Corporate Plan and Medium-Term Financial Strategy.

4.14 Feedback from the community roadshows and engagement questionnaire identified a number of key priority areas for residents:

- Climate change
- Keeping the borough a safe place for everyone
- Taking action where required, to deal with anti-social behaviour
- Having a council that listens to residents and where everyone can 'have their say'
- Providing support for older, vulnerable people
- Taking steps to improve traffic flows across the borough
- Making it easier to travel around Woking Borough and the surrounding areas

- Encouraging vibrant village high streets by supporting local business
- Tackling homelessness and its causes
- Supporting new and established local businesses and shops
- Providing more high-quality affordable and key worker homes, to meet the needs of local people

4.15 In advance of a full response to the engagement, there are areas that we can highlight where the Council has and is resourcing activity on the areas that are high priority for communities. Attached at Appendix 7 to this report are initial reflections on what the Council is already delivering and what it is looking to take forward.

Comprehensive Statement

4.16 At the meeting of Council on 29th July 2021, it approved the MTFS report and within this agreed for an independent comprehensive assessment of the Council's assets and liabilities as part of aligning the Fit for the Future Programme with the Council's accounts position.

4.17 At the same meeting a Notice of Motion was presented by Councillor Barker. Councillor Azad moved an amendment to this, which was considered and agreed. The following Notice of Motion then formed the basis of the independently commissioned review to satisfy both the Notice of Motion and resolve in the MTFS report.

"This council calls for a full, independent and comprehensive review of all the assets and liabilities of Woking Borough Council; and all companies in which it has an interest whether by means of shareholding (however large or small) or any other means of influencing the activities of said company.

The report is to contain a comprehensive Statement identifying, amongst other things:

- *An independent reviewer's assessment of the current net realizable value of each of the assets*
- *Full details of all borrowings including their terms and conditions*
- *Full details of outstanding contractual obligations involving future income to be received and future expenditure to be incurred*
- *Details of any fixed or floating charges on any assets*
- *Full details of any grants, loans or other contracts which contain performance conditions which, if not met, would incur financial penalties for the Council or any of its companies.*

  Council officers should work with the Chair of the Overview & Scrutiny Committee to appoint an appropriate independent reviewer. The reviewer must:

- *Be allowed full and unfettered access to all the documents and information required*
- *Provide monthly progress reports to the Overview and Scrutiny Committee.*
- *Complete the review and the full report by the end of December 2021."*

4.18 Attached at Appendices 5 to 5b to this report is:

- Comprehensive Statement Response Report (Appendix 5)

- Comprehensive Statement – Member Briefing (Appendix 5a)
- Comprehensive Statement – Final Report (Appendix 5b)

4.19 Attention is drawn to the section 5.3.1 of the attached Comprehensive Statement Response Report, and the associated table at 5.3.4, both which draw out the proposed actions in response to the Comprehensive Statement. For reference and in summary this is extracted below:

Whilst the Comprehensive Statement may not have highlighted any new individual statements of fact, it does provide significant added value and benefit for the Council and emphasises a number of issues that the Council should give increased focus and attention to. In this context the Comprehensive Statement:

- *Provides assurance around the Council's asset valuations approach and short-term cash and investment positions*
- *Recognises the Council's regeneration focus and the alignment of financial strategies to this*
- *By bringing the Asset Position; Borrowing Position; Financial Interests and Contractual Obligations together in one focused statement it gives additional insights that should be recognised and used to develop strategic financial priorities*
- *Provides insight that is relevant for the Council's Fit for the Future Programme and specifically the need for the Council to move with greater pace and certainty around:*
    - *Adopting a stronger strategic approach to the management of assets*
    - *Development of its commercial and strategic finance capacity and expertise in order to drive out the returns from our investments.*
    - *Completing the review of Governance of Companies, the strategic alignment between the Council and Thameswey group (through our established business and financial planning framework) and the intelligent client capability retained within the Council. This review should address the specific risks highlighted for Thameswey Energy Limited (TEL) and Thameswey Milton Keynes Limited (TCMK)*
    - *Strengthening the oversight of Town Centre management, including the strategic management of the assets*
    - *Continuing to develop and strengthen the Medium and Long-Term Financial Strategy and the strategic management of reserves within this*

4.20 The Comprehensive Statement was presented to the meeting of the Overview and Scrutiny Committee on 24th January. The independent professional services company that produced the statement were present at this meeting and took questions in relation to their statement.

4.21 At the time of writing this report the minutes of the Overview and Scrutiny Committee had not been confirmed. However, with the agreement of the Chair of the Committee, the following represents a fair view of the four key points from the meeting:

- Ensure the Council has the appropriate skills and capability to manage the risks arising from its investments and commercial interests;
- Monitor the economic outlook as applicable to Woking Borough Council;
- Be aware of legislation and regulatory risk; and
- Request further analysis of the operating cashflows for each of the Council's investments and commercial interests.

4.22 The contribution from the Overview and Scrutiny Committee to the commissioning, assessment of and response to the Comprehensive Statement is welcomed and gratefully received. The four key points raised are accepted and align with the proposed actions in the Comprehensive Statement Response Report that is attached at Appendix 5 and referenced at 4.19 of this report above. For clarity, the monitoring the economic outlook and legislative and regulatory risk points are incorporated in the further development of the Medium and Long-term Financial Strategy.

Fit for the Future Programme

4.23 The Draft Medium Term Financial Strategy (MTFS) and General Fund Budget 2022/23 report to the Executive in November set out in detail the budget areas where efficiencies, increased income or savings were being targeted, together with the breakdown and forecast timescales for these to be realised.

4.24 Attached at Appendix 4 are the proposals for savings for 2022/23 arising from the work that has been done through the year in searching for areas where the Council can take actions towards balancing the budget. The total savings for 2022/23 is £2.427m. This compares to £2.563m when presented in November – a reduction in savings of £0.136m.

4.25 Appendix 4 also shows notional savings in 2023/24 and 2024/25. It is only the 2022/23 savings that need to be approved as part of this report – the following years notional savings will be considered as part of the 2022/23 – 2024/25 MTFS which is initiated at the 24th March 2022 meeting of the Executive.

4.26 The proposed areas for efficiencies, income generation and savings in the attached Appendix 4 are as reported in November, with the following areas where the proposals have changed following further work between the November and February reports to the Executive:

- Proposal to transfer catering production in community centres saving £0.138m per annum will now be part year in 2022/23 and full year saving in 2023/24. This has reduced the saving in 2022/23 by £0.048m;

- Savings from re-commissioning the Careline contract saving £0.024m per annum will now be part year in 2022/23 and full year saving in 2023/24. This has reduced the saving in 2022/23 by £0.012m;

- Proposal to remodel the staffing in community centres saving £0.154m per annum will now be a part year in 2022/23 and full year saving in 2023/24. This has reduced the saving in 2022/23 by £0.078m;

- Reduced usage of Bed and Breakfast accommodation resulting in savings of £0.032m per annum will now be a part year in 2022/23 and full year saving in 2023/24. This has reduced the saving in 2022/23 by £0.016m;

- The Fees and Charges increased that were agreed by Council at its meeting on 2nd December 2021 were £0.053m below the proposals for 2022/23; and

- The reduction in grants to voluntary sector and community organisations were £0.070m above the original forecasts for 2022/23. This reflects making some of the savings earlier than forecast.

5.0 2022/23 General Fund Budget

5.1 The General Fund Summary at Appendix 1 summarises the proposed budget and Council Tax for 2022/23. Appendix 2A details the general budget pressures and specific service budget changes.

5.2 Council services are funded by government grants, fees and charges and the net income from commercial activities and loans to the Council's group companies. For 2022/23 this can be summarised:

Budget Summary 2022/23		£'000	£'000
Service Expenditure (excluding benefits and capital charges)			43,742
Service Income - Grants, Fees and Charges (excluding benefits)			- 18,953
Net Service Costs			24,790
Interest Costs		55,520	
Investment Income from loans to (group) companies	-	38,503	
Commercial Rents	-	22,606	
Total Net Investment and Financing Income			- 5,590
Use of Reserves			- 5,038
Government Funding			- 2,609
Business Rates above baseline			- 935
Council Tax			- 10,619
Total Income and Use of Reserves			- 24,790

5.3 The proposed budget is based on the 2021/22 approved budget updated for contractual inflation, changes in funding and forecast income, agreed service changes and the impact of the draft investment programme which is also on this agenda.

5.4 The table below sets out a summary of the pressures and the following sections provide further details.

Budget variation 2021/22 to 2022/23 Cost (+)/ Saving (-)	Feb-22 £'000
Investment Programme/Treasury Management	1,646
Service Pressures	2,460
Increase in Fees and Charges	-321
Reduction in Covid Provision	-4796
Fit for the Future savings and efficiencies	-1,773
Increase in Government Funding	-152
Increase in Assumed Business Rates income/New Homes Bonus	-735
Increase in Council Tax/taxbase	-539
Reduction in use of reserves required in 2022/23	**-4,210**

Core Government Funding

5.5 The provisional Business Rates and Revenue Support Grant (RSG) figures for 2022/23 announced on 16 December 2021 are consistent with current funding levels in 2021/22. The

forecast reduction in funding or 'negative RSG' has again been deferred from the funding provided for 2022/23. The risk of funding reductions as previously indicated, will continue to be allowed for in future years in the MTFS until any new funding regime is launched.

5.6 The Lower Tier Services Grant introduced in 2021/22 has been continued which provides £90,907 additional funding. This has been increased to £95,753 for 2022/23. A new one-off 'Services Grant' has been included in 2022/23. At £147,156 this covers most of the expected £151,000 cost of the increase in National Insurance contributions for which the government committed to provide funding.

Business Rates

5.7 Woking has accepted membership of the Surrey-Sutton Business Rates pool in 2022/23, as one of the better placed Authorities in the County. The continued government support for Retail, Leisure and Hospitality businesses during 2022/23 reduces the risk of irrecoverable income. The benefit of pooling, together with the forecast Business Rates growth is expected to provide £935,000 in addition to the baseline Business Rates receivable.

5.8 Given previous levels of Business Rates surpluses it is considered reasonable to include the forecast benefit in the budget for 2022/23, however it should be noted that this is not a reliable ongoing income stream and may not be secured in future years. Any income In excess of this level, is considered a one-off benefit and will result in an increase to reserves. These funds provide support to the MTFS strategy to achieve a balanced position whilst not placing reliance on this as an ongoing funding source.

5.9 As well as Business Rates collected, the Council also pays Business Rates on its own properties. The government has frozen the level of Business Rates so there are minimal changes to the Council's budgets for 2022/23.

New Homes Bonus

5.10 The New Homes Bonus (NHB) scheme match funds the additional Council tax for each new home and property in the Borough, above a baseline level, after that home is built or brought back into use.

5.11 The government has been phasing out New Homes Bonus. For 2022/23, the government has provisionally awarded the Council £230,905 under this scheme. The budget assumes that this is used in-year reducing the use of reserves to support services.

5.12 New Homes Bonus has been used to repay the funds loaned by Enterprise M3 towards the Sheerwater Access Road project and supported investment in Brookwood Cemetery.

Total Government Funding

5.13 The provisional Government funding for 2022/23 is shown in the table below.

Government Funding

	Actual 2021/22 £'000	Provisional 2022/23 £'000
Business Rates	2,135	2,135
New Homes Bonus	281	231
Lower Tier Services Grant	91	96
Services Grant (NEW)		147
Total Funding	**2,507**	**2,609**

Management and Administration budgets

5.14 The Executive has agreed that for budgeting purposes, the salaries budget will be controlled within two parameters of cost and average number of full time equivalent staff.

5.15 The Fit for the Future savings exercise has identified a number of posts which can be removed from the establishment for 2022/23. Other variations to the 2022/23 budget are shown in the table below. The most significant is the insource of the Housing Service from 1 April 2022.

Pressures on staffing budgets	
	£'000
Cost of turnover, pay progression and allowances 2021/22	183
National Insurance Health & Social Care Levy 2022-23 1.25%	160
Real Living Wage increase	35
New posts, structure changes offset by savings identified	335
Pressure on Staffing Budgets	**713**
Reduction in investment programme funding	46
Add new posts externally funded	172
Changes in funding	-237
Reverse 2021-22 savings target built into base budget	428
Add 2022-23 savings target	-450
Other	**-42**
Womens Support Centre (offsets service saving)	351
Hale End Court	131
Housing Insource	1,312
WBC Service Growth	**1,794**
Assumed increase for pay progression and allowances 2022/23	450
Pressure on staffing budget (Increase in Staffing Control Total)	**2,915**

5.16 The Medium Term Financial Strategy assumes an annual £400,000 increase in the staffing costs. This has previously represented approximately 2.5% of the salary budgets. Due to the growth in the staffing budgets this allowance for increased costs has been increased to £450,000 in the control total for 2022/23 representing 2.2% of the total budget.

5.17 The 2021/22 budget included a £428,000 'vacancy target'. For 2022/23 the control total has been reduced by a £450,000, a 2.2% 'deflation' equivalent to the growth allowed above. During the year overall staffing levels and vacancies will need to be managed to remain within budgeted levels.

5.18 The budget tracks those posts which are funded by Council Tax and the Housing Revenue Account. It is net of any posts which are funded externally or by Investment Programme projects. The table below shows the trend in the total staffing budget.

Year	Budget (in cash terms) £m	Average Number of FTE Staff
2014/15	12.400	345
2015/16	12.500	345
2016/17	12.600	335
2017/18	13.000	335
2018/19	13.575	340
2019/20	14.360	350
2020/21	15.690	365
2020/21 (in-year variation)	15.041	358
2021/22	15.590	340
2022/23 (proposed)	18.505	373

Accounting rules require that these costs are allocated out to individual services to show the full cost of the service. The total Management and Administration budget includes salaries, and other overhead costs which need to be allocated across services such as ICT and expenditure relating to the Civic Offices. In total for 2022/23 the full Management and Administration budget is £25.5m, with an increase of £2.7m compared to 2021/22 as shown below.

5.19 The triennial actuarial review of the pension fund was completed for the position of the fund at 31 March 2019 and set the employer's on going pension costs, and annual lump sum payment towards the pension fund deficit, for 2020/21 to 2022/23. A £61,000 increase in the lump sum funding is included for 2022/23 as part of the agreed approach.

Variances in Management and Administration budgets

	£'000
Management and Administration 2021/22	22,738
Staffing	2,915
Less: Funding allocated directly to services	-433
Superannuation	61
Indirect staffing costs/savings	-9
Repairs & Maintenance	111
Insurance	5
Telecomms	20
IT Equipment & Applications	91
Insurances	-14
LEXCEL Accreditation	35
Other	-6
Total Variations	2,775
Management and Administration 2022/23	25,513

5.20 This total budget is allocated between the General Fund, Housing Revenue Account and Capital programme as set out in the table below.

	2022/23		2021/22		Difference	
	£'000	%	£'000	%	£'000	%
General Fund	20,357	79.8	19,363	85.2	994	-5.4
HRA	4,962	19.5	3,165	13.9	1,797	5.6
Other (capital/reserves)	194	0.7	210	0.9	-16	-0.3
TOTAL	**25,513**	**100.0**	**22,738**	**100.0**	**2,775**	**0.0**

5.21 Those posts which are capitalised or funded from Investment Programme budgets are categorised as externally funded. Only posts directly working on projects are allocated, this position will continue to be reviewed including the opportunity to fund wider staffing costs from project budgets.

Fees and Charges 2022/23

5.22 Council agreed the Fees and Charges for 2022/23 in December 2021 and the changes to the income budgets are incorporated into the budgets. The increase in yield included in the Fees and Charges report, excluding Car Parks, was £305,615.

5.23 Increases in income identified as savings through the Fit for the Future programme were incorporated into the Fees and Charges review where appropriate and budgets have been adjusted to reflect these changes.

5.24 The projections for Car Parking income have been considered in setting the budget for 2022/23. Whilst the latest Covid Omicron wave has again set activity levels back, the recovery during the autumn was consistent with the current MTFS parking income forecasts. It is therefore assumed that levels will continue to recover as previously envisaged. This will be considered again for the MTFS in March.

5.25 A Covid provision continues to be made for car parking income lost as levels are yet to reach pre-pandemic levels. The provision is the difference between forecast income and the budget which has been held constant since 2020/21. For 2022/23 the provision is £1.31m, a significant reduction on the amounts required in 2021/22 reflecting both the recovery in activity and the increase in charges agreed in December 2021.

Commercial Rents 2022/23

5.26 Over recent years the Council has acquired a number of strategic properties within the Borough across a variety of property types and sectors. In many cases the properties have been enhanced or developed to attract new employers or services to the Borough.

5.27 Rental income is shown within service budgets whilst the cost of servicing borrowing, both interest and repayment costs, are shown within interest costs in the General Fund Summary (Appendix 1).

5.28 The Covid pandemic affected almost all businesses as lockdowns and social restrictions required businesses to close to the public, and staff to work at home. Even as restrictions have been relaxed it is taking time for activity to return, and some businesses will be permanently affected by behaviour change.

5.29 The Council's commercial income was affected by non-payment of rents during 2020/21. The Council agreed a recovery strategy which provided flexibility for some tenants based on the business sector. During 2021/22 some of these arrangements continue and will affect the overall cash received in year. In most cases tenants are paying rents as contracted, and the total lease income due is in line with the base commercial rents budget.

5.30 To reflect the ongoing risk to commercial income across the whole property portfolio a continued Covid provision for irrecoverable rents and service charges of £517k has been incorporated into the 2022/23 budget. This is based on a forecast of expected cashflows in 2022/23 and also includes an assessment where leases may not be renewed.

5.31 Further information on the Council's approach to Strategic Property Investment can be found in the Capital and Investment Strategies, also on this agenda.

6.0 Investment Programme

6.1 The draft Investment Programme, also on this agenda, was considered by the Executive at its November meeting and has been reviewed by the Finance Task Group.

6.2 To preserve the Council's resources following the initial lockdown in 2020, uncommitted projects within the Investment Programme were temporarily suspended. These suspended projects have been reviewed and allocated either to a pipeline list of projects not yet funded within the budget, or cancelled where the projects are no longer appropriate or relevant as proposed at the current time. Further details can be found in the draft Investment Programme also on this agenda.

6.3 The revenue impacts of the Investment Programme have been built into the draft General Fund budget. There is an increase in net interest costs of £1.65m compared to 2021/22. This

includes interest and repayment costs for those projects funded by borrowing, and contributions from reserves for some revenue projects.

7.0 Thameswey Group

7.1 The Thameswey Group of companies are used to further the Council's strategic sustainable energy, housing and regeneration objectives. As well as the direct service benefit there is a financial benefit to the Council from the loans and shares invested in the Thameswey group. Investment in Thameswey Housing Ltd is at a margin of 1.5% over the Council's borrowing costs. Investment in Thameswey Energy Ltd for the new Poole Road Energy Centre is at a margin of 1% over the cost of borrowing.

7.2 The Thameswey Group continues to work to existing business plans for 2022. During the year business plans will be fully refreshed to ensure they align to the Council's Corporate Strategy due to be adopted in April.

7.3 Following the Comprehensive Statement work completed by EY, as set out in section 4, there will be further work commissioned to revisit and challenge the underlying assumptions of the group business plan to provide assurance that the underlying financial models remain appropriate.

Heat Networks Investment Project

7.4 Thameswey Energy Ltd (TEL) has been provisionally awarded funding through the government Heat Networks Investment Project (HNIP) for investment in infrastructure to extend the network of the Poole Road Energy Centre.

7.5 The proposed support is through loans with minimal interest costs. Negotiations are ongoing with the Department for Business Energy and Industrial Strategy (BEIS) to establish the terms for repayment of the funding. Once the final offer is established TEL will make proposals to the Council for any 'match' borrowing required. An update will be provided in the MTFS report in March.

8.0 Robustness of the 2022/23 Budget and Risks

Covid Provision

8.1 An allowance has been made for lost income as a result of the ongoing Covid-19 pandemic. This provision has been funded by reserves.

8.2 The provision for car park income reflects the assumed loss of income against the pre-pandemic budget. The loss is greater if compared to previous forecast income for 2022/23 which would have included increases in activity and charges.

	Base 2021/22 £'000	MTFS March 21 2021/22 £'000	Base 2022/23 £'000	Variance £'000
Covid Specific Provision				
Reduction in Car Park income	3,217	3,653	1,301	2,352
Allowance for irrecoverable Commercial Rents	3,810	1,940	517	1,423
Loss of Freedom Management Fee	402	402		402
SFC Compensation - Car Parks Q1	-529	-977		-977
SFC Compensation - Leisure Q1	-287	-287		-287
	6,614	**4,731**	**1,818**	**2,913**

Savings Targets and Risk Contingency

8.3 A £100,000 in-year savings target continues to be included in the General Fund Summary. There is also a £250,000 target of savings to be secured from the Fit for the Future programme through Corporate work streams such as transformation, digital, and procurement. Savings targets are included within service areas where target areas have been identified through the Fit for the Future programme.

8.4 The MTFS in March will reflect further on savings achieved to date and the strategy going forward.

8.5 The funded Risk Contingency has been kept at £250,000, the same level as in previous years. In addition to the areas already considered in this report, the following are identified as risks or pressures within the proposed budget for 2022/23.

Car Park income

8.6 As set out in the fees and charges section above the recovery of parking activity continues to be uncertain during 2022/23. As the Omicron 'work from home' guidance is lifted it is expected that levels will again increase, however it is not clear how long it may take for shoppers and office workers to return. The provision reflects a reduction of 16% compared to the pre pandemic budget but also incorporates the increase in charges agreed by the Council in December.

8.7 The Victoria Square regeneration includes new car park facilities and is due to open in March 2022. Once complete the Council is due to acquire the car park element of the Victoria Square development. Current forecasts do not assume significant additional income as a result of the car park as it is recognised that it will take time for activity to increase. This will be considered further in the March MTFS report and revised if considered appropriate.

Town Centre and other Commercial Income

8.8 The base budget recognises current known variations in rental income and provides an allowance for irrecoverable debts during 2022/23. Current contracted rental income is in line with the previous commercial rent budgets. As in previous years there is an assumed use of reserves of £1m to cover variances in rent in year compared to budget. In addition, and reflecting forecasts, a further £517k is provided through the Covid provision against irrecoverable rent. This is considered a prudent approach and rental income is forecast to increase, through the MTFS which will reduce the use of reserves.

Leisure Contract

8.9 No allowance is made for ongoing support to Freedom Leisure for operating the Leisure Centre, Pool in the Park and other leisure facilities in the Borough. From 1 April 2022 it is also assumed that the management contract income will be payable at previous levels.

Timing of Investment Programme and interest costs

8.10 Some projects have been funded by borrowing as an interim measure pending receipt of grants or contributions. Any delay in the funds being recovered will increase the Council's financing costs.

8.11 Net interest costs during the year are also affected by decisions on whether borrowing should be taken long or short term, and when the borrowing should be secured. During 2021/22 short term borrowing, taken during 2020/21 has been replaced by long term borrowing.

8.12 As shown in the table below, the forecast for Bank Rate now includes three increases, one in quarter ending June 2022 to 0.50%, quarter 4 of 2022/23 to 0.75%, March 2024 to 1.00% and, finally, one in March 2025 to 1.25%.

	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Mar-24	Mar-25
Bank rate	0.25%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%
5 yr PWLB rate	1.50%	1.50%	1.60%	1.60%	1.70%	1.90%	2.00%
10 yr PWLB rate	1.70%	1.80%	1.80%	1.90%	1.90%	2.10%	2.30%
25 yr PWLB rate	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.50%
50 yr PWLB rate	1.70%	1.80%	1.90%	1.90%	2.00%	2.10%	2.30%

8.13 The current forecasts do not show a steep increase in rates. However, there are a number of factors which could impact on the economy and the forecast bank rate. These include the potential of a new variant of the virus (or the impact of the Omicron variant becoming more severe) and the impact of rising levels of inflation. There are indications that there could be a 50% increase in the price cap on fuel prices from 1st April 2022 which could boost inflation significantly, putting pressure on the Bank of England to raise the Bank Rate faster.

8.14 Therefore there are significant upside risks to the bank and PWLB rates which will cause market volatility in the short term and may mean economic forecasts are revised.

Energy

8.15 Budgets for energy supplied by Thameswey Energy Limited have increased significantly. This is partly due to budgets for the current financial year not being increased as a result of the uncertainties surrounding the pandemic, and partly as a result of the forecast increase in global energy prices.

8.16 The uplift in prices used by Thameswey for 2022/23 budgeting purposes is:

Electricity	22.60%
Heat	53.20%
Cooling	17.76%

8.17 These increases have resulted in a year on year increase at General Fund level of £362k (39.05%). There are also additional energy costs forecast for new operational properties.

8.18 The increase in energy costs, together with increased activity due to Victoria Square, also requires the parent company guarantee provided by the Council to Total Gas and Power (TGP), the supplier of gas and top-up electricity to Thameswey, to be increased to £843,000. This is necessary to ensure the energy supply at the new substation at Board School Road which will provide power to Victoria Square. The Executive is asked to resolve that this guarantee is provided.

General Risks

8.19 No specific provision has been made in the Budget for abnormal events. However, as specific provisions have been made for known Covid and service risks, the proposed risk contingency and reserves should enable the Council to manage other changes in year.

9.0 Council Tax 2022/23

9.1 The amount to be raised from Council Tax, based upon the draft revenue estimates, and after taking account of the Provisional Government Settlement and Collection Fund surplus, is £10,606,602. The recommended Band D Council Tax for 2022/23 for Woking Borough Council is £255.46, an increase of £5 or 2%. The referendum level for District Councils in 2022/23 is the higher of 2% or £5. In assessing the Council's core resources the government assumes that the maximum Council Tax increase is applied.

9.2 This proposal best protects the Council's medium term financial position and ability to maintain its service outcomes post pandemic.

Long Term Empty Properties

9.3 The government passed legislation during 2018/19 to enable councils to charge a long-term empty premium on top of the council tax payable, in respect of domestic properties that have been left empty and substantially unfurnished.

9.4 These changes encourage empty homes to be brought back into use and generate additional income to support the services of the County Council, the Police and Woking Borough Council. In February 2020 the Council approved the premium for empty properties from the applicable dates. The changes are now fully implemented and the premiums applied are set out below.

Premium rate	Properties affected
100%	Properties empty for between two and five years
200%	Properties empty for between five and ten years
300%	Properties empty for over ten years

9.5 Surrey County Council has introduced a scheme where any increased County element of Council Tax generated from changes to empty home policies can be claimed by the District and Borough Council's to support mutually agreed projects. It has been agreed that these funds can be used to support the Decarbonisation works at Midas House and Export House.

Collection Fund deficit

9.6 The government required that 2020/21 Collection Fund deficits, both Council Tax and Business Rates, be spread over 3 years. This means that a third of any losses forecast for 2020/21 were taken into account when setting the Council Tax for 2021/22. A further third is taken into account in the 2022/23 Council Tax setting.

10.0 Medium Term Financial Strategy

10.1 The Medium Term Financial Strategy (MTFS) will be updated and reported to the Executive in March. The most significant factors to consider are:

- Rate of recovery of Parking and Commercial rent income and the impact of Victoria Square;
- Progress against Fit for the Future savings and additional savings and transformation programmes;
- Any changes in the Investment Programme and risk around draw down of funding to Thameswey Housing Ltd;
- Government Funding changes and 'Levelling Up';
- Impact of inflation and interest rate forecasts; and
- Additional corporate resources and workstreams identified following the EY financial review.

10.2 Updates to the MTFS have been provided regularly during 2021/22 along with the detail of the Fit for the Future programme and forecast impact on reserves.

10.3 It has not yet been possible to achieve an ongoing sustainable budget with no use of reserves to support services. Whilst savings of £4.8m have been identified (Appendix 4) further pressures have been identified including a reduction in income from advances to Thameswey Housing Ltd.

10.4 A full review of the MTFS assumptions, risks and forecasts will be considered as part of the March 2022 report, including proposed actions to seek to close the remaining budget gap.

10.5 The financial position of the Council is directly related to the success of Woking Town Centre where the Council owns a significant proportion of property assets and generates car parking income. A focus on ensuring the Council achieves a return from the regeneration investment will be important over the MTFS and has been recognised as a key action from the EY Comprehensive Statement.

11.0 Reserves

11.1 Forecasts of the Investment Strategy Reserve and the total Reserves are shown in Appendix 2B and 2C.

11.2 The use of reserves to cover revenue deficits are shown in the reserves forecast. Whilst the Covid element of this use of reserves falls, the underlying use of reserves continues to be impacted by the lost income growth during the 5 years of the forecast.

11.3 It can be seen that despite these pressures, reserves are available through to 31 March 2026, but fall below the Council's minimum level of £10m in the final year of the forecast. Funds set aside for other purposes may also need to be reallocated.

11.4 The MTFS report in March will review the assumptions and forecasts for future years in the context of the new 2022/23 base position and will consider further the underlying use of reserves.

11.5 Some items in the General Fund Summary (Appendix 1) are covered by the Council's revenue reserves. These tend to be variable or one off items which would otherwise cause the Council Tax requirement to vary significantly year on year.

11.6 The staffing structure will continue to be reviewed during 2022/23 where opportunities arise. An allowance of £250,000 to be met from reserves has been made for any resulting Management of Change costs.

11.7 Transfers have previously been made from the Investment Strategy reserve to a number of specific reserves, for example the Group Company reserve, Equipment and Community Funds. There are not immediate calls on these reserves which are considered to have sufficient funds to cover likely requirements. No further transfers are therefore proposed unless a need is identified. More detail on specific reserves can be found at Appendix 2B. The reserves are used by the Council to manage and develop its ambitions as well as enabling one off investment.

11.8 The forecast reserves position shows sufficient reserves through to 31 March 2025 which are being used in support of the business objectives of the Council. However, reserves are set aside for specific purposes and to cover identified risks and it will be necessary to review the long term levels necessary to support the Council's business including any further deficits as the economy recovers.

<u>One-off provisional income</u>

11.9 The Council takes a prudent approach to budgeting and generally seeks not to incorporate income into the base budget where it is one off. Including such income can result in significant savings targets in future years if the income is not repeated.

11.10 There is potential for additional income from Business Rates in both 2021/22 and 2022/23, when the Council is part of the Surrey pool. Any additional benefit will increase the underlying reserves available to support the Medium Term Financial Strategy but cannot be relied upon as ongoing income so does not affect the MTFS saving requirements.

11.11 There is also a possible saving during the year from treasury management budgets where is assumed that the Council borrows the full amounts required to fund its proposed Investment Programme. Savings are possible if there is slippage of capital projects and through the Council using internal borrowing – using its own cash reserves to delay the need for external PWLB borrowing. A further saving can be achieved through the use of short term loans at a lower rate before long term borrowing is secured. However this has to be considered against the risk of rising long term interest rates.

12.0 Prudential Indicators

12.1 The Treasury Management, Capital and Investment Strategies elsewhere on this agenda set out the borrowing limits and the policies and practices to be followed in managing the Council's debts, capital spend and investments. The reports incorporate the Prudential Indicators which relate to borrowing and investment.

12.2 Allowance has been made in the borrowing limits for borrowing associated with the Thameswey Business plans. The limits allow for up to half of the following years Thameswey Housing Ltd (THL) allowances, as set out in the Investment Programme, to be drawn down in advance.

12.3 Prudential Indicators for approval by the Council are set out in Appendix 3. These Prudential Indicators will be updated if necessary in the light of the Council's consideration of the Investment Programme and revenue budgets.

13.0 Chief Finance Officer

13.1 Taking into account all of the factors set out in this report and in accordance with the Local Government Act section 25, the Chief Finance Officer has confirmed that the 2022/23 estimates included within this paper are robust, and the level of reserves and provisions are adequate.

13.2 The Council has embarked on an ambitious Fit for the Future programme incorporating an efficiencies exercise as well as service transformation, strengthening of corporate governance arrangements and a programme of community engagement. A 5 year Corporate Strategy will be considered for approval by the Executive in March and Council in April 2022.

13.3 A Comprehensive Review of the Council's Assets and Liabilities has been completed by EY and is attached to this report at Appendix 5. This has proved a valuable exercise in focusing the Council's attention on a number of key actions which will further the understanding of the financial position and provide a strong base from which to implement future strategy. The actions are set out in detail in 4.19.

13.4 Whilst progress has been good, and due to the Council's strong reserve position, there is no immediate pressure on the level of reserves, the forecasts still show an underlying use of revenue reserves over the 5 years resulting in falling below the Council's set minimum level of £10m by 2026. It is critical that plans are put in place now to reduce the use of reserves, ensuring they remain in place to protect the Council's future financial position.

13.5 It will be important that proposed savings are realised with monitoring and reporting in year to identify any issues and take management action. This period of transformation will require investment in resources to achieve necessary changes and ensure the Council has the capacity and capability to protect its investments and achieve the best outcomes. Any further resource requirements will be considered in the March MTFS and reporting during 2022/23.

14.0 Corporate Strategy

14.1 This report sets out the resources available to support the emerging five-year Corporate Strategy due for consideration along with the Medium Term Financial Strategy in March/April 2022.

14.2 Section 4 provides more detail on the process and the priorities for 2022/23 are included in Appendix 6.

15.0 Implications

<u>Finance and Risk</u>

15.1 The financial implications are explicit in the report.

15.2 The Medium Term Financial Strategy includes an assessment of the likely financial impact and incorporates actions to mitigate these.

15.3 As set out in the report the most significant financial risks relate to the continuing financial consequences following the pandemic including reliance on commercial income and the success of town centre investments.

15.4 The government has again announced funding levels for just one year with a risk of reducing support beyond 2022/23.

15.5 In setting the budget for 2022/23 an allowance continues to be made for lost income or irrecoverable debts. This will need to be funded by reserves and has been taken into account when forecasting the Council's available resources going forward.

15.6 Budgets have been amended where ongoing risks have been identified during 2021/22. One-off or short term variances are monitored against the Risk Contingency during the year. Specific service risks have been set out in the report.

Equalities and Human Resources

15.7 The Council's Human Resource Requirement reflected in these estimates as detailed in section 5.

15.8 Service planning takes account of the Council's policies in respect of equalities.

Legal

15.9 Section 151 of the Local Government Act 1972 places a general duty on local authorities to make arrangements for 'the proper administration of their financial affairs'. The Local Government Act 2003 places a duty on the Council's Chief Finance Officer to advise on the robustness of the proposed budget and the adequacy of reserves. The Medium Term Financial Strategy is a policy framework document that is required by law to be adopted by Council.

15.10 The Council is required by statute to set a balanced budget and related council tax demand. The function of the Executive is to prepare and propose the relevant strategy to the Council. This document provides a comprehensive update on the Council's current position.

15.11 Members have a duty to seek to ensure that the Council acts lawfully. They are under an obligation to produce a balanced budget. Members must not come to a decision which no reasonable authority could come to; balancing the nature, quality and level of services which they consider should be provided against the costs of providing such services.

16.0 Engagement and Consultation

16.1 The Council has undertaken a significant programme of engagement during 2021/22 in preparing for the adoption of a new 5 year Corporate Strategy for 2022/23 onwards. This has included community roadshows as well as online questionnaires and a budget simulator tool.

16.2 The feedback from this engagement work was reported to the Executive in January and is the basis for the emerging Corporate Strategy as set out in section 4 of this report, with identified priority areas described in Appendix 7.

16.3 The 2022/23 budget has been prepared on the basis of the provisional programme of work with any required amendments or reallocation of resources subject to separate determination in the March/April 2022 MTFS or during the year.

REPORT ENDS

GENERAL FUND SUMMARY

	ESTIMATE 2021/22 £	ESTIMATE 2022/23 £
TOTAL PROGRAMME REQUIREMENTS	3,649,603	4,046,406
Provision for lost income due to Covid-19	6,614,016	1,818,000
MTFS savings requirement	-100,000	-100,000
PROGRAMME REQUIREMENTS AND SAVINGS TARGETS	10,163,619	5,764,406
Management of Change	250,000	250,000
Risk Contingency	250,000	250,000
New Homes Bonus	-280,504	-230,905
Business Rates Surrey Pool	-200,000	-935,000
PFI Unitary Charge and management	175,000	175,000
Investment Programme items funded from revenue	134,000	140,000
NET COST OF SERVICES	10,492,115	5,413,501
INTEREST AND OTHER ITEMS		
- Interest costs	52,082,842	55,520,055
- Interest and Investment Income	-36,712,374	-38,503,475
NET OPERATING EXPENDITURE	25,862,583	22,430,081
USE OF RESERVES/BALANCES		
- Net Use of Revenue Reserves	-8,243,536	-4,033,535
- New Homes Bonus transferred to Reserve	80,504	0
- Contribution from Wolsey Place reserve	-1,003,347	-1,003,347
- Contribution from Capital Reserves (Depreciation)	-4,006,238	-4,006,238
- Contribution from Reserves - Management of Change	-250,000	-250,000
- Contribution from Reserves - IP items funded from revenue	-134,000	-140,000
AMOUNTS TO BE MET FROM LOCAL TAXATION AND GOVERNMENT GRANTS	12,305,966	12,996,961
EXTERNAL FINANCE - SETTLEMENT FUNDING ASSESSMENT	-2,134,625	-2,134,965
- Lower Tier Services Grant	-90,907	-95,753
- Services Grant (New 2022/23)		-147,156
PRECEPT ON COLLECTION FUND	10,080,434	10,619,087
FORECAST COUNCIL TAX LEVEL		
Precept on Collection Fund (from above)	10,080,434	10,619,087
Woking share of Collection Fund Surplus(-)/Deficit	-44,014	-80,527
Woking share of 2020/21 Collection Fund Deficit	68,041	68,041
	10,104,461	10,606,601
Council Tax Taxbase	40,343	41,519
Council Tax Requirement (£)	£250.46	**£255.46**
Year on year increase (£)	**£5.00**	**£5.00**
Year on year increase (%)	**2.04%**	**2.00%**

SUMMARY OF VARIATIONS

	People £	Place £	Us £	Total £
Original Estimate 2021/22	10,159,985	-12,862,166	6,351,784	3,649,603
General Budget Pressures				
Changes in Management and Administration costs	480,031	182,880	348,420	1,011,331
Changes in Capital Charges	-9,224	10,622	0	1,398
Contractual Inflation	11,891	219,799	0	231,690
Changes in Facilities Management Contract	26,000	-75,015	0	-49,015
Changes in Energy Costs	422,433	30,127	0	452,560
Business Rates Changes	-3,064	16,695	0	13,631
Changes in Insurance	452	-25,685	508	-24,725
Changes in Fees and Charges	-280,788	-16,927	-23,423	-321,138
Cost Reductions/Fit For the Future Savings	-437,436	-330,185	-43,500	-811,121
Other Minor Variations	-26,956	-2,713	0	-29,669
Specific Service Issues				
Contributions re Family Centres moved to M&A	510,870			510,870
Interpretor and Translation Income	-17,579			-17,579
Holiday Hunger Scheme Grant	-10,000			-10,000
Eastwood Leisure Centre	115,000			115,000
Reduction in Grants to Organisations	-177,020			-177,020
Homelessness & Rough Sleeper Funding	-77,758			-77,758
Additional Temporary Accomodation Rent (Waterman House)	-200,200			-200,200
Private sector leasing	88,081			88,081
Bed & breakfast	88,240			88,240
Brockhill CEV Grant	-90,000			-90,000
Brockhill Step Down	-29,000			-29,000
Hale End Court	12,462			12,462
Homelink Income from other Boroughs	-58,008			-58,008
Waste HGV Drivers		55,000		55,000
Playground maintenance		35,000		35,000
Women Support Centre - moved to direct staffing	-277,500			-277,500
Youth Development contribution from SCC	-32,500			-32,500
Car park security/cash collection		4,800		4,800
Garage rents (included in fees & charges report)		46,973		46,973
Courier Costs			10,000	10,000
Overview & Scrutiny Committee Annual Budget			20,000	20,000
Additional staffing pressures				155,000
Fit For the Future transformation projects				-250,000
Original Estimate 2022/23	10,188,412	-12,710,795	6,663,789	4,046,406

INVESTMENT STRATEGY RESERVE

APPENDIX 2B

	2021/22 Original £'000	2021/22 Revised £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Balance Brought Forward	**2,401**	**3,054**	**3,125**	**3,321**	**3,637**	**3,973**
Source of Funds						
Planned contribution from General Fund	1,319	1,319	1,319	1,319	1,319	1,319
New Homes Bonus	81	0	0	0	0	0
Transfer from Town Centre Management Reserve	150	0	0	0	0	0
Total Available Funds	3,951	4,373	4,444	4,640	4,956	5,292
Use of Funds						
Management of Change (GF only)	-250	-250	-250	-250	-250	-250
Use of Selective Licensing Surplus						
Financing IP Revenue Items	-174	-365	-140	-120	-100	-100
Celebrate Woking	0	0	-100	0	0	0
Flood Prevention schemes	0	0	0			
Best Bar None		0				
Sheerwater Social Support	-125	-125	-125	-125	-125	-125
Countryside Management	0	0	0	0	0	0
Sheerwater Football Club/Woking Football Club Ground Sharing						
Queen Elizabeth Gardens Drainage, Landscaping & Lighting						
Total Use of Funds	-549	-740	-615	-495	-475	-475
Transfer to Other Revenue Reseres						
Transfer to Wolsey Place reserve	-300	-300	-300	-300	-300	-300
Transfer to New Homes Bonus Reserve	-81	0	0	0	0	0
Transfer to Equipment reserve	-50	0	0	0	0	0
Transfer to Town Centre Management Account Reserve	-92	-92	-92	-92	-92	-92
Transfer of On-street Parking to Surrey	-116	-116	-116	-116	-116	-116
Transfer to Community Fund	-176	0	0	0	0	0
Transfer to Provision for Flexibility	-10	0	0	0	0	0
Total Transfer to Other Revenue Reserves	-825	-508	-508	-508	-508	-508
Balance Carried Forward	**2,577**	**3,125**	**3,321**	**3,637**	**3,973**	**4,309**

INVESTMENT STRATEGY RESERVE

APPENDIX 2B

	2021/22 Original £'000	2021/22 Revised £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Group Company reserve						
balance b/f	750	750	750	750	750	750
in year movement	0	0	0	0	0	0
balance c/f	750	750	750	750	750	750
Wolsey Place reserve						
balance b/f	1,104	3,582	2,947	2,299	1,637	961
Contribution to reserve	300	300	300	300	300	300
Under-recovery of rents/service charges	-1,003	-1,003	-1,003	-1,003	-1,003	-1,003
Refurbishments	-200	0	0	0	0	0
Subtotal	201	2,879	2,244	1,596	934	258
Interest (included in GF Summary - Interest costs)	26	68	55	41	27	13
	227	2,947	2,299	1,637	961	271
New Homes Bonus reserve						
balance b/f	1,114	1,244	1,162	1,162	1162	1162
In year income	81	81	0	0	0	0
Sheerwater Access Road reserve repayment of loan funding						
Grant to Brookwood Cemetery	-150	-150	0	0	0	0
Developing a Favourable Conservation Status Licence	-13	-13				
Sheerwater Social Support	-125	0	0	0	0	0
West Byfleet Play Area						
balance c/f	907	1162	1162	1162	1162	1162
Insurance reserve						
balance b/f	186	26	26	26	26	26
balance c/f	186	26	26	26	26	26
Equipment reserve						
balance b/f	451	480	463	393	393	393
Contribution to reserve	50	0	0	0	0	0
Planned use of reserve	-70	-17	-70	0	0	0
balance c/f	431	463	393	393	393	393

INVESTMENT STRATEGY RESERVE

APPENDIX 2B

	2021/22 Original £'000	2021/22 Revised £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Business Rates Equalisation Reserve						
balance b/f	4,025	9,576	2,456	2,456	2,456	2,456
Grant timing adjustments		-7,120				
Contribution to reserve - pooling/pilot benefit						
balance c/f	4,025	2,456	2,456	2,456	2,456	2,456
Local Council Tax Support Scheme Hardship Fund						
balance b/f	48	48	48	48	48	48
Contribution to reserve	0	0	0	0	0	0
Planned use of reserve						
balance c/f	48	48	48	48	48	48
Town Centre Management Account Reserve (TCMA)						
balance b/f	412	451	393	335	277	219
Contribution to reserve	92	92	92	92	92	92
Planned use of reserve	-150	-150	-150	-150	-150	-150
balance c/f	354	393	335	277	219	161
Medium Term Financial Strategy Reserve (MTFS)						
balance b/f	4,710	3,868	3,868	3,868	3,868	3,868
Contribution to/(Use of) reserve to support MTFS			0	0	0	0
Brookwood Cemetery Grant (previously NHB Reserve)				0	0	0
balance c/f	4,710	3,868	3,868	3,868	3,868	3,868
Victoria Square Reserve						
balance b/f	3,632	3,349	5,075	5,075	5,075	5,075
Contribution to reserve 1% arrangement fee from 1 January 2017	838	1,746				
Financial modelling		-20				
#WeAreWoking						
balance c/f	4,470	5,075	5,075	5,075	5,075	5,075

RESERVES FORECAST **APPENDIX 2C (General Fund) / 3 (Investment Programme)**

AT 31 MARCH	2021	2022	2023	2024	2025	2026
	£'000	£'000	£'000	£'000	£'000	£'000
REVENUE RESERVES						
Investment Strategy Reserve	3,054	3,125	3,321	3,637	3,973	4,309
Forecast use of reserves due to COVID	0	-5,045	-6,863	-7,803	-7,803	-7,803
Underlying use of reserves net of MTFS savings	0	-2,370	-5,904	-8,938	-12,790	-16,642
Housing Investment Programme Reserve	4,201	2,936	1,686	536	-266	-1,068
Medium Term Financial Strategy Reserve	3,868	3,868	3,868	3,868	3,868	3,868
Provision for Flexibility Reserve	140	140	140	140	140	140
Leased Car Relief Vehicle Reserve	-	-	-	-	-	-
Freda Ebel Bequest	2	2	2	2	2	2
Community Fund	543	543	543	543	543	543
Insurance Fund	26	26	26	26	26	26
Parking Reserve	-	-	-	-	-	-
Environmental (CO2) Reserve	35	35	35	35	35	35
Wolsey Place Reserve	3,582	2,947	2,299	1,637	961	271
New Homes Bonus Reserve	1,244	1,162	1,162	1,162	1,162	1,162
Group Company Reserve	750	750	750	750	750	750
Woking Palace Reserve	50	50	50	50	50	50
Equipment Reserve	480	463	393	393	393	393
Peer grant Reserve	38	38	38	38	38	38
Business Rates Equalisation Reserve	9,576	2,456	2,456	2,456	2,456	2,456
Local Council Tax Support Scheme Hardship Fund	48	48	48	48	48	48
Westfield Common Reserve	108	108	108	108	108	108
PFI Reserve	2,739	2,739	2,739	2,739	2,739	2,739
Town Centre Management Agreement Reserve	451	393	335	277	219	161
Victoria Square Reserve	3,349	5,075	5,075	5,075	5,075	5,075
Sheerwater Reserve	0	0	0	0	0	0
Off Street Parking Reserve	2,000	2,000	2,000	2,000	2,000	2,000
Syrian Refugee Reserve	1,207	1,207	1,207	1,207	1,207	1,207
Homelessness Support Reserve	183	183	183	183	183	183
Dukes Court Reserve	3,273	3,273	3,273	3,273	3,273	3,273
HS2 Reserve	2,800	2,800	2,800	2,800	2,800	2,800
	43,747	28,952	21,770	16,242	11,190	6,124
CAPITAL RESERVES & OTHER RESOURCES						
Usable Capital Receipts	5,509	3,904	2,915	2,066	2,607	3,148
Set Aside Capital Receipts	58,426	65,280	77,385	89,210	101,335	113,787
Major Repairs Reserve	15	15	271	527	783	1,039
Development Contribution Reserve	10,688	10,591	10,469	10,347	10,469	10,591
	74,638	79,790	91,040	102,150	115,194	128,565
WORKING BALANCES						
GF Working Balance	1,500	1,500	1,500	1,500	1,500	1,500
HRA Working Balance	334	334	334	334	334	334
	1,834	1,834	1,834	1,834	1,834	1,834
TOTAL RESERVES	120,219	110,576	114,644	120,225	128,217	136,522

PRUDENTIAL INDICATORS FOR 2021/22 TO 2025/26

1 Investment Programme Expenditure

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Non - Housing Revenue Account	356,926	221,592	141,133	65,899	83,124
Housing Revenue Account	13,567	8,942	8,375	6,700	6,700
Total	370,493	230,534	149,508	72,599	89,824

2 Ratio of Financing Costs to Net Revenue Stream

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Non - Housing Revenue Account	116%	129%	165%	163%	165%
Housing Revenue Account	30%	28%	28%	27%	27%

3 Capital Financing Requirement

	2021/22 Forecast £m	2022/23 Budget £m	2023/24 Budget £m	2024/25 Budget £m	2025/26 Budget £m
General Fund Services	519	581	590	586	581
Council Housing (HRA)	153	156	158	160	161
Capital Investments	1,390	1,489	1,592	1,648	1,722
TOTAL CFR	2,062	2,227	2,341	2,394	2,464

WOKING BOROUGH COUNCIL

AREAS OF SEARCH FOR SAVINGS, INCOME AND EFFICIENCIES - 2022/23 - 2024/25

	2022/23	2023/24	2024/25	Total
	£'000	£'000	£'000	£'000
Community Services	662	670	191	1,523
Planning	300	148	61	509
Housing Services	91	116	-7	200
Neighbourhood Services	20	300	0	320
Legal & Democratic Services	82	50	0	132
Chief Executive & Support Services	640	588	110	1,338
Corporate -(Cross- Directorates)	633	105	85	823
Total Directorates	**2,427**	**1,976**	**440**	**4,843**

WOKING BOROUGH COUNCIL

AREAS OF SEARCH FOR SAVINGS, INCOME AND EFFICIENCIES - 2022/23 - 2024/25

Community Services (Housing Directorate)		Savings / Income				
		2022/23	2023/24	2024/25	Total	Primary
Activity	Details of the proposal for saving; additional income or efficiency	£'000	£'000	£'000	£'000	Savings / Income Approach Category*
Community Services (Housing Directorate)						
Health and Wellbeing						
Community Meals	End to end service and business process review including transportation and delivery; meals production and overall service administration.	51	-	-	51	Service Redesign
Community Centres	In November 2020, the café and kitchen responsibility at Moorcroft Community Centre was transferred to Foodwise CIC. The proposal is to extend the arrangements that are in place at Moorcroft to The Vyne and St Mary's Community Centres.	90	48	-	138	Service Redesign / Commissioning
Home Independence	Delete vacant Social Prescribing Officer post	30	-	-	30	Service / Spend Rationalisation
Home Independence	The current contract for the Careline service ends in March 2022. The proposal is to move the alarm service to the Safer Runnymede service.	12	12	-	24	Service re-design / Procurement

WOKING BOROUGH COUNCIL

AREAS OF SEARCH FOR SAVINGS, INCOME AND EFFICIENCIES - 2022/23 - 2024/25

Community Services (Housing Directorate)		Savings / Income				
		2022/23	2023/24	2024/25	Total	Primary
Activity	Details of the proposal for saving; additional income or efficiency	£'000	£'000	£'000	£'000	Savings / Income Approach Category*
Community Services (Housing Directorate)						
Family and Community Services						
Community Centres	To consider alternative ways to deliver the Junction Cafe. Currently, the Council funds all of the costs and there is no income. The cafe has a small number of regular customers but is not fully utilised and there are other town centre cafe options.	44	-	-	44	Service / Spend Rationalisation
Community Centres	Increasing hirer income from the Centres for the Community. Centres can increase income by targeting regular, self-sufficient hirers and also by leasing parts of the buildings to services, eg health and wellbeing.	114	-	-	114	Income Growth
Community Centres	The proposal is to remodel the staffing at the Centres to reflect changes to administration processes; kitchen provision; key holding and caretaking and facilities management arrangements.	77	77	-	155	Service / Spend Rationalisation

WOKING BOROUGH COUNCIL

AREAS OF SEARCH FOR SAVINGS, INCOME AND EFFICIENCIES - 2022/23 - 2024/25

Community Services (Housing Directorate)		Savings / Income				
		2022/23	2023/24	2024/25	Total	Primary
Activity	Details of the proposal for saving; additional income or efficiency	£'000	£'000	£'000	£'000	Savings / Income Approach Category*
Community Services (Housing Directorate)						
Community Development	Remodel the Council's approach to community development	-	-	61	61	Service / Spend Rationalisation
	N.B. Commissioned Services (i.e. Family Services) not included in this exercise.					
Total Community Services (Housing Directorate)		**418**	**137**	**61**	**616**	

Savings / Income Category*

Increase in Fees / Charges
Income Growth
Service Redesign
Digital Service Delivery
Service / Spend Rationalisation
Commissioning / Procurement
Other - State

WOKING BOROUGH COUNCIL

AREAS OF SEARCH FOR SAVINGS, INCOME AND EFFICIENCIES - 2022/23 - 2024/25

Community Services Directorate		Savings / Income				
		2022/23	2023/24	2024/25	Total	Primary
Activity	Details of the proposal for saving; additional income or efficiency	£'000	£'000	£'000	£'000	Savings / Income Approach Category*
Community Services (Neighbourhoods Directorate)						
Leisure Services						
Cardinals in the Community	Saving on pitch maintenance support which is no longer required. Funding for community develelopment work at £10k per annum continues.	10			10	Service Re-design (With Partner)
Void Properties	Reduce the number of void properties across the commercial estate. This exercise will generate rental income and reduce void costs. The figures shown are the net income growth and are a conservative estimate as the Council will need to work very hard to maintain the current occupancy levels.	178	132	130	440	Other - Rate Mitigation - reduced liability to Council / Income Growth
Youth Services	Transfer of operational responsibility for the Ypod centre to a charity, move existing hirers into the leisure centres to increase their income. Initially this will reduce the covid support payments we make to Freedom and longer term will increase the management fee they pay us.	10			10	Other - Change of Service and redeployment of existing
Cultural Services	Review the Cultural Services offer with Partners in order to reduce the dependency on funding from WBC whilst maintaining a compelling cultural services offer and experience for the Borough of Woking		151		151	Commissioning
Community Safety						
Checkpoint Plus Programme	Successful bid to OPCC funding has resulted in an increase in our grant for Checkpoint Plus for next 3 years.	14			14	Increased grant

WOKING BOROUGH COUNCIL

AREAS OF SEARCH FOR SAVINGS, INCOME AND EFFICIENCIES - 2022/23 - 2024/25

Community Services Directorate		Savings / Income				
		2022/23	2023/24	2024/25	Total	Primary
Activity	Details of the proposal for saving; additional income or efficiency	£'000	£'000	£'000	£'000	Savings / Income Approach Category*
Community Services (Neighbourhoods Directorate)						
Checkpoint Plus Programme	Remove WBC contribution to the Checkpoint Plus programme from April 2022.	32			32	Service Re-design (With Partner)
Womens Support Centre	The Womens Support Centre is currently providing a regional wide support service, for and beyond the communities of Woking. Currently WBC is the funder of this service and opportunities need to be explored for funding contributions from other regional partners and external funding sources to reflect the regional reach and benefit that the support service provides. WBC is proposing to reduce its funding towards the service and will work with the Centre and other partners to get agreement for alternative sources of funding and contributers to the costs of providing the service.		250		250	Commissioning
Total Community Services (Neighbourhoods Directorate)		**244**	**533**	**130**	**907**	

Savings / Income Category*
Increase in Fees / Charges
Income Growth
Service Redesign
Digital Service Delivery
Service / Spend Rationalisation
Commissioning / Procurement
Other - State

WOKING BOROUGH COUNCIL

AREAS OF SEARCH FOR SAVINGS, INCOME AND EFFICIENCIES - 2022/23 - 2024/25

Planning Directorate		Savings / Income				
		2022/23	2023/24	2024/25	Total	Primary
Activity	Details of the proposal for saving; additional income or efficiency	£'000	£'000	£'000	£'000	Savings / Income Approach Category*
Planning Directorate						
Business Liaison						
Business Liaison	Reduction in Consultancy/Marketing and Business events spend.		43	0	43	Service / Spend Rationalisation
Property						
Property Services	Review CCTV contract and partnesrhip contributions for the service.	53			53	Income Growth
Security and Cleaning Contracts	Eficiencies from the management of buildings facilities management, security and cleanining contracts and facility utilisation	75	39	31	145	Service / Spend Rationalisation
Property Services	Invest to save opportunity and contribution towards climate strategy. Employ energy manager within Property Services to audit and produce efficient suppliers, recharge tenants for energy used where possible, manage EPC requirements / future restrictions on leasing properties, identify grant funding for capital works, energy saving proposals and assist with the Council Climate Change commitments. Employment costs shown on Pressures Schedule.	15			15	Commissioning / Procurement
Property Services	Apply charges to EV Charging points in Council owned Car Parks. Currently the charging facility is free which is out of step with other local councils		37		37	Income Growth

WOKING BOROUGH COUNCIL

AREAS OF SEARCH FOR SAVINGS, INCOME AND EFFICIENCIES - 2022/23 - 2024/25

Planning Directorate		Savings / Income				
		2022/23	2023/24	2024/25	Total	Primary
Activity	Details of the proposal for saving; additional income or efficiency	£'000	£'000	£'000	£'000	Savings / Income Approach Category*
Planning Directorate						
Property Services	Seek further commercialisation opportunities from our asset bases through an increased focus on business to business opportunities	30	30		60	Income Growth
Development, Building Control & Planning Policy						
Planning	Increases in planning fee income due to increasing activity	100	0	0	100	Income growth
Planning	Delete one post due to natural wastage within Planning Policy			30	30	Service Redesign
Planning	Fund CIL Officer post by money secured from CIL administration.	27			27	
Total Planning Directorate		**300**	**148**	**61**	**509**	

Savings / Income Category*

Increase in Fees / Charges
Income Growth
Service Redesign
Digital Service Delivery
Service / Spend Rationalisation
Commissioning / Procurement
Other - State

WOKING BOROUGH COUNCIL

AREAS OF SEARCH FOR SAVINGS, INCOME AND EFFICIENCIES - 2022/23 - 2024/25

Housing Directorate		Savings / Income				
		2022/23	2023/24	2024/25	Total	Primary
Activity	Details of the proposal for saving; additional income or efficiency	£'000	£'000	£'000	£'000	Savings / Income Approach Category*
Housing Services Directorate						
Housing Assets						
Housing Assets	Stop annual subscription with HQN.	4	0	0	4	Service reconfiguration /efficiency
Housing Assets	Efficiency opportunities arising from bringing New Vision Homes (NVH) back into the council	0	30	0	30	Service reconfiguration /efficiency
Private Sector Housing						
Private Sector Housing	Review of Selective Licensing Scheme and trade the Let's Rent service to other Authorities	5	14	0	19	Income growth
Strategic Housing & Development						
Strategic Housing & Development	Capitalisation of Housing Enabling Officer role for next two years. Continuation beyond this is dependant upon further affordable housing projects being approved. Full team budget included on this line.	23	0	-23	0	Other - capitalisation
Housing Solutions						
Housing Solutions	Subject to pursuing Thameswey Let's Rent Model - reduction in the number of nights in B&B. With additional Let's Rent properties, over time, stays could be reduced by an average of 2 weeks.	16	32	16	63	Service reconfiguration /efficiency

WOKING BOROUGH COUNCIL

AREAS OF SEARCH FOR SAVINGS, INCOME AND EFFICIENCIES - 2022/23 - 2024/25

Housing Directorate		Savings / Income				
		2022/23	2023/24	2024/25	Total	Primary Savings / Income Approach Category*
Activity	Details of the proposal for saving; additional income or efficiency	£'000	£'000	£'000	£'000	
Housing Services Directorate						
Housing Solutions	Reduce number of Resilience sessions for staff.	8	0	0	8	Service reconfiguration /efficiency
Housing Solutions	Stop using Ethical Lettings to source private lets. Focus on Let's Rent service.	18	0	0	18	Service reconfiguration /efficiency
Housing Solutions	Withdraw from Sharers's Scheme	18	0	0	18	Service reconfiguration /efficiency
Resident Engagement						
Resident Engagement	Review Resident Engagement resources in 23/24 as Sheerwater rehousing support scales down.	0	40	0	40	Service reconfiguration /efficiency
Total Housing Directorate		**91**	**116**	**-7**	**200**	

Savings / Income Category*

Increase in Fees / Charges
Income Growth
Service Redesign
Digital Service Delivery
Service reconfiguration/efficiency
Commissioning / Procurement
Other - State

WOKING BOROUGH COUNCIL

AREAS OF SEARCH FOR SAVINGS, INCOME AND EFFICIENCIES - 2022/23 - 2024/25

Neighbourhood Services Directorate		Savings / Income				
		2022/23	2023/24	2024/25	Total	Primary
Activity	Details of the proposal for saving; additional income or efficiency	£'000	£'000	£'000	£'000	Savings / Income Approach Category*
Neighbourhood Services Directorate						
Neighbourhoods						
Highways Maintenance	End Agency agreement, that has provided an enhanced tree inspection and maintenance service, at the end of March 2023 and return service delivery to Surrey County Council		200		200	Commissioning
Highways Maintenance	End Agency agreement, that has provided an enhanced grass cutting on highway verges service, at the end of March 2023 and return service delivery to Surrey County Council		100		100	Commissioning
Environmental Health						
Other						
Highways	Reduce car rentals and car pooling capacity	20			20	Service reconfiguration /efficiency
Total Neighbourhood Services Directorate		**20**	**300**	**0**	**320**	

Savings / Income Category*

Increase in Fees / Charges
Income Growth
Service Redesign
Digital Service Delivery
Service reconfiguration/efficiency
Commissioning / Procurement
Other - State

WOKING BOROUGH COUNCIL

AREAS OF SEARCH FOR SAVINGS, INCOME AND EFFICIENCIES - 2022/23 - 2024/25

Legal & Democratic Services Directorate		Savings / Income				
		2022/23	2023/24	2024/25	Total	Primary
Activity	Details of the proposal for saving; additional income or efficiency	£'000	£'000	£'000	£'000	Savings / Income Approach Category*
Legal & Democratic Services Directorate						
Legal Services						
Legal Services	Review and reduce subscriptions Cancel RICS Subscription (BCIS) - Contract termination - implemented with effect 1/7/21 Review/ digitise online legal subsciptions with Westlaw. Review underway/ change some hard copy subscirptions to online only	18			18	Service reconfiguration /efficiency Service reconfiguration /efficiency
Legal Services	Spend to Save. Employ an additional property solicitor to undertake property work on Dukes Court currently undertaken by Eversheds and Wolsey Place Shopping Centre undertaken by Anderson Strathern. This is an estimate and further analysis of the detail and consideration of legal spend required to determine whether this is viable .	0	50		50	Spend to Save
Licensing	Cancel Town Centre and Taxi Marshalls. Manage through Licensing Regime. Marshalls withdrawn on trial basis since June.	25			25	Service reconfiguration /efficiency
Democratic Services						

WOKING BOROUGH COUNCIL

AREAS OF SEARCH FOR SAVINGS, INCOME AND EFFICIENCIES - 2022/23 - 2024/25

Legal & Democratic Services Directorate		Savings / Income				
		2022/23	2023/24	2024/25	Total	Primary
Activity	Details of the proposal for saving; additional income or efficiency	£'000	£'000	£'000	£'000	Savings / Income Approach Category*
Legal & Democratic Services Directorate						
Courier post	Increased use of the DMD Courier Service and external postal services	17			17	Service reconfiguration /efficiency
Marketing and Communications						
External Media	Review of WBC advertising and presence in external media	22			22	Commissioning
Total Legal & Democractic Services		**82**	**50**	**-**	**132**	

Savings / Income Category*
Increase in Fees / Charges
Income Growth
Service Redesign
Digital Service Delivery
Service reconfiguration/efficiency
Commissioning / Procurement
Other - State

WOKING BOROUGH COUNCIL

AREAS OF SEARCH FOR SAVINGS, INCOME AND EFFICIENCIES - 2022/23 - 2024/25

Chief Executive & Support Services		Savings / Income				
		2022/23	2023/24	2024/25	Total	Primary
Activity	Details of the proposal for saving; additional income or efficiency	£'000	£'000	£'000	£'000	Savings / Income Approach Category*
Chief Executive & Support Services						
FINANCE						
Financial assurance and support	Develop wider financial management and risk capabilities and consequently reduce investment into assurance based activity	15			15	Service reconfiguration /efficiency
Subscriptions etc AHVAA	Reduce budget to reflect only essential subscriptions and support.	12			12	
Capitalisation of Interest	Review capitalisation of interest to projects	333			333	Financing
Investment Programme projects	Consider options for Gateway (350k) and YRP (160k) to be cost neutral		510		510	Financing
	FINANCE	**360**	**510**	**-**	**870**	
Revenues, Benefits & Customer Services						
Benefits: Agency Temps	Reduce use of Agency staff cover	27	28		55	Service Redesign
Customer Services	Staff reduction through natural turnover	43			43	Service Redesign

WOKING BOROUGH COUNCIL

AREAS OF SEARCH FOR SAVINGS, INCOME AND EFFICIENCIES - 2022/23 - 2024/25

Chief Executive & Support Services		Savings / Income				
		2022/23	2023/24	2024/25	Total	Primary
Activity	Details of the proposal for saving; additional income or efficiency	£'000	£'000	£'000	£'000	Savings / Income Approach Category*
Chief Executive & Support Services						
Customer Services - Land Charge:	Staff efficiency when national Land Register changes implemented	28			28	Service Redesign
Customer Services - "One Stop Shop" or "shared" services approach on Contact Centre phones.	Migrate customer services towards online channels, reducing the need and demand for face to face capacity.	28			28	Service Redesign
Revs, Bens & CS Team Management:	Service redesign to provide greater integrated service delivery			100	100	Service Redesign
	Revenues, Benefits & Customer Services	**126**	**28**	**100**	**254**	
ICT						
ICT Systems	Review of Corporate Systems Strategy in order to rationalise systems and consolidate hardware	139	30	10	179	Service Redesign

WOKING BOROUGH COUNCIL

AREAS OF SEARCH FOR SAVINGS, INCOME AND EFFICIENCIES - 2022/23 - 2024/25

Chief Executive & Support Services		Savings / Income				
		2022/23	2023/24	2024/25	Total	Primary
Activity	Details of the proposal for saving; additional income or efficiency	£'000	£'000	£'000	£'000	Savings / Income Approach Category*
Chief Executive & Support Services						
Town Centre Wi-Fi	Bring Management of Town Centre Wi-Fi in house, £20,000 allowance for any additional equipment year 1 (WBC owns existing equipment). The Council owns the Wi-Fi equipment and pays for the licensing and maintenance and repairs already. Repairs are undertaken by Emcor and arranged by the Council, so there should be minimal impact on resources. This would give an annual revenue saving.	15	20		35	Service Redesign
	ICT	**154**	**50**	**10**	**214**	
Total CEX and Support Services		**640**	**588**	**110**	**1,338**	

Savings / Income Category*

Increase in Fees / Charges
Income Growth
Service Redesign
Digital Service Delivery
Service reconfiguration/efficiency
Commissioning / Procurement
Other - State

WOKING BOROUGH COUNCIL

AREAS OF SEARCH FOR SAVINGS, INCOME AND EFFICIENCIES - 2022/23 - 2024/25

CORPORATE		Savings / Income				
		2022/23	2023/24	2024/25	Total	Primary
Activity	Details of the proposal for saving; additional income or efficiency	£'000	£'000	£'000	£'000	Savings / Income Approach Category*
Corporate						
Fit for the Future Programme	Target further efficiency savings through transformational service change opportunities	**250**			**250**	Service Redesign
Fees & Charges	See Separate Fees and Charges Report that is on the agenda of the Executive	213	40	20	**273**	Increase in Fees / Charges
Grants	Grants to Voluntary Sector and community organisations	170	65	65	**300**	Commissioning / Procurement
Total - Corporate		**633**	**105**	**85**	**823**	

Savings / Income Category*

Increase in Fees / Charges
Income Growth
Service Redesign
Digital Service Delivery
Service reconfiguration/efficiency
Commissioning / Procurement
Other - State

COMPREHENSIVE STATEMENT

Executive Summary

The Council commissioned a full, independent and comprehensive review of all the assets and liabilities of the Council and all companies of which it has an interest as a component part of the Medium-Term Financial Strategy and integrated service and financial planning.

This report provides the independent Comprehensive Statement and a response to Observations and Risks highlighted in the statement.

1. OVERVIEW

1.1 Woking Borough Council is an ambitious and forward-thinking Local Authority that has made significant investment into regeneration of the borough through residential, retail, office and leisure activity. In addition, the Council has invested to acquire commercial estate that brings significant income back to the council in order to enhance the services delivered to support the communities of Woking.

1.2 This level of ambition requires, and has taken, a bold 50-year vision and investment plan for the borough. The Council has committed, to this investment plan in areas where it can secure long-term improvements. The ambition recognises that it comes with a degree of risk and requires a high level of support in the short-term in order to build up sustainable operations that support the delivery of regeneration outcomes.

1.3 In support of the position the Council has taken, it has developed an integrated service and financial planning approach through the Medium-Term Financial Strategy (MTFS); the development of a Corporate Plan (and hierarchy of planning) and a Community Engagement programme that is targeting developing and maintaining effective connections between the Council and its communities.

2. RESOLVE OF COUNCIL / NOTICE OF MOTION

2.1 At the meeting of Council on 29th July 2021, it approved the MTFS report and within this agreed for an independent comprehensive assessment of the Council's assets and liabilities as part of aligning the Fit for the Future Programme with the Council's accounts position.

2.2 At the same meeting a Notice of Motion was presented by Councillor Barker. Councillor Azad moved an amendment to this, which was considered and agreed.

2.3 The following Notice of Motion then formed the basis of the independently commissioned review to satisfy both the Notice of Motion and resolve in the MTFS report.

"This council calls for a full, independent and comprehensive review of all the assets and liabilities of Woking Borough Council; and all companies in which it has an interest whether by means of shareholding (however large or small) or any other means of influencing the activities of said company. The report is to contain a comprehensive Statement identifying, amongst other things:

- *An independent reviewer's assessment of the current net realizable value of each of the assets*
- *Full details of all borrowings including their terms and conditions*
- *Full details of outstanding contractual obligations involving future income to be received and future expenditure to be incurred*
- *Details of any fixed or floating charges on any assets*
- *Full details of any grants, loans or other contracts which contain performance conditions which, if not met, would incur financial penalties for the Council or any of its*

companies. Council officers should work with the Chair of the Overview & Scrutiny Committee to appoint an appropriate independent reviewer

The reviewer must:

- *Be allowed full and unfettered access to all the documents and information required*
- *Provide monthly progress reports to the Overview and Scrutiny Committee.*
- *Complete the review and the full report by the end of December 2021."*

3. MEDIUM TERM FINANCIAL STRATEGY (MTFS)

3.1 Through 2021 the Council has been reporting on its Medium-Term Financial Strategy (MTFS) which can be referenced in the MTFS reports to the following meetings of the Executive:

25th March 2021 http://mg-intranet/ieListDocuments.aspx?CId=165&MId=951

15th July 2021 http://mg-intranet/ieListDocuments.aspx?CId=165&MId=1196

7th October 2021 http://mg-intranet/ieListDocuments.aspx?CId=165&MId=1198

18th November 2021 http://mg-intranet/mgCalendarMonthView.aspx?XXR=0&M=11&DD=2021&ACT=Go

3.2 The MTFS has recognised key financial challenges and opportunities, in the short (1 year) to medium (5 years) terms, facing the Council. Addressing these informs the strategic financial planning for the Council. The following bullet points are extracts of the key issues that have been expressly referenced in the MTFS reporting and financial strategy through the year. They reflect the specific macro and micro economic and financial performance factors that are being managed through the integrated service and financial planning approach and the developing Fit for the Future programme:

- The Chartered Institute of Public Finance Accountants produce an index of Financial Resilience to support Local Authority good financial management. Of particular note and relevance for Woking Borough Council are:
    - comparably high levels of borrowing and interest payments to support our investment and regeneration programmes
    - a strong financial position in respect of the level and sustainability of reserves and the ratio of fees and charges to service expenditure

    It is this reliance on alternative income sources, seen by the index as a strength, which has increased the financial pressure during the pandemic as income has been downwardly affected.

- The financial position of the Council is significantly reliant on income from car parking and commercial rents contributing some £8m and £22m towards the Council's total income. This income has been used to fund a wide range of services for the communities of Woking that would not be possible to fund if this income was not generated.

There has been a significant loss of this income in 2020/21 and the first two quarters of 2021/22. Whilst it can be assumed that this income will recover over time, it may take some time before pre-Covid income levels are achieved. A full recovery is assumed to extend beyond the four years of this MTFS. On this basis, a prudent approach is required that secures savings in the short and medium term to reduce and remove the need to deplete reserves.

- The 2021/22 budget and forecasts to 2024/25 set out in the March 2021 MTFS assumed the use of almost £25m of revenue reserves to support the provision of services. This requirement to use reserves is significantly due to the forecast reduction in income and returns from investments in the Woking economy. While the general economy is expected to slowly recover from the pandemic, the performance of specific sectors will need to be monitored in order to inform our forecasts for returns from our current assets and opportunities for our future Investment Programme.

  The use of reserves as forecast would leave the Council with minimal balances left at the end of the forecast period, and with a budget deficit still to be met. This report identifies a minimum level of reserves that needs to be in place at the end of this period in order to ensure that the Council's finances are in a robust position, that there is an appropriate provision for the management of risks and ability to invest further into service modernisation and opportunities that support economic and social regeneration for the benefit of the communities of Woking.

- To drive out and maximise the benefits from investments and ensure that the Council remains a lean, efficient and digitally modern Council, it has established a Fit for the Future Programme, which brings together both existing plans and activity and introduces a coordinated programme of change.

  The key components of the programme are being developed in order to bring forward areas of search for efficiencies and savings which will enable the Council to manage its resources over the medium term and align these to the priority outcomes identified in the corporate plan.

  Bringing this together into a programme of activity will require some additional investment on an "invest to save" basis to ensure we have the required business and performance intelligence and access to best practice.

  Additional resource is required in the initial key areas of transformation and digital; community engagement; commercial and finance business partnering. For 2021/22 this will be managed within the current approach to managing staffing budgets and establishment. Beyond the current financial years any requirement for additional resource will be incorporated into the MTFS process which will align priorities with the resources available. It is recommended that a £500k budget is established to enable external resources to be made available to support these programmes. Where possible the Council will fund this through use of 'Flexible use of Capital Receipts' which allows income from the sale of property to be applied to transformation activities.

- A review is being commissioned for the governance of Victoria Square to ensure the Council can transition its client management focus from the development and build phase to operation and delivery phase. In addition, the strategic interface between the Council

and Thameswey is being developed to reflect the changes the Council is making to corporate and integrated service and financial planning.

3.3 The Comprehensive Statement, commissioned through the Notice of Motion, needs to be considered in the context of the regeneration vision that the Council has for the Borough and the role the Council has taken in the delivery of this vision through being the key investor.

4. COMMISSIONED REVIEWS

4.1 The reporting on the MTFS to Executive has highlighted that the Council has established a significant performance reset over 2021/22 through the emerging Fit for the Future programme.

This is in order to establish a framework to oversee the delivery of efficiencies while continuing to place communities at the core of decision-making through extensive community engagement plans. In addition, the programme seeks to deliver a modern way of working that is in tune with the priorities of residents and the opportunities the Borough offers.

4.2 An overview of the approach to the performance reset can be found in the MTFS report to the Executive on 7th October 2021 http://mg-intranet/ieListDocuments.aspx?CId=165&MId=1198. The key elements of the approach incorporate:

- New Corporate Plan
- Review of Governance
- Project Management Assurance
- Risk Management Strategy
- Community Engagement
- Strengthening the role of O+S
- Workforce engagement
- Digital and Transformation
- Strengthening Partnership Working
- **Financial Review and Insight**

As a component part of the Fit for the Future Programme and approach to providing a performance reset, the Council wanted both a comprehensive understanding and assessment of current performance and strategic insights to inform the financial strategies of the Council.

4.4 The Council is entrepreneurial and commercially orientated and has made significant commitment and investment into assets and activity within the borough in order to support:

- regeneration.
- the supply of quality and affordable homes.
- economic development; and
- Council financial independency and resilience.

4.5 Following a competitive tender process, the independent consultants Ernst Young (EY) were commissioned to undertake 2 (two) pieces of financial review:

- A Comprehensive Statement that addresses the requirements of the Notice of Motion (see section 2 of this report above)
- A series of Financial Review and Insights –The purpose of these is to bring independently researched insights into:
  - Socio economic factors that influence medium – long term financial strategies
  - Current financial performance benchmarking
  - Indicators of financial resilience

4.6 This report covers the Comprehensive Statement which will form part of the MTFS, General Fund, Service Plans, Budgets and Prudential Indicators 2022-23 report to the 3rd February 2022 meeting of the Executive.

4.7 The series of Financial Review and Insights are in the process of being drafted and will be used to inform the Medium-Term Financial Strategy beyond 2022/23. The Insights are a joint and collaborative endeavour as they incorporate the vision and strategy work produced by the Council alongside independent market insight and benchmarking from EY, to inform what the areas of risk and opportunity for the Council are. The Insights should both challenge and validate the Councils approach, recognising the challenges and opportunities in the short, medium and long term. The Insights are targeted to be complete in order to inform the MTFS report to 24th March 2022 meeting of the Executive.

5. COMPREHENSIVE STATEMENT

5.1 Attached at Appendices 1 and 2 to this report is:

Appendix 1 Comprehensive Statement – Member Briefing

Appendix 2 Comprehensive Statement Report

5.2 These appendices have been independently produced by the consultants EY.

5.3 Comprehensive Statement – Response

5.3.1 Overview:

We would initially like to express our thanks to EY and specifically the lead consultants on this work for their due diligence and for both the wider Local Government experience and national economic insights that they were able to bring.

As the Comprehensive Statement review is on the current state of finances and financial performance of the Council, as largely reported through published accounts, it was pleasing to see that the Comprehensive Statement – Member Briefing did not highlight any individual **key statements** of fact or **observations** that were surprising to the Council.

The Comprehensive Statement represents the financial matters of the Council arising from the decisions the Council has taken to pursue the regeneration vision for the

Borough, undertake the key investment role to drive this regeneration with purpose and generate additional income sources for the Council that both enable it to support the regeneration activity and enhance the level of service provision to the communities of Woking.

However, whilst the Comprehensive Statement may not have highlighted any new individual statements of fact, it does provide significant added value and benefit for the Council and emphasises a number of issues that the Council should give increased focus and attention to. In this context the Comprehensive Statement:

- Provides assurance around the Council's asset valuations approach and short-term cash and investment positions
- Recognises the Council's regeneration focus and the alignment of financial strategies to this
- By bringing the Asset Position; Borrowing Position; Financial Interests and Contractual Obligations together in one focused statement it gives additional insights that should be recognised and used to develop strategic financial priorities
- Provides insight that is relevant for the Council's Fit for the Future Programme and specifically the need for the Council to move with greater pace and certainty around:
    - Adopting a stronger strategic approach to the management of assets
    - Development of its commercial and strategic finance capacity and expertise in order to drive out the returns from our investments.
    - Completing the review of Governance of Companies, the strategic alignment between the Council and Thameswey group and the intelligent client capability retained within the Council. This review should address the specific risks highlighted for Thameswey Energy Limited (TEL) and Thameswey Milton Keynes Limited (TCMK)
    - Strengthening the oversight of Town Centre management including the strategic management of the assets
    - Continuing to develop and strengthen the Medium and Long-Term Financial Strategy and the strategic management of reserves within this

5.3.2 Asset Position

Reflections:

The Council does have a net asset position (assets valued greater than liabilities) underpinned by reasonable asset accounting policies and sufficient useable reserves in the short term to manage financial shocks

The Council's assets are exposed to conditions in the retail and office market and as one would expect given the prevailing impacts of the pandemic, the balance sheet value of assets has expectedly been valued down. This revaluation is at a point in time, is a snapshot rather than a narrative, and is due to reductions in commercial rent income in the valuation year.

The Council has made provision for reduced commercial rent income, as has been reported through the MTFS and referenced in section 3 of this report and the reserves strategy has been established to respond to our forecasts of the implications of the downturn in the economy over the MTFS period.

5.3.3 Borrowing Position

Reflections:

The Council has a high level of borrowing (3rd highest local authority) as a result of the role it has taken to invest in the regeneration of Woking. The Treasury Management costs of this borrowing have a significant impact on the General Fund which means that there is a high dependency on the wider office and retail economy and the performance of assets and companies the Council has invested in to meet loan servicing costs. This represents a large proportion of the Council's General Fund budget that is a fixed cost.

The Council's borrowing has been for regeneration and inside the Woking Borough. It has not taken borrowing for investments outside of the Borough or simply for commercial return. Borrowing has been undertaken through PWLB and at attractive fixed term rates which secure against future interest rate movements.

There are no covenants on the Council's assets and borrowing.

5.3.4 Financial Interests

Reflections:

The Council's investments into companies are for long-term benefit over short-term gain. The companies exist to support the regeneration priorities of the borough and this recognises that they operate with an expectation that they make lower commercial margins. Success is measured more by the benefits they deliver for the communities of Woking rather than pure company financial performance. This can be seen in the company ratio analysis on page 24 and the following pages of the Comprehensive Statement report. It also needs to be recognised that Thameswey TDL develops assets for the other Thameswey companies and works to lower agreed margins to reflect this group relationship.

What follows this strategy for regeneration is a focus on companies' medium to long term business plans with the short-term positions being managed through the Councils wider MTFS and Investment Programme.

This strategy, however, does require stronger Council oversight and governance of company performance. The company financial viability assessment ratios undertaken by EY highlights that in the short term, for all material investments, there is sufficient turnover to meet short term loan repayments. It equally highlights the impact of making investment for the long term over short term gain as can be seen by the losses recorded in the latest statement of accounts.

The risks in the medium term associated with Thameswey Central Milton Keynes (TCMK) require a specific joint response between the Council and Thameswey that is over and above the overall oversight of the Council's borrowing and financial interest positions.

The Council has appropriate diversification of short-term investments ensuring it is not overexposed to risk and had sufficient funds to meet its cashflow requirements

5.3.5 Contractual Obligations

Reflections:

The Council has appropriate systems in place to ensure that grants are administered appropriately, and reimbursements are correct.

5.4 The table below provides an initial response to the **key statements** and **observations** in the Comprehensive Statement - Member Briefing and areas of **challenge** and **risk** highlighted within the Comprehensive Statement Report.

Section 5.3.1 of this report highlights the areas where the Council will give an increased focus and attention to arising from the Comprehensive Statement work. These are highlighted in bold in the table below.

Where the **key statements** and **observations** provide assurance and affirmation of the Councils current position and approach, these are received without specifically acknowledging or responding to them within this response to the Comprehensive Statement..

Key Issue or Risk	Current Approach and Plans	Actions following the Statement
There is a Risk that commercial properties continue to be devalued as a result of reductions in commercial rent income, this would dilute the councils balance sheet. Where this does occur, the council need to consider whether continued revaluations indicate a need to reassess asset use to meet regeneration objectives.	There is an asset management strategy that is in development and a review of the Property Services Operating Model underway. The Fit for the Future programme has identified a need to develop the commercial management capacity and capability in the Council and how we are organised. The Councils significant investment holding of retail and office estate does support its role in regeneration as it is able, through an asset management strategy, to strategically review how these assets contribute to the priorities of the borough.	The delivery of the **asset management strategy** will be escalated as a key project, reporting to CLT as the Corporate Programme Board, alongside a quarterly report on the performance of retail and office assets. Given its significant asset holdings in the town centre, the asset management strategy will need to be guided by a clear vision and strategy for the town centre that is informed by up-to-date market insight and intelligence. This will enable the council to maximise the use of its assets to get a balance between financial return and place making outcomes. The Risk is accepted and will be considered through the Council's Risk Management Policy to determine risk treatment and further mitigations
A sizeable investment asset portfolio that is highly exposed to conditions in the Retail and Office market	The Medium-Term Financial Strategy recognises the dependency on income from the commercial estate and has a financial strategy to manage this over the next 4 years. The reserves strategy has been reviewed and is under continual review through the MTFS. The strategy is underpinning our response to managing the impact of the economy as well as responding to risks in delivering the Councils business and providing some capacity to invest in transformational change	**The Council will develop a vision and strategy for the Town Centre**. Given its significant asset holdings in the town centre, the asset management strategy will need to be guided by a clear vision and strategy for the town centre that is informed by up-to-date market insight and intelligence. This will enable the council to maximise the use of its assets to get a balance between financial return and place making outcomes (repeated – see action above)

	Management of the asset portfolio and the markets these operate in is part of the asset management strategy referred to above A review of the governance of Victoria Square is underway and will report, with recommendations, to the Executive.	Completion of the commissioned review on the governance of Victoria Square in order to identify the most effective approach to the management of the assets to secure the financial and place making interests of the Council. Following this governance review the council will adopt the required changes to develop its **commercial and strategic finance capacity and expertise** across its whole asset portfolio and investments in order to deliver on the required outcomes for the borough
There is a risk that the high proportionate level of debt payments the council incurs compared to Net Service Expenditure, will reduce the Council's financial resilience in the medium to long term. These commitments reduce budgetary flexibility in the event of volatility.	The Medium-Term Financial Strategy recognises the high level of fixed costs in the general fund that is required to services the costs of borrowing and has a reserves strategy that is informed by an assessment of service and financial risk. There is an asset management strategy that is in development which includes an asset disposal policy. In the short term there is no requirement to sell assets in order to reduce the costs of borrowing.	**Continue to strengthen the Council's Medium and Long-Term Financial Strategy** Be a strong voice in the public sector for the role of Local Government in delivering on regeneration ambitions and recognition of this role in making sources of funding available to Councils. The delivery of the asset management strategy will be escalated as a key project, reporting to CLT as the Corporate Programme Board, alongside a quarterly report on the performance of retail and office assets (Repeated – see action above) The Risk is accepted and will be considered through the Council's Risk Management Policy to determine risk treatment and further mitigations

There is a risk that the current level of WBC's existing borrowing will reduce appetite and capacity to borrow to fund infrastructure in the future	The Council's strategy is for borrowing to support regeneration and has been targeted to the areas of greatest regeneration need which is housing and the town centre as the economic hub for the borough. This investment by its nature is future focussed and has accounted for the likely significant demand for Council intervention. The borrowing and investments made by the Council are intended to operate as a catalyst and lever for private sector investment into the borough which will further enhance the regeneration activity and outcomes. The Council takes a strong partnership role to lever benefits for Surrey and the Borough. We are working in partnership with the Surrey District and Boroughs and County Council to develop a Surrey 2050 Place Ambition.	**Continue to strengthen the Council's Medium and Long-Term Financial Strategy** (Repeated – see action above) Be a strong voice in the public sector for the role of Local Government in delivering on regeneration ambitions and recognition of this role in making sources of funding available to Councils (Repeated – see action above) Given its significant asset holdings in the town centre, the asset management strategy will need to be guided by a clear vision and strategy for the town centre that is informed by up-to-date market insight and intelligence. This will enable the council to maximise the use of its assets to get a balance between financial return and place making outcomes (Repeated – see action above)
There is a risk that the regulatory landscape or market conditions change. This would provide an immediate risk to the Council, or impact WBC's ability to finance or refinance.	The Council has a risk management policy that has been reviewed in 2021 as part of the Fit for the Future change programme. This policy is in place in order to actively assess and strategically manage risk.	The Risk is accepted and will be considered through the Council's Risk Management Policy to determine risk treatment and further mitigations
There is a medium-long term risk that Thameswey Central Milton Keynes could become insolvent	The company analysis in the report uses the Cabinet Office playbook which is a framework for evaluating commercial operations framework. It is important to recognise that the Thameswey Group was established as a wholly owned subsidiary of the Council to fulfil the	**The Council will undertake a review of the Strategic alignment between the Council and the Thameswey group**

	objectives of the Council addressing need which would not be met by the private sector. The report recognises that the Companies in which the Council have invested in have differing strategic purposes and are in different phases of maturity, meaning the relationship with the Council is not just a contractual one. It also notes that the companies are currently immature and are expected to make losses in the short-term, with the business plans being long-term in nature.	A specific review of the Thameswey Central Milton Keynes (TCMK) and Thameswey Energy Limited Business Plans will be commissioned
It is recommended the Council shares the analysis with Companies and requests a management response.		Agree with the recommendation. This will be incorporated into the review of the strategic alignment between the Council and Thameswey group, highlighted above, as an early output

Building a better working world

Comprehensive Statement – Member Briefing

In line with the Notice of Motion structure requested by Councillors, this briefing summarises the independent assessment conducted on key financial matters at Woking Borough Council:

Theme	Key Statement	Observations
WBC Asset Position	**1.** At the latest year end (31st March 2021), WBC had net assets of £142m comprised of £1.99bn of assets and £1.85bn of liabilities. **2.** At 31st March 2021, £953m of assets related to illiquid long term financial interests in companies. **3.** At 31st March 2021, WBC fixed assets were valued at £889m. **4.** WBC's asset base increased by £2.6m between year-end 2020 and 2021. **5.** WBC's Investment Property portfolio is primarily composed of Office, Retail and Land (representing 81% of the Portfolio). **6.** WBC Investment Properties were revalued downward by £43m (12%) in FY20/21. **7.** WBC have £112.8m worth of Current Assets on the Balance Sheet as at the 1st April 2021; comprised of £98.2m (87%) of current debtors and cash and cash equivalents of £14.6m (13%). **8.** WBC have £142.9m in reserves on their balance sheet as at the 1st April 2021; comprised of £112.9m (79%) of useable reserves and £30.0m (21%) of unusable reserves. **9.** WBC have no fixed or floating charges over any of its assets.	**1.** WBC's application of Asset Accounting Policies and approach to valuation are reasonable. **2.** WBC have a sizeable investment asset portfolio that is highly exposed to conditions in the Retail and Office market. **3.** In the short-term WBC useable reserves are sufficient to manage financial shocks.
WBC Borrowing Position	**1.** As at October 2021 WBC borrowing totals £1.84bn; £65m in Short-term Borrowing, and £1.77bn Long-term Borrowing. **2.** 98% of WBC Debt Portfolio is held by the Public Works Loan Board, and therefore subject to HMT Borrowing Conditions. **3.** 98% or £1.80bn of the Debt Portfolio is at Fixed Rates; ranging from 0.06% to 4.85%. The remaining 2% relates to LOBO's which are variable in nature, although the Council could refinance with Fixed Rate borrowing at a charge if required. **4.** The Average Interest Rate of Loans secured in 2021 by WBC was 1.62%. **5.** Debt and interest payments total £580m between 2022 and 2030; annual repayments range from £60.7m to £74.3m. **6.** Debt has been secured on a long-term basis; repayment peaks are notable in 2057 (£101m) and 2066 (£94.1m) **7.** WBC's external debt as a proportion of the authorised prudential limit was 90% as at August 2021. This delta facilitates further borrowing of £214.9m.	**1.** WBC holds the third largest outstanding debt balance of Local Authorities across the UK. **2.** WBC long-term, fixed rate borrowing strategy, undertaken at low interest rates, reduces exposure to volatility in the finance market. **3.** Debt Repayment is dependent on Residential, Office, Retail and Energy Markets that are currently facing turbulence.

Theme	Key Statement	Observations
	8. The Annual Interest Payable Expenses as a Proportion of Next Service Expenditure for WBC is 135%. 9. WBC have no covenants on their borrowing position, in the event of default, PWLB loans are secured on Council revenues rather than specific assets or collateral.	
WBC Financial Interests	1. WBC investments total £1.15bn as of October 2021; £1.09bn of long-term investments to JV's or Group Companies, £37.8m in Share Capitalisations and £17.5m to External Organisations. 2. Between March 2020 and October 2021, WBC made £363m worth of loans to its Joint Venture and Group companies. 3. Thameswey Housing Ltd have a net asset position of £30.2m. 4. Woking Necropolis and Mausoleum have a net asset position of £4.0m. 5. Thameswey Development Ltd have a net asset position of £2.9m. 6. Thameswey Energy Ltd have a negative net asset position of £0.3m indicating liabilities of the company are greater than its assets. 7. Victoria Square Ltd have a negative net asset position of £11.5m indicating liabilities of the company are greater than its assets. 8. ThamesWey Central Milton Keynes Ltd have a negative net asset value of £20.9m, indicating liabilities of the company are greater than its assets. 9. WBC received £28m of interest income from Long-term Investments in 2020/21.	1. WBC have shifted from an equity to a capital loan model to fund companies. 2. For those companies where the Council has a material loan investment (1% of total investment value), there is sufficient turnover to meet short-term debt repayments. 3. The solvency of ThamesWey Milton Keynes Ltd is at material risk.
WBC Contractual Obligations	1. WBC hold a total of £7.9m in outstanding Capital Grants as at October 2021. 2. WBC have received a total of £29.2m from Homes England related to work at Triangle Site, with £1.6m received in the current year. 3. WBC have received a total of £9.4m from Homes England related to work as part of the Sheerwater leisure centre. 4. WBC have received a total of £3.1m in grants from BEIS relating to a heat decarbonisation scheme. 5. Revenue grants received by WBC in 2020/21 were £47m to date. 6. WBC have medium-term contractual obligations of £89.5m. 7. WBC have long-term contractual obligations of £39.6m	1. WBC have specific contractual obligations relating to grants received from Homes England. 2. WBC have systems in place to ensure that grants are administered appropriately and reimbursements are correct.

Comprehensive Statement
Final Report

Woking Borough Council

January 2022

Building a better working world

EY LLP

1 More London Place
London SE1 2AF

ey.com

Woking Borough Council – Comprehensive Statement

Dear Leigh Clarke,

In accordance with the Comprehensive Statement scoping document of October 2021 and confirmation of requirements for Woking Borough Council ("the Authority"), we have prepared this report.

Purpose of our report and restrictions on its use

This report has been developed based upon data and information provided by the Authority. The report was prepared on your instructions for the purposes of providing a Comprehensive Statement on the Council's Assets, Borrowing, Financial Interests and Contractual Obligations.

The report is to be used by the Council in responding to the recent Notice of Motion, this Report should not be quoted, referred to or shown to any other parties unless so required by court order or a regulatory authority, without our prior consent in writing.

The Report may not have considered issues relevant to any third parties. Any such use that third parties may choose to make of the Report is entirely at their own risk and we assume no responsibility whatsoever in relation to this. The Report should not be provided to any third parties without our prior approval and without them recognising in writing that we assume no responsibility or liability whatsoever to them in respect of the contents of our deliverables.

The information has been considered correct at the time of the Report. We have not sought to verify the accuracy of the Management information or the explanations provided by these individuals. Activities may have taken place since the date of the conversations with Management which are not reflected in the Report.

Our work has been limited in scope and time and we stress that a more detailed review may reveal issues that this review has not. If you would like to clarify any aspect of this Report or discuss other related matters, please do not hesitate to contact us.

Yours Faithfully,

Darra Singh

Senior Partner, Government and Infrastructure

Scope Restrictions

The analysis presented in this report reflects information as presented within the latest versions of documents that have been shared with EY. It is noted that in many of these documents, the position presented is specific to a moment in time and is therefore subject to future change. It is also noted that we have not challenged or reviewed the appropriateness of figures presented within the documents but have instead look to identify potential financial risks that exist within the Councils financial position.

The reflections provided in this report present a view at a given moment in time and it is noted that statements and financial resilience risks could change across an ever uncertain and fast changing environment.

EY were not restricted in their enquires with the Council. The report is based on information that received until 17th December 2021.

Disclaimer

This document should not be relied upon by any other person than Woking Borough Council. The information contained within these slides represents known information as at the date of preparation based on the sources identified, however it is acknowledged that this information is subject to change.

EY disclaims all liability for all costs, loss, damage and liability arising from or relating to or in any way connected with the provision of these slides to any party. Any commercial decisions taken by you are not within the scope of our duty of care and in making such decisions you should take into account the limitations of our discussion and other factors, commercial and otherwise, of which you should be aware of from other sources

1. Comprehensive Statement

Comprehensive Statement - Summary

Introduction

Within this section a comprehensive and independent assessment of key financial matters for the Council is presented in line with the Notice of Motion structure requested by Councillors . The report covers;

1. The Council's Asset Position
2. The Council's Borrowing Position
3. The Council's Investment Position (including an assessment of the financial resilience of the individual companies)
4. The Council's Contractual Obligations

This analysis has employed the following core datapoints received from the Council and associated Companies;

- Statement of Accounts as at March 2021
- August 2021 Financial Reporting and Monitoring Review
- Council's Medium Term Financial Strategy
- Detailed Breakdowns of Assets, Borrowing, Investments and Grants provided by the Council at October 2021.

Statement of Motion (29 July 2021)

"The council calls for a full, independent, and comprehensive review of all the assets and liabilities of Woking Borough Council; and all companies in which it has an interest whether by means of shareholding (however large or small) or any other means of influencing the activities of said company. The report is to contain a Comprehensive Statement identifying, amongst other things:

An independent reviewer's assessment of the current net realisable value of each of the assets

1. *Full details of all borrowings including their terms and conditions*
2. *Full details of outstanding contractual obligations involving future income to be received and future expenditure to be incurred*
3. *Details of any fixed or floating charges on any assets*
4. *Full details of any grants, loans or other contracts which contain performance conditions which, if not met, would incur financial penalties for the Council or any of its companies. "*

Comprehensive Statement – The Council's Asset Position

Introduction

Within this section we have assessed WBC's asset position, employing a number of resources, namely:

- The Council's fixed asset register at 31st March 2021
- The revaluation report provided to the Council by WHE Chartered Surveyors
- HRA stock valuation at 31st March 2021

The resources noted above were provided by Woking Borough Council, we have not sought to verify accuracy or validate representations made by management in interpretation of the data.

The following focus areas have been reviewed;

1. An overview of the fixed asset position
2. The movement in the assets held over the financial year
3. The revaluation of assets (with a particular focus on the revaluation of investment properties)
4. An analysis of the assets held by sector including the key risks to the Council of holding assets within an individual sector
5. An assessment of the land and buildings held by the Council
6. A statement of the charges held against assets

A summary of our key statements in the section is provided below, this outlines the significant observations and risks we noted during our assessment.

Key Statements:

- At the latest year end (31st March 2021), WBC had net assets of £142m made up of £1.99bn of assets and £1.85bn of liabilities.
- At 31st March 2021, £953m of assets related to illiquid long term financial interests in companies.
- At 31st March 2021, WBC fixed assets were valued at £889m.

Key Statements (Continued):

- WBC's asset base increased by £2.6m between year-end 2020 and 2021.
- WBC's Investment Property portfolio is primarily composed of Office, Retail and Land (representing 81% of the Portfolio).
- WBC Investment Properties were revalued downward by £43m (12%) in FY20/21.
- WBC have £112.8m worth of Current Assets on the Balance Sheet as at the 1st April 2021; comprised of £98.2m (87%) of current debtors and cash and cash equivalents of £14.6m (13%).
- WBC have £142.9m in reserves on their balance sheet as at the 1st April 2021; comprised of £112.9m (79%) of useable reserves and £30.0m (21%) of unusable reserves.
- WBC have no fixed or floating charges over any of its assets.

Observations:

- Woking Borough Council's application of Asset Accounting Policies are reasonable.
- WBC have a sizeable investment asset portfolio that is highly exposed to conditions in the Retail and Office market.
- In the short-term WBC useable reserves are sufficient to manage financial shocks.

Risks:

- There is a risk that Commercial Properties continue to be devalued, as a result of reductions in commercial rent income, this would dilute the Council's Balance Sheet. Where this does occur, the Council need to consider whether continued revaluations indicate a need to reassess asset use to meet regeneration objectives.

Comprehensive Statement – The Council's Asset Position

Asset Position – Overview

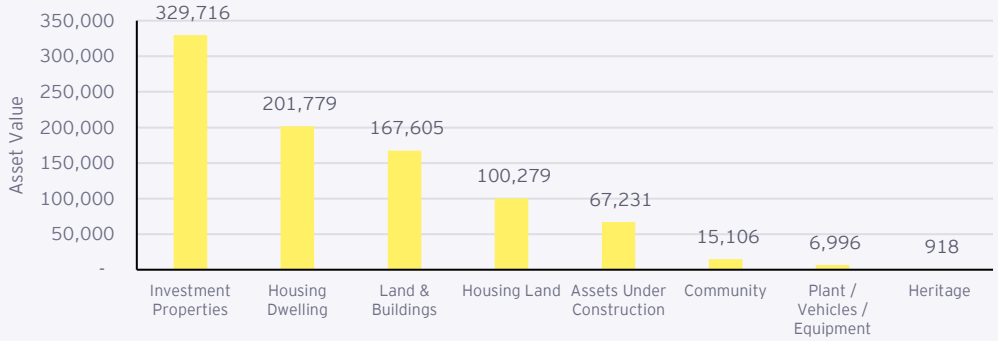
- At 31st March 2021 the Council had net assets of £143.0m made up of £1.99bn in assets and £1.85bn in liabilities.
- £953m of the assets related to long-term financial interests in companies and a further £37.8m in shareholdings, held to help meet Council priorities. Further analysis has been performed on this balance in section three of the statement.
- The remaining £1.04bn of assets largely relate to a combination of fixed assets, short term debtors and cash.

Asset Position: Woking Borough Council have fixed assets worth £889m on their balance sheet as at the 1st April 2021.

Fixed Asset Position – Overview

- The total net book value of Council fixed assets was £889m across 3,886 separate asset lines, of which 3,341 relate to housing stock.
- The largest category of assets by value are the Council's investment properties, which have a net book value of £330m as at the end of the 2020/21 financial year, representing 37% of the Council's asset base.
- Other significant elements of the Council's asset base are Housing Dwellings that have a net book value of £202m (23%), Land and Buildings that have a net book value of £167m (19%) and Housing Land that has a net book value of £100m (11%).

Figure 1 – Fixed Asset Breakdown – By Asset Type - £'000

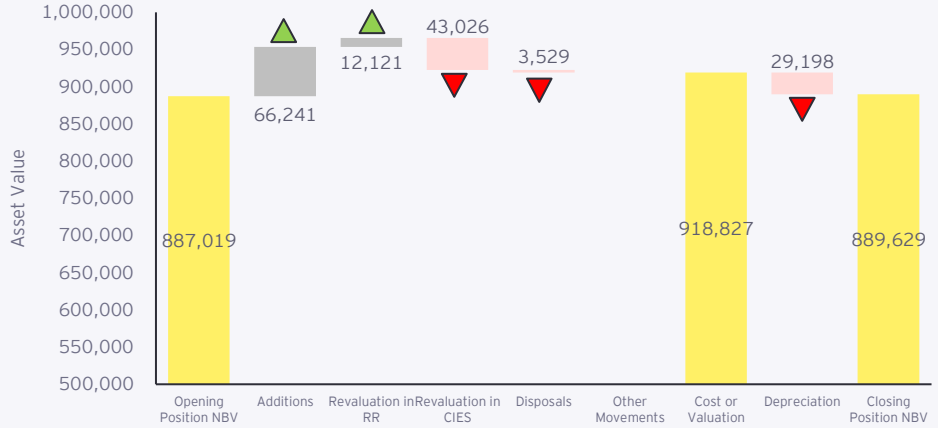


Fixed Asset Position – Movement in value

Movement in assets: The Council's asset base grew by £2.6m between 2020 and 2021

- This net movement incorporates several variables; £66m worth of additions occurring in-year, predominately Assets Under Construction and Investment Properties. Revaluation gains were recorded against Housing Dwelling and Land and Land and Buildings totalling £12.1m.

Figure 2 – Fixed Asset Breakdown – Movement in Position 2020-21- £'000



- These amounts were offset by £29m of depreciation, £3.5m worth of disposals and a £43m revaluation of the Council's investment properties.
- The breakdown of movements varied by asset type, with additions concentrated within the classifications Assets under Construction and Investment Properties. This was offset by a downward revaluation in the value of Investment Properties.
- We have summarised the position against each asset type below, as well as summarising the accounting method utilised for valuation by Woking Borough Council.

Comprehensive Statement – The Council's Asset Position

Investment Properties

- **Value:** The net book value of investment properties at the year end was £330m across 65 separate asset lines. £186m of this total relates to Strategic Investment Properties, held by the Council as part of the regeneration agenda.
- **Movement:** The value has decreased by £32m (8.8%) in the year, largely due to £25m of additions offset by a reduction in the value of £43.6m. There was also a significant reclassification of investment properties into assets under construction. These related to the Triangle Site which has been demolished as part of the Council's programme to deliver highways improvements.
- **Accounting Policy:** Investment Properties and Assets Held For Sale are revalued annually by RICS qualified valuers. The assets are valued at Fair Value. This is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Housing Dwellings

- **Value**: Woking Borough Council have Housing Dwelling assets with a net book value of £202m.
- **Movement:** The asset classification has increased by £11m (5.8%) in the year. This position was largely comprised of £10.9m worth of additions and revaluations of £6.2m, offset by disposals of £2.3m and annual costs of depreciation of £3.7m
- **Accounting Policy:** Valuations for Council Dwelling related assets have been carried out by the Council's Estate Management Section. Properties regarded by the authority as operational have been valued on a Current Value Basis. The latest valuations have been completed at 31 March 2021.

Housing Land

- **Value:** Woking Borough Council have Housing land assets with a net book value of £100m.
- **Movement:** The investment property asset classification has increased by £5.5m (5.9%) between 1st April 2020 and 1st April 2021. This position was a result of revaluation increases of £5.5m on Housing Land.
- **Accounting Policy:** Land is included in the balance sheet at existing use value where there is an active market for the asset. Where there is no active market, or the valuation is for a specialised asset, Depreciated Replacement Cost is used.

Land and Building

- **Value:** The Council has 136 separate asset lines within the Land and Building classification, which had a net book value of £167m at 1st April 2021.
- **Movement**: The land and building asset classification has decreased by £771k (0.5%) 1st April 2020 and 1st April 2021. This position was largely comprised of £8.1m worth of additions, offset by depreciation of £5.3m and a movement of assets to assets under construction of £2.9m.
- **Accounting Policy**: Buildings are included in the balance sheet at existing use value where there is an active market for the asset. Revaluations of material fixed assets are carried out annually with all other fixed assets on a rolling five year programme by RICS qualified valuers.

Assets Under Construction

- **Value:** Woking Borough Council has 26 separate asset lines within the Assets Under Construction classification, which had a net book value of £67m at the year end.
- **Movement**: The Assets Under Construction classification has increased by £35m (110.3%) between 1st April 2020 and 1st April 2021. There were £19m worth of additions to this classification, of which £15.7m relates to movements from Investment Properties and Land and Buildings.
- **Accounting Policy:** Non-operational assets are included in the balance sheet at cost.

Plant, Vehicles and Equipment

- **Value:** Woking Borough Council had 292 separate asset lines within the Plant, Vehicles and Equipment classification, which had a net book value of £6.9m at 1st April 2021.
- **Movement:** Against the Plant, Vehicles and Equipment classification, there were additions of £2.1m (22.9%) in year, which related to 17 asset lines
- **Accounting Policy:** PPE is included in the balance sheet at existing use value where there is an active market for the asset.

Comprehensive Statement – The Council's Asset Position

Fixed Asset Position – Movement in value (continued)

Community Assets

- **Value:** Woking Borough Council had 24 separate asset lines within the Community Assets classification, which had a net book value of £15.1m at 1st April 2021.
- **Movement:** The Community Assets classification had no movement year on year.
- **Accounting Policy:** Community assets are included in the balance sheet at historical cost.

Heritage Assets

- **Value:** Woking Borough Council had 27 separate asset lines within the Community Assets classification, which had a net book value of £918k at 1st April 2021.
- **Movement:** The Heritage assets classification had no movement year on year.
- **Accounting Policy:** Heritage assets are included in the balance sheet at their insurance valuation where available. Where no such valuation is available, then historic cost is used in the first instance, otherwise an estimate of the asset's value is made.

Movement to Assets Under Construction: £15.7m of assets were reclassified from Land and Buildings and Investment Properties to Assets Under Construction of which most of these related to the Housing Infrastructure Fund. This is reflective of Woking's investment approach within the borough, with assets redeveloped to help the Council meet its regeneration ambitions.

Asset Revaluations

Revaluation losses: The Council had a downward revaluation of £43m on its Investment Properties, this position was driven both by the Councils plans to demolish of assets within this classification and as a result of rental incomes losses related to these assets.

- The movement of the fixed asset base included a total downward revaluation of £30m against WBC assets.
- This was largely made up of a £43m downwards revaluation of the investment property assets, which was partially offset by an increase in the value of Council housing and dwelling of £12m.
- **Accounting Policy:** Material Assets held for use are revalued annually with all other fixed assets revalued every five years on a rolling basis, with assets held for investment purposes revalued annually in line with the Council's accounting policy and the CIPFA guidance. The revaluation takes place by an independent organisation (WHE Chartered Surveyors). Property regarded as operational has been valued on a Current Value Basis and investment properties and assets held for sale are valued at Fair Value.
- Given the downward movement for asset valuations only relates to Investment Property, the focus of our analysis is on the Investment Property portfolio, identifying the key drivers in this downward revaluation by property and related sector.

Investment Property Revaluation

Revaluation losses: Revaluations occurred against 48 of the Council's investment properties, ranging between £2m positive revaluations to a £15.8m drop.

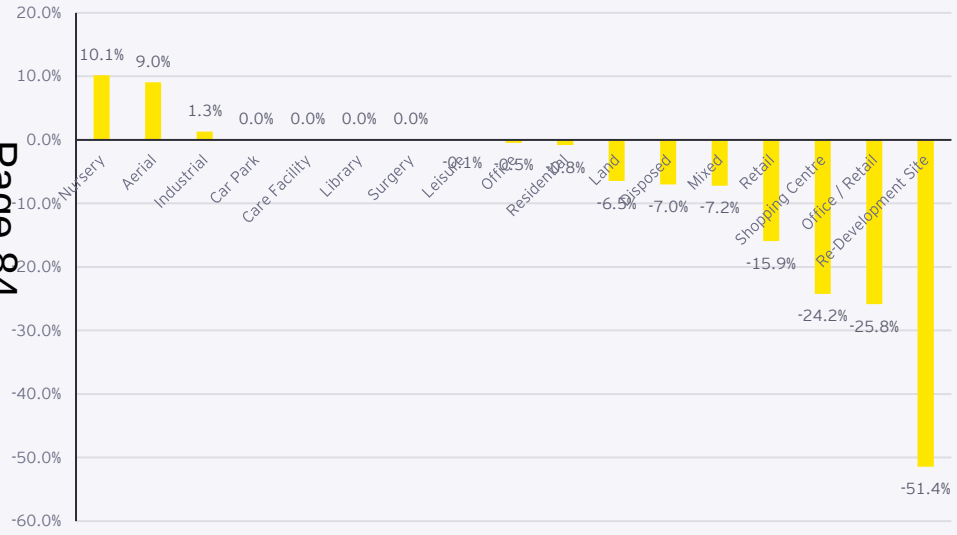
- Across the assets revalued, the net position was a £43.6m revaluation downwards, which reflected a drop of 12% in the assets value.

Comprehensive Statement – The Council's Asset Position

Investment Property Revaluation (Continued)

- As demonstrated in figure 3, the largest downward revaluations occurred for Redevelopment Site (51.4%), Office/Retail (25.8%), Shopping Centres (24.2%) and Retail (15.9%) properties.

Figure 3 – Investment Properties – Revaluation Percentage



- The large revaluation reflected within redevelopment site, reflects the intent to demolish Triangle Site Properties, rather than broader market trends.

- Across the identified sub-classifications there are emergent sector trends that are likely to further influence the value of the Council's asset base over the medium-term. These are explored in greater detail in the next section.
- On an individual asset level, the largest percentage decreases in asset value were for 1 Connaught Road (£328k and 58.2%), Triangle Site Properties (£8.4m and 51.4%), 63 to 75 Commercial Way (£1.4m and 34.1%), 74 Victoria Road (£59k and 27.5%), Albion House (£7.5m and 25.8%) and Wolsey Place (£15.8m and 18.0%).
- Detail from revaluation report conducted by Wilks, Head & Eve has been utilised to identify whether specific risks exist for any of the material asset movements and to identify whether these movements represent a material concern to the Council's financial resilience.

Wolsey Place

- Wolsey Place relates to one of the two shopping centres within Woking.
- The investment property was revalued downward by £15m (18%) in year, with the asset reducing from £87m to £72m.
- This revaluation makes up the majority (36%) of the total revaluation in the year against investment properties.
- The valuers rationale on the downward revaluation states the retail climate had significantly softened as a result of the pandemic. This reflects the broader trend of 2020, with retail sales decreasing by 1.9% when compared with 2019, the largest fall in year on record.[1] for example particularly large decreases for clothing stores were experienced (25.1% drop); often found within shopping centres.
- Analysis of the investment properties asset register suggests Woking Borough Council have spent a total of £91.1m on this asset, however its current valuation is only £72.3m, reflecting a 22.3% loss in value. The current value of the asset is therefore significantly below the acquisition value of the asset.

1. https://www.ons.gov.uk/businessindustryandtrade/retailindustry/bulletins/retailsales/december2020

Comprehensive Statement – The Council's Asset Position

Investment Property Revaluation (continued)

Wolsey Place: The downward revaluation in Wolsey Place, reflects both a significant portion of the assets value and a significant portion of the Council's investment property asset base. This affects in year resilience, due to the reduced income and if repeated has longer-term impacts on the value of the Councils asset base.

Triangle Site

- The Triangle Site relates to former residential and office space that has been purchased to redevelop as part of Housing Infrastructure Fund, which is grant funded.
- The site was revalued downwards by £8.4m (51.4%), with the asset reducing from £16.2m to £7.7m.
- The valuers rationale for revaluation was the majority of the site being demolished in the year.
- Our analysis of the investment properties asset register suggests Woking Borough Council have spent a total of £16.2m on this asset, with the current value of £7.9m significantly below this value. It is noted however this asset has been moved to Assets Under Construction to reflect current use of the asset.

Albion House

- Albion House is a large office with retail on the ground floor.
- The site was revalued downwards by £7.5m (25.8%), with the asset reducing from £28.9m to £21.4m.
- The revaluation of the property relates to the rent concessions of 50% over the first two quarters of 2021 due to the impacts of Covid-19.
- Income related to this asset reduced from £1.3m in 2019/20 to £865k in 2020/21, reflecting the impact of these concessions Council income.
- Analysis of the investment properties asset register suggests Woking Borough Council have spent a total of £29.9m on this asset, with the current value of £21.4m significantly below this value.

Peacocks Centre

- The Council have a financial interest in the Peacocks Centre, which is a major shopping centre in Woking.
- The value of this interest was revalued downwards by £4.4m in the year, however there was also £4.1m of enhancements.
- This downwards revaluation is again due to reduced rents in the year following the effects of Covid-19. From the commercial rent position, it is noted that income for '*Peacocks – General*' reduced from £1m during 2019/20 to £832k during 2020/21, this reflects an 18% reduction in income, reflecting the challenging market the site operates within during the financial year.
- Our analysis of the investment properties asset register suggests Woking Borough Council have spent a total of £14.8m on this asset, with the current value of £12.9m, reflecting the current revaluation of this asset.

Dukes Court

- Dukes Court is a multi-let office building which was revalued downwards by £3.9m (7.2%) in the year, with the asset reducing from £54.9m to £51.4m.
- Within the revaluation report there is no further detail provided on the grounds for revaluation. It is therefore difficult to produce an assessment on whether the reduction in value is due to market conditions and the implications this may have for the future value of the property.
- From the commercial rents position, it is noted that income related this asset fell from £4.6m in 2019/20 to £4.2m during 2020/21, a fall in income of 8%. This suggests that the downward revaluation likely relates to reduced income received against this asset.
- Our analysis of the investment properties asset register suggests Woking Borough Council have spent a total of £73.9m on this asset, with the current value of £51.4m significantly below this value.

Comprehensive Statement – The Council's Asset Position

Sector Analysis

- To help analyse key challenges across the Council's asset portfolio, a review was undertaken on the sub-classifications of assets where possible within Woking's portfolio to identify key trends.

Investment Properties

Figure 4 – Investment Properties – Sub Classification Breakdown

Asset Sub-Classification	Value as at 31/03/2021	Percentage of Portfolio
Office	113,380,200	34.4%
Retail	96,896,968	29.4%
Land	57,489,126	17.4%
Office/Retail	21,418,100	6.5%
Shopping Centre	13,437,008	4.1%
Industrial	12,959,500	3.9%
Mixed Use	7,452,340	2.3%
Development Purchases\Residential leases to external organisations	3,382,998	1.0%
Surgery	1,215,716	0.4%
Nursery	834,700	0.3%
Leisure	457,400	0.1%
Library	385,400	0.1%
Car Park	191,900	0.1%
Aerial	189,200	0.1%
Care Facility	25,000	0.0%

Asset Portfolio: The Council's commercial property portfolio is predominately made up of Office space, Retail space and Land, with these three sub-classifications making up 81.2% of the Council's portfolio value.

- To assess potential market trends against the key sub-classifications within the Council's commercial property portfolio, we have reviewed key real estate market trends to identify potential risks. This analysis is presented below.

a. Offices

- CBRE forecast that rental income for office space will have declined by 5.3% in the UK in 2021.[1] Moreover, this reduction in rents is forecast to contribute towards a 2.2% drop in value of office buildings[1].
- This trend reflects changing patterns in the way people work, as the ability to work remotely has significantly shifted since the pandemic. Google Mobility Reports demonstrate that activity at workplaces, has stabilised at 30% below pre-pandemic levels in Woking in 2021[2], supporting this changing pattern.
- Going forward, CBRE estimates the underlying demand for UK office spaces to fall by 9% over the next 3 years – a significant risk to Woking given the size of it's office portfolio.

b. Retail

- Rents from retail activities were 8.5% lower in Q3 2021 than the same time period in 2019.
- This trends illustrates the rapid growth and scale of online retailers which have made the retail sector more competitive than the pre-pandemic years. The convenience of online shopping and delivery places significant pressure on in-store retailers to attract customers and generate sufficient revenues to stay in business. Total online retailing increased by 46.1%[3] in 2020 compared to 2019 reflecting this trend.
- Given that retail properties account for almost 30% of the Council's investment property portfolio, lower retail rents pose a risk to this sub-classification of assets.

1. https://www.cbre.co.uk/research-and-reports/UK-Market-Outlook-Midyear-Review-2021
2. https://www.google.com/covid19/mobility/
3. https://www.ons.gov.uk/businessindustryandtrade/retailindustry/bulletins/retailsales/december2020

Comprehensive Statement – The Council's Asset Position

Sector Analysis (Continued)

b. Retail (continued)

- Nevertheless, some recovery has already been observed – the number of new retail leasing deals from Q1-Q3 in 2021 is 28.4% higher than over the same period in 2020[3].

c. Shopping Centres

- According to Local Data Company, there was a UK net store decline of 11,319[1] stores during 2020, reflecting the difficult environment for retail space. The result of these declines will be reduced income for shopping centres.
- Furthermore, there has been a significant reduction in trading activity for shopping centres, with estimates that £350m of UK shopping centres were traded in 2020 compared to a ten-year average of £3bn[2]. This important to note for the Council as transactional data informs appraisers valuations.
- It is likely that further challenges will come for the sector once government related Covid support discontinues and there could be further revaluations downwards if further reductions in rental income occur.
- Given that retail properties account for almost 30% of the Council's investment property portfolio, lower retail rents pose a risk to this sub-classification of assets.

d. Residential

- For investment properties it is noted residential devaluations will not be as detrimental to WBC's total value of its investment properties, as it currently accounts for a small portion of the portfolio. However, the sector analysis below should be considered with regard to WBC's holdings in ThamesWey Housing Ltd and Victoria Square Woking Ltd.
- In Q1 of 2021 alone, total investment in residential real estate was worth £771m in the UK[3].
- This represents the rapid increase in demand for residential properties during the pandemic as stay-at-home and work-from-home initiatives increased people's time spent at home. Subsequently, the excess demand for housing has resulted in a forecast of UK house prices to rise by 5.9% by the end of 2021.
- Furthermore, investments in build-to-rent properties is expected to reach £4.2bn in the country by the end of 2021.

Land and Buildings

Asset Portfolio: The Council's Land and Building portfolio is predominately made up of Car Parks, Leisure Centres, Office Space and assets recognised under the PFI arrangement with these four sub-classifications making up 80.5% of the Council's portfolio value.

- To identify potential risks across the Council's operational asset base, a review of each sub-classification of assets within the Land and Building category has been conducted. Car Park and Leisure Centre income streams were affected during the pandemic, resulting in reduced demand, this risks the future valuation of these assets over the medium term.
- A similar challenge may exist across the Council's office space, with the pandemic resulting in significant shifts to homeworking, as working patterns normalise, there is the potential that the Council will have reduced need for office space.
- The sub-classification 'PFI' reflects the leases for homes the Council leases to Thames Valley Housing Association. The value reflects the net present value of future cash flows from these homes.
- Across the Council's operational asset base there may therefore be opportunities for consolidation or disposal, helping fund elements of the Council's regeneration programme in the future.
- The Council does not currently have a published asset management strategy and it is therefore difficult to ascertain how the Council intends to employ the asset base over the medium-term.

Reduced service use: There is the potential that across the Council's operational assets, changes to societal behaviour resulting from the pandemic will reduce demand and therefore requirements across key elements of the Council asset base. This will potentially offer the Council opportunities to consolidate its asset base helping generate capital receipts.

1. https://www.savills.co.uk/research_articles/229130/313386-0
2. https://ww3.rics.org/uk/en/modus/built-environment/commercial-real-estate/has-covid-19-changed-how-retail-space-is-valued-forever-.html
3. https://www.cbre.co.uk/research-and-reports/UK-Market-Outlook-Midyear-Review-2021

Comprehensive Statement – The Council's Asset Position

Figure 5 – Land and Buildings – Sub-Classification Breakdown

Asset Sub-Classification	Value as at 31/03/2021	Percentage of Portfolio
Car Park	45,133,149	26.9%
Leisure Centres & Pool	39,776,200	23.7%
PFI	28,051,496	16.7%
Office	21,890,764	13.1%
Centres	10,864,408	6.5%
Pavilion	4,711,660	2.8%
Temporary Accomodation	4,063,839	2.4%
Depot	3,142,685	1.9%
Garage	3,010,465	1.8%
Miscellaneous Building*	2,537,844	1.5%
Miscellaneous Site*	1,565,388	0.9%
Land Site	828,805	0.5%
Bridge	716,320	0.4%
Burial Ground	658,693	0.4%
Public Conveniences	489,884	0.3%
Recycling Centre	80,000	0.0%
Bowls Club	58,879	0.0%
Recreation Site	24,400	0.0%
Museum	30	0.0%

**Titles as reflected within asset register*

Charges on Assets

At October 2021, 98% of the loans held by the Council were held with the PWLB. In the event of default, these loans are automatically secured on the revenues of the Council rather than by reference to specific assets or collateral. Therefore HM Treasury will not refuse an application if satisfied that it conforms to the policy framework governing its lending arrangements.

It was stated by Leigh Clarke the Finance Director and Section 151 Officer that:

'I confirm that there are no fixed or floating charges over any of the Council's assets.'

The assets held by the Council are therefore wholly owned and are not used as security against any loans taken out by the Council. Therefore on their sale, the Council would be eligible for all funds.

Comprehensive Statement – The Council's Borrowing Position

Introduction

Within this section an assessment has been conducted on WBC borrowing position. In order to analyse the position, the following have been reviewed :

- The latest Statement of Accounts – 1st April 2021
- The latest Financial Performance and Monitoring Review at August 2021
- A detailed breakdown of the borrowing position at October 2021

The resources noted above were provided by Woking Borough Council, we have not sought to verify accuracy or validate representations made by management in interpretation of the data.

The following areas are reviewed:

1. An overview of the borrowing position held by Woking Borough Council
2. The payback period of the loans held by the Council
3. A statement on the covenants held against the borrowing
4. An analysis of the interest rates associated with the borrowing and any potential future risks

A summary of our key statements in the section below, this outlines the significant observations and risks we noted during our assessment.

Key Statements:

- As at October 2021 WBC borrowing totals £1.84bn; £65m in Short-term Borrowing, and £1.77bn Long-term Borrowing.
- 98% of WBC Debt Portfolio is held by the Public Works Loan Board, and therefore subject to HMT Borrowing Conditions.
- 98% or £1.80bn of the Debt Portfolio is at Fixed Rates; ranging from 0.06% to 4.85%. The remaining 2% relates to LOBO's which are variable in nature, although the Council could refinance with Fixed Rate borrowing at a charge if required.
- The Average Interest Rate of Loans secured in 2021 by WBC was 1.62%.
- Debt and interest payments total £580m between 2022 and 2030; annual repayments range from £60.7m to £74.3m.

Key Statements (continued)

- Debt has been secured on a long-term basis; repayment peaks are notable in 2057 (£101m) and 2066 (£94.1m)
- WBC's external debt as a proportion of the authorised prudential limit was 90% as at August 2021. This delta facilitates further borrowing of £214.9m.
- The Annual Interest Payable Expenses as a Proportion of net Service Expenditure for WBC is 135%.
- WBC have no covenants on their borrowing position, in the event of default, PWLB loans are secured on Council revenues rather than specific assets or collateral.

Observations:

- WBC holds the third largest outstanding debt balance of Local Authorities across the UK.
- WBC long-term, fixed rate borrowing strategy, undertaken at low interest rates, reduces exposure to volatility in the finance market.
- Debt Repayment is dependent on Residential, Office, Retail and Energy Markets that are currently facing turbulence.

Risks:

- There is a risk that the high proportionate level of debt payments the council incurs compared to Net Service Expenditure, will reduce the Council's financial resilience in the medium to long term. These commitments reduce budgetary flexibility in the event of volatility.
- There is a risk that the current level of WBC's existing borrowing will reduce appetite and capacity to borrow to fund infrastructure in the future.
- There is a risk the regulatory landscape or market conditions change. This would provide an immediate cost to the Council, or impact WBC's ability to finance or refinance.

Comprehensive Statement – The Council's Borrowing Position

Borrowing Position – Overview

Borrowing Position: Woking Borough Council have borrowing worth £1.84bn on their balance sheet as at the 1st November 2021.

- At October 2021, Woking Borough Council had £1.84bn of borrowing split across both short term and long term loans.
- **Movement:** This has increased by 32% between March 2020 and October 2021 from £1.39bn, with a peak in August 2021 of £1.92bn.
- The Council's debt profile is primarily long term, and sourced from the Public Works Loan Board (PWLB); a discounted Public Sector source available to major local authorities to finance of capital projects.

Figure 6 – Borrowing Movement £'000

Borrowing	March 2020 £'000	March 2021 £'000	August 2021 £'000	October 2021 £'000
Short Term Borrowing	87,000	207,200	162,000	65,000
Long Term Borrowing	1,299,600	1,483,000	1,755,000	1,773,031
Total	1,387,000	1,483,200	1,917,000	1,838,031

- Woking Borough Council take loans to fund long-term investments that intend to secure long-term improvements in the Woking community. These projects link to the Council's long-term vision for the area and focus on developing a sustainable future for the borough.
- At October 2021, 98% of the loans held by the Council were held with the PWLB and are all a combination of fixed maturities and annuities.

Accounting Policy

- Borrowing is recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of the loan. They are initially measured at fair value and are carried at their amortised cost.
- Annual charges are made to the CIES for interest payable and are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.
- For most of the borrowing that the Council has, the amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest.
- The Council is obliged to set an affordable borrowing limit each year which cannot be exceeded. The limits are calculated with reference to the planned Investment Programme.

Prudential Indicators: At the latest financial performance and monitoring update in August 2021, the Council's level of external debt as a proportion of the authorised prudential limit was 90%.

Borrowing Position – Payback Period

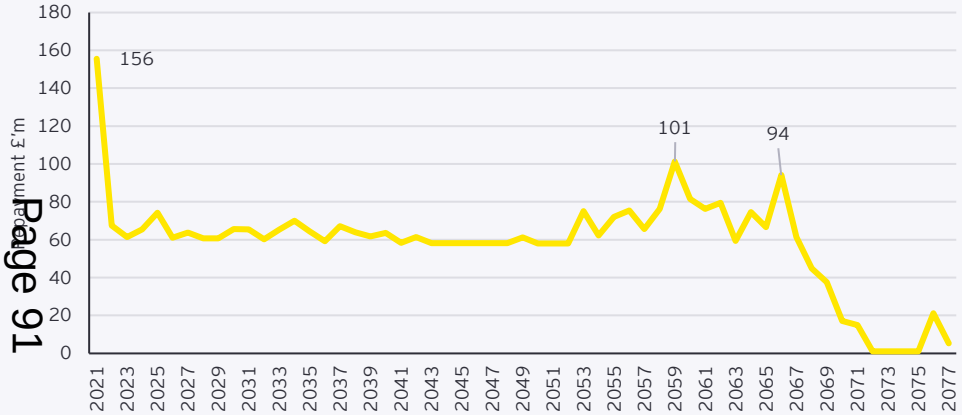
- **Approach:** To assess the future implications of this borrowing position, an assessment of payback period of the loans held was completed. In considering the annual repayments required, annuity and maturity loans were differentiated to consider the principal repayment dates. There are peaks in certain years caused by the principal amounts on maturity loans being due for repayment.
- Demonstrated overleaf in figure 7, the current payback period of Woking's loans run until at least 2077. This is due to the majority of loans with the PWLB being 50 year loans.
- The Council has utilised short-term borrowing to help reduce interest rate payments while rates were more favourable in advance of PWLB rates being reduced by 1% in November 2020. The reduction in short term borrowing from March 2021 to October 2021 of £142.2m reflects the Council replacing short-term borrowing with long-term borrowing at the PWLB at reduced rates,

Comprehensive Statement – The Council's Borrowing Position

Borrowing Position – Payback Period (continued)

- This loan profile states the Council will face large spikes in 2059 when maturity loans expire for 50 year PWLB Borrowing as a result of the HRA, and 2066 where c.£100m is due as 50 year PWLB Loans drawn in 2017 mature.

Figure 7 – Payback Period £'m



- Given the nature of the Council's loan profile, financial resilience risks are predominately concentrated in the long-term time horizon. This risk is driven by the ability of the Council's investment position to help service these loans, with the performance of the group companies integral to Council's ability to payback debt.

Payback Period: The loans held by the Council are long term with significant repayments due between 2057 and 2066.

Borrowing Position – Covenants

- 98% of the loans are held with the PWLB, the covenants follow the guidance provided by HM treasury.
- In the event of default, these loans are automatically secured on the revenues of the Council rather than by reference to specific assets or collateral. Therefore HM Treasury will not refuse an application based on the assets held by the Council, as long as it is satisfied that the borrowing conforms to the policy framework governing its lending arrangements.

Borrowing Position - Interest Rates

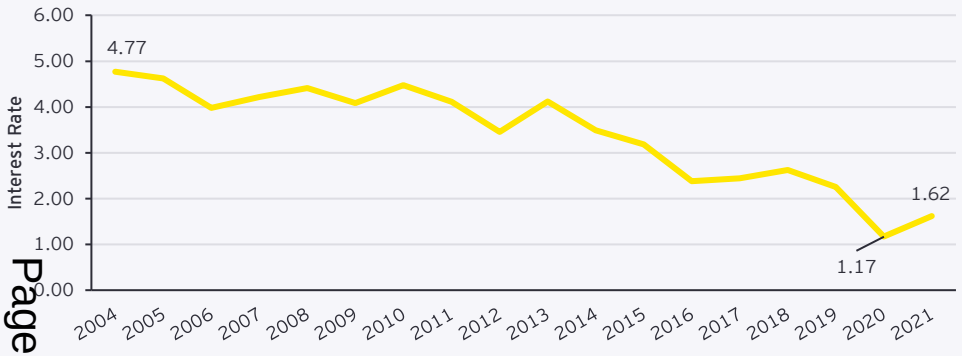
- From the detailed breakdown of borrowing provided by the Council it is noted 98% of the loans held are with the PWLB and all of the loans currently held by the Council have fixed interest rates.
- Fixed interest rates on borrowing protects the Council against future rate movements on the current borrowing.
- In November 2020, PWLB rates returned to previous values, reducing by 1%, restoring them as the cheaper alternative to commercial borrowing. This, coupled with the reduced regulations around covenants makes PWLB borrowing a lower risk option for the Council.
- The average interest rate has gradually fallen since around 2013, reflecting market interest rates.
  - Average interest rate of loans taken out in 2004: **4.77%**
  - Average interest rate of loans taken out in 2021: **1.96%**

Interest Rates: All current loans held by the Council have fixed interest rates and will therefore not be susceptible to future interest rate movements.

Comprehensive Statement – The Council's Borrowing Position

Borrowing Position - Interest Rates (continued)

Figure 8 – Average Interest Rates on Woking Borough Council Debt



- While the Council has benefitted from reduced interest rates on PWLB loans over the past 10 years, the market outlook is for increased interest rates in order to tackle rising inflation caused by the recovery from the pandemic.
- Changes to interest rates in the medium to long-term will be passed onto the Council's group companies where there is future borrowing and could therefore reduce the financial viability of these companies. This could reduce recoverability rates of the Council's loan position with these companies.
- Based on the borrowing position during 2020/21, the interest payable expense was £40.9m. This expense as a proportion of the net cost of services is 135%. These figures do not take into account the future borrowing requirements and any new loans taken out in the medium to long term. Furthermore, it includes a higher net cost of services related to expenditure rises and income losses from the pandemic.
- This figure reflects gross interest payments, however it is noted that the Council's net interest position is significantly better.
- The expense as a proportion of net cost of services is larger than the average figure for UK Councils. Taking figures from the MHCLG Local Authority Revenue Expenditure and Financing Data we note the UK average to be 3.4%,
- Data taken from the Department for Levelling Up, Housing and Communities highlights Woking Borough Council had the third largest outstanding borrowing across the UK[1] in 2021.
- This level of debt is a risk for the Council; , it is in mind that the Council's investment strategy is to fund the regeneration of the town, which requires significant investment and therefore equally significant borrowing.

Interest Payable: The current gross interest payable expense as a proportion of net service expenditure is 135%. This is significantly greater than the UK average of 3.4%.

1. Live tables on local government finance - GOV.UK (www.gov.uk)

Comprehensive Statement – The Council's Financial Interests

Introduction

Within this section the financial interests held by WBC have been reviewed, as stated in the Financial Accounts, and financial interests held within companies. This has employed the following datapoints, namely:

- The latest Statement of Accounts - 1st April 2021
- The Statement of Accounts for related companies – date ranges from 31st December 2019 to 31st December 2020
- The latest Financial Performance and Monitoring Review at August 2021

The resources noted above were provided by Woking Borough Council, we have not sought to verify accuracy or validate representations made by management in interpretation of the data.

Over the next few pages, the following subsections are described;

1. Current investment position
2. Current treasury position
3. Long-term Investments
4. Council's group companies.

A summary of our key statements in the section to the right, this outlines the significant observations and risks we noted during our assessment.

Key Statements:

- WBC investments total £1.15bn as of October 2021; £1.09bn of long-term investments to JV's or Group Companies, £38m in Share Capitalisations and £18m to External Organisations.
- Between March 2020 and October 2021, WBC made £363m worth of loans to its Joint Venture and Group companies.
- ThamesWey Housing Ltd have a net asset position of £30.2m.
- Woking Necropolis and Mausoleum have a net asset position of £3.9m.
- ThamesWey Development Ltd have a net asset position of £2.9m.
- ThamesWey Energy Ltd have a net liability position of £321k indicating liabilities of the company are greater than its assets.
- Victoria Square Ltd have a negative net asset position of £11.5m indicating liabilities of the company are greater than its assets.
- ThamesWey Central Milton Keynes Ltd have a negative net asset value of £20.9m, indicating liabilities of the company are greater than its assets.
- WBC received £28m of interest income from Long-term Investments in 2020/21.

Observations:

- WBC have shifted from an equity to a capital loan model to fund companies.
- For those companies where the Council has a material loan investment (1% of total investment value), there is sufficient turnover to meet short-term debt repayments.
- The solvency of ThamesWey Milton Keynes Ltd is at material risk.

Risks:

- There is a medium to long-term risk ThamesWey Central Milton Keynes could become insolvent. If realised this would require further investment, a restructuring of financing or a significant write-off of capital investment (£34.4m) for WBC. This would potentially impact WBC's own capacity to service debt related to TCMK Ltd.
- There is no comment on the net liability position for Victoria Square Limited, as they are yet to begin trading.

Comprehensive Statement – The Council's Financial Interests

Current Investment Position - Overview

Investment Position: As at October 2021, the Council had £1.1bn worth of loans to long-term debtors.

- WBC's investment strategy reflects the strategic priorities of the Council. One of the principal elements of the Council's investment strategy are the loans that the Council makes for service purposes. These consist of the Council lending money to its subsidiary companies, joint ventures, suppliers, local businesses, charities, other local service providers and targeted mortgages to local residents. WBC also provides low value Travel loans to employees.
- The investments held by the Council are all long term in nature and mainly relate to investments or shareholdings in companies.

Movement: As demonstrated in Figure 9, the value of long-term investments that the Council has increased from £792m in March 2020 to £1,148m by October 2021.

Figure 9 – Investment Composition £'000

Investments	March 2020 £'000	March 2021 £'000	August 2021 £'000	October 2021 £'000
Long Term Investments to JV's/ Group Companies	729,966	980,046	1,069,124	1,093,049
Long Term Investments to external organisations	24,596	25,387	17,184	17,516
Share Capitalisations	37,808	37,808	37,808	37,808
Total	792,370	1,043,241	1,124,116	1,148,373

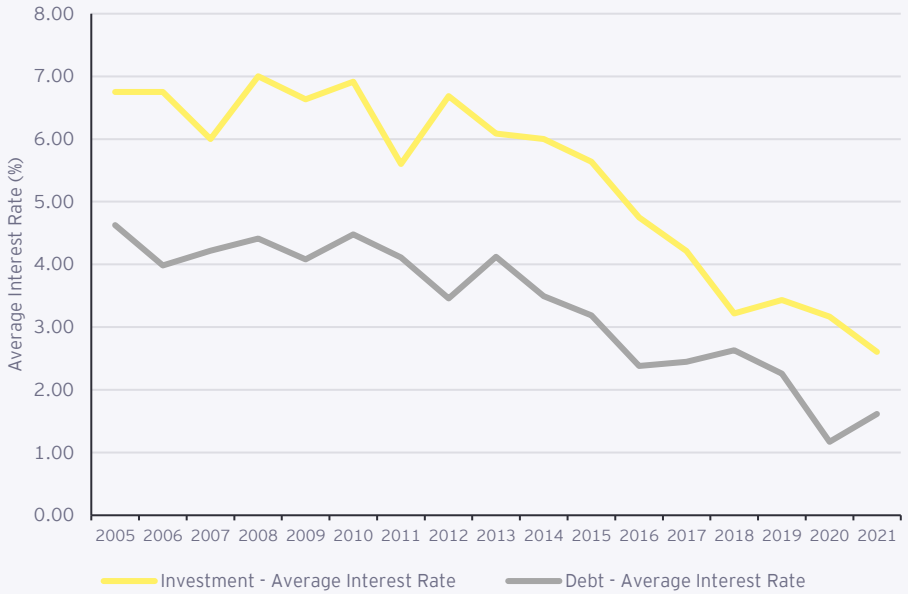
- As demonstrated within this position 95% of the Council's long-term investment position relates to long-term investments into its Joint Ventures and Group Companies. With 2% relating to long-term investments in external organisations and 3% related to share capitalisations.

Current Investment Position - Interest Rate Position

Investment Income: The Council received £28m of income from these investments in the 2020/21 financial year.

- **Movement:** The total income from investments in the year to March 2021 was around £28m, this is a 9% increase in the year from £25m in March 2020.
- The investment income is largely driven by the interest paid on the loans from group companies. The interest charged by the Council follows the PWLB trend and has therefore decreased over time.
- As demonstrated in Figure 10, the average interest rate across investments, has moved in line with the debt position, with the average interest rate achieved across investments remaining above the rate paid on debt. This demonstrates how interest received from investments protects the debt position against changes in interest rates.

Figure 10 – Average Interest Rate – Debt Position vs Investment Position



Comprehensive Statement – The Council's Financial Interests

Current Investment Position - Interest Rate Position (Continued)

- The average rate of return across the investment portfolio is presented below, with the rate of return from investment income demonstrated below less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested.

Figure 11 – Investment rate of return (net of all costs)

Investment	2019/20 Actual	2020/21 Forecast	2021/22 Budget
Treasury Management Investments	0.41%	0.15%	0.9%
Service Investments: Loans		0.00-2.00%	
Service Investments: Shares		Nil – Do not expect any return on shares	
Strategic Property Investments since 2016/17	2.00%	1.60%	1.60%

Current Treasury Management Position

Money Market Position: The Council had £26.15m of liquid funds as at the 26th November 2021, with £22m invested in Money Market Funds. The Council were within acceptable credit limits across all these funds.

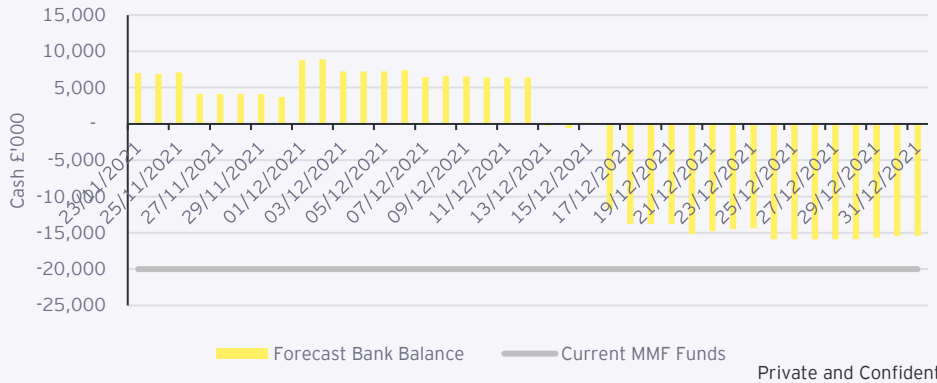
- The Council's treasury management approach is stated within the Treasury Management Strategy, which outlines how the Council makes investments of surplus cash and borrowing to manage delays in cash flows.
- Woking Borough Council's Treasury Management Strategy is to prioritise security and liquidity over yield for treasury management investments.
- Cash is invested securely with the Council's own bank, in diversified money market funds, or with other local authorities. The primary focus is on minimising risk rather than maximising returns.
- Decisions on treasury management investment and borrowing are made daily and are delegated to the Finance Director and finance team who follow the Treasury Management Strategy approved by the Executive. Treasury Management practices are in place which provide day to day guidance for treasury officers.
- As at the 26th November 2021, the Council had £22m invested within Money Market Funds and £4.15m in the Council's banking facility with Lloyds.
- As demonstrated In Figure 12, the Council are significantly below any credit limits with any of the Money Market Fund facilities , thus ensuring that they are not overexposed to risk and ensuring appropriate diversification of short-term investments.

Figure 12 – Money Market Fund Balances – 26th November 2021 - £'m

Counter Party	Credit Limit	Investments Outstanding	Limit Available
Deutsche Asset & Wealth Management	50	2	48
Standard Life Liquidity Fund	30	0	30
LGIM Liquidity Funds	50	0	50
Federated Investors UK	70	20	50
Total	200	22	178

- It is important that the Council maintains short-term balances to meet its cash flow requirements, as displayed in Figure 13, the Council currently has sufficient balances in short-term money market funds to meet its cash flow requirements between the 23rd November and the 31st December. Based on the cash flow requirements provided to us by the Council, the Councils banking position will move from £7m as at the 23rd November 2021 to -£15.5m at the 31st December 2021, a movement of £22.5m. To meet this position the Council will draw on money from its money market funds.

Figure 13 – Forecast Cash Flow 23.11.2021 to 31.12.2021 - £'000



Comprehensive Statement – The Council's Financial Interests

Current Treasury Management Position (Continued)

- The Council will also conduct both short and long-term borrowing to meet its cash flow requirements as necessary.

Cash Position: The Council have sufficient short-term balances to meet their forecast cash flow obligations. With the sum of balances in Money Market funds and the bank, being greater than cash flow requirements over the next month.

Long-Term Investments

Financial Interests: The Council have £1.1bn of investments as at October 2021. £1bn of this position reflects, long-term investments in group companies or joint ventures, £17m are loans to external organisations and £37m are share capitalisations.

- The Council's investment position largely reflects the loans that the Council provides to its subsidiaries as a method of helping the Council achieve its strategic objectives, while benefitting from the expertise or capacity of the organisation it finances.
- When providing loan finance the primary risk is the borrower will be unable to repay. The Council's loans to subsidiaries are secured against the subsidiaries assets, which while complex and subject to market conditions, mean the Council would take ownership of assets in the event of default.
- The EY assessment of Companies adopts a viability methodology recommended by the Cabinet Office.
- Focus has been placed on the larger Council investments, as default would have significant impact on the Council's financial resilience.
- The Council's investment position is demonstrated in Figure 14, which shows the total investment position as at the latest Statement of Accounts date (March 2021) and the current assessment date (October 2021). The total value of investments held at October 2021 is £1.1bn.

Figure 14 – Council's Investment Position – March to October 2021 - £'000

Counter Party	March 2021 £'000	October 2021 £'000
Long Term Investments in Group Companies/ Joint Ventures		
ThamesWey Energy Limited (TEL)	13,117	15,815
ThamesWey Housing Limited (THL)	244,116	260,779
ThamesWey Housing Limited (Sheerwater)	69,408	83,342
ThamesWey Developments Limited (THL)	47,250	47,250
ThamesWey Developments Limited (Sheerwater)	5,000	5,000
ThamesWey Developments Limited (Sheerwater Leisure Centre)	9,800	10,800
ThamesWey Developments Limited (for TEL)	28,225	28,005
ThamesWey Central Milton Keynes Ltd	33,391	34,425
ThamesWey Solar Ltd	993	906
Rutland (Woking) Ltd	1,665	1,665
Victoria Square Ltd	527,082	605,061
Long Term Loans to External Organisations		
Peacocks Centre	6,350	6,350
Woking Hospice	9,256	-
A&B Menswear	101	101
Woking Football Club	75	75
Freedom Leisure	1,705	1673
Greenfield School	6,400	6,400
Wolsey Place	-	1,417
Kingfield Community Sports Centre Ltd	1,500	1,500
Share Capitalisations		
ThamesWey Limited	31,193	31,193
Woking Necropolis and Mausoleum Limited	6,000	6,000
Woking Town Centre Management	1	1
Victoria Square Woking Ltd	14	14
Municipal Bonds Agency	50	50
SurreySave Credit Union	50	50
Kingfield Community Sports Centre Ltd	500	500
Total	1,043,242	1,148,373

Comprehensive Statement – The Council's Financial Interests

Long-Term Investments (Continued)

- The largest investment held at October 2021 was £605m with Victoria Square Woking Ltd, this represents over 50% of the total investment held. Woking Borough Council hold a join venture with Moyallen Holdings Ltd in Victoria Square Woking Ltd. With Moyallen being the ultimate parent company. The Council also hold £14k of shares in Victoria Square Woking Ltd. The investment relates to the construction of the town centre development.
- A further £486m is held within ThamesWey Group Companies. These are wholly owned by the Council. The Council also hold £31.2m of shares in ThamesWey Limited.
- Shares have been used to provide subsidy into ThamesWey Housing Ltd. As the shares do not have interest payable on them, the company is able to provide rents at sub market rates.
- The shares in Woking Necropolis and Mausoleum Ltd relate to the acquisition of the Cemetery. Whilst the cemetery business generates some income it would not be sufficient to meet financing costs associated with the purchase.
- The Council do not hold shares as an investment to achieve dividend income or for future sales and instead view the shares as capital expenditure rather than investments for financial income. The investments in shares are not considered liquid in nature, and the Council assesses the risk of loss before entering into and whilst holding shares depending on the long-term objective of the funding provided.
- The shares held by the Council have not been revalued in the Statement of Accounts since their acquisition.

Council's Group Companies

- A financial assessment of material investments, those greater than £7m, has been performed given this each of these investments amount to more than 1% of the total investment balance.
- This assessment has utilised the Cabinet Office Financial Viability Model, which provides a point in time assessment of Companies, relevant for Public Sector bodies considering entering into contract with third parties.
- Additionally the three largest shareholdings have been reviewed. Our analysis utilises a number of key ratios which present the financial health of a company at a point in time, and indicate potential risk.
- The analysis has focussed on the following metrics;

1. **Short-Term Turnover Ratio (Turnover/Current Loans)** - Across the Companies position, an assessment of turnover has been completed against the amount of current loans outstanding. This analysis is intended to demonstrate whether each company has sufficient turnover to service short-term loans. Where this number is less than one it would reflect a financial risk to the company.
2. **Medium Turnover Ratio (Projected Five Year Turnover/Medium Term Loans):** Across the Companies position, an assessment of the medium-term turnover has been completed based on current turnover levels. This amount has been compared to loans outstanding in the medium term. This analysis is intended to demonstrate whether each company has sufficient turnover to service medium-term loans. Where this number is less than one it would reflect a financial risk to the company.
3. **Operating Margin (EBIT/Turnover):** The operating margin measures the proportion of revenues that remain after deducting operating expenses of the company. A higher ratio would normally suggest that the entity's business is more sustainable and able to withstand any change in the business and financial circumstances. Whereas, a lower ratio could raise doubts over the sustainability of the business to withstand financial shocks.
4. **Net Profit/Loss:** Is the difference between gross revenue and expenses of a business. If the difference is positive its net profit, if the difference is negative it's a net loss.

Comprehensive Statement – The Council's Financial Interests

Council's Group Companies (Continued)

5. **Free Cash Flow to Debt (Net Operating Cash/Debt Minus Cash):** This ratio demonstrates the portion of the companies debt that could be repaid in one year if all cash flow was used to service debt. A high ratio would normally indicate that other things being equal, that an entity is better able to pay back its debt and take on more debt if necessary. Whereas a lower ratio may raise doubts about a companies ability to service its existing debt.
6. **Net Debt to EBITDA Ratio (Debt Minus Cash/Gross Profit):** This ratio demonstrates how many years it would take the company to repay net debt if EBITDA remained constant and was used in full to repay financial debt. A low ratio would normally indicate, other things being equal, that an entity is better able to pay back its debt and/or may be able to take on more debt if necessary. A high ratio may raise doubts over the companies ability to service its existing debt.

Net Interest Paid Cover (EBIT/Interest Payable): This position demonstrates how many times an organisation can cover its annual interest payments out of available earnings. This measure provides an indication of the companies solvency. A higher number would indicate that the company is in a better position to service its debt related payments. Whereas, a lower figure may indicate that the company might find it more difficult to service its debt related payments.

8. **Acid Ratio (Current Assets Minus Inventory/Current Liabilities):** The acid ratio measures a companies ability to use its cash or other assets to meet short-term liabilities that are failing due. A higher ratio, would normally indicate that a company can more easily meet its liabilities as they fall due. A lower ratio may raise concerns over the ability of a company to meet its liabilities.
9. **Net Asset Value (Total Assets Minus Total Liabilities):** The net asset value of the company measures all of the company's assets minus all of its liabilities. The value provides an overall view of the company's solvency, with a positive value suggesting the company is more solvent. A negative value may suggest that in the event of deterioration the company may be less solvent. A further assessment of each of the companies net asset positions has also been explored, taking into consideration a breakdown of the values by current/non-current.

- The results of our analysis on the Council's group companies is summarised overleaf. The benchmarking is a point in time exercise, utilising the latest available statement of accounts related to December 2020.
- The Cabinet Office playbook advises when assessing the results of the ratio analysis that any Red Flag would be sufficient to exclude a participant from a contracting exercise or warrant further work with the counterparty to evidence their financial performance. Where a Company has multiple red flags, it is recommended the Council shares the analysis with Companies and requests a management response.
- Important context to consider when evaluating the results of the benchmarking include:
  - In many cases the Council is forecasting company losses in the short-term, reflecting the long-term nature of the Business Plans or the Development being undertaken.
  - The Companies have differing strategic purposes and are in different phases of maturity, meaning the relationship with the Council is not just a contractual one.

Comprehensive Statement – The Council's Financial Interests

Figure 15 – Company Financial Viability Assessment – Results (£'000)

Company	Short-Term Turnover Ratio (1 Year)	Medium-Term Turnover Ratio (5 Years)*	Operating Margin (%)	Net Profit/Loss £'000	Free Cash Flow to Net Debt (%)	Net Debt to EBITDA Ratio	Net Interest Paid Cover	Acid Ratio	Net Asset (-Liabilities) Value £'000
ThamesWey Energy Limited (TEL)	1.97	4.89	10%	-357	Note 1	27.0	0.49	0.1	-321
ThamesWey Housing Limited (THL)	248.17	1.03	52%	-6,174		55.8	0.40	0.3	30,194
ThamesWey Developments Limited (TDL)	2.50	19.52	3%	2,350		44.0	4.56	1.9	2,940
ThamesWey Central Milton Keynes Ltd	2.25	2.42	2%	-1,830		28.9	0.02	0.6	- 20,931
ThamesWey Consolidated Position	1.42	Note 3	12%	-6,155		40.5	0.54	0.9	12,340
Victoria Square Ltd	Note 2			-19	Note 2		-0.9	1.2	-11,491
Woking Necropolis and Mausoleum	4.68	Note 3	31%	-278	10%	1.96	6,473	1.3	3,958

Key

Turnover Ratio	Less than 1	Between 1 and 2	Greater than 2
Operating Margin	Less than 10%	N/A	Greater than 10%
Net Profit/Loss	Less than 0	N/A	Greater than 0
Free Cash Flow to Net Debt	Less than 5%	Between 5% and 15%	Greater than 15%
Net Debt to EBITDA Ratio	Greater than 3.5	Between 2.5 and 3.5	Greater than 2.5
Net Interest Paid Cover	Less than 3	Between 3 and 4.5	Greater than 4.5
Acid Ratio	Less than 0.8	Between 0.8 and 1	Greater than 1
Net Asset Value	Greater than 0	N/A	Greater than 0

Note 1: The net operating cashflow for these companies is negative so the ratio cannot be performed.

Note 2: The company generated no revenue in the year so the ratio analysis cannot be performed.

Note 3: The companies financial statements did not provide a medium term breakdown of loans outstanding so the ratio analysis cannot be performed.

* Estimated figure using current year revenue

Comprehensive Statement – The Council's Financial Interests

ThamesWey Energy Limited (TEL)

ThamesWey Energy aims to provide a long term strategy of sustainable energy infrastructure investment both within the borough of Woking and elsewhere. The company achieves this through its generation, distribution and supply of sustainable, low carbon and renewable energy to public, commercial and private domestic customers in the borough.

At 31st December 2020, TEL owed £15.2m to Woking Borough Council of which 12% is due within one year, 23% is due within five years and the remaining 65% is due after five years. The borrowing is charged at an annual interest rate of between 2.23% and 5.5%.

a. Short-Term Turnover Ratio (1 Year): The short-term turnover ratio highlights TEL can service their annual borrowing 1.97 times in the current year.

2020 Revenue	Loans Due in 2021	Turnover Ratio
3,518,511	1,782,576	1.97

b. Medium-Term Turnover Ratio (5 Years): Using a multiplier of five on the current year revenue, TEL are able to service their five year debt 4.89 times..

5 Year Revenue	Loans Due to 2026	5 Year Turnover Ratio
17,592,555	3,596,518	4.89

c. Operating Margin: Operating margin is 10%

Operating Profit	Revenue	Operating Margin
340,239	3,518,511	10%

d. **Net Profit/Loss:** The company is making a net loss of **£357k** which is largely caused by the large interest payments made on loans.

e. Free Cash Flow to Net Debt : It has not been possible to calculate operating margin given the company has negative net operating cash flow.

f. Net Debt to EBITDA: The ratio highlights net debt is 27 times EBITDA in the year.

Net Debt	EBITDA	Ratio
43,987,800	1,627,600	27.0

g. Net Interest Paid Cover: The ratio of EBIT to interest payable charges is 0.49.

Operating Profit	Net Interest Paid	Net Interest Paid Cover
340,239	698,312	0.49

h. Acid Ratio: The ratio of current assets to current liabilities is 0.1.

Current Assets (minus inventory)	Current Liabilities	Ratio
4,140,476	36,780,304	0.1

i. Net Asset Value: Net liabilities are negative and highlights the business is unlikely to be sustainable in the event of any deterioration of performance.

Total Assets	Total Liabilities	Net Liabilities
47,710,356	48,030,929	-320,573

Observations

ThamesWey Energy Limited has a strong operating margin; however there are risks around it's ability to service debt and the company has a negative net liability position. The length of loan profile provided to the Company should be explored as the Company holds a Net Debt to EBITDA ratio of 27; in the event earnings were redirected to repay debt this would take 27 years at current earnings rates. Additionally the Current Liabilities for the Company (due in one year) rose significantly for the Company between 19/20 and 20/21; presenting a liquidity risk.

Comprehensive Statement – The Council's Financial Interests

Company Breakdown

ThamesWey Housing Limited (THL)

ThamesWey Housing was established to support the Council Housing and Economic Development Strategies through the provision of additional residential accommodation of all types. It has an objective to provide affordable homes to those who, due to their circumstances, are unable to access open market provision but are also unlikely to be able to access social rented accommodation.

At 31st December 2020, THL owed £304m to Woking Borough Council of which 0.01% is due within one year, 13% is due within five years and the remaining 87% is due after five years.

The borrowing is charged at an annual interest rate of between 1.8% and 7%.

a. Short-Term Turnover Ratio (1 Year): The short-term turnover ratio highlights THL can service their annual borrowing 248 times in the current year.

2020 Revenue	Loans Due in 2021	Turnover Ratio
8,165,103	32,901	248.17

b. Medium-Term Turnover Ratio (5 Years): Using a multiplier of five on the current year revenue, TEL are able to service their five year debt 1.03 times.

5 Year Revenue*	Loans Due to 2026	5 Year Turnover Ratio
40,825,515	39,710,269	1.03

**As a development company, the company has volatile in-year revenues meaning the five year revenue forecast should be treated as highly indicative.*

Operating Profit	Revenue	Operating Margin
4,212,334	8,165,103	52%

c. Operating Margin: Operating margin is 52% for THL.

d. Net Profit/Loss : The company is making a net loss of £6,174k which is largely caused by the large interest payments made on loans.

e. Free Cash Flow to Net Debt: It has not been possible to calculate operating margin given the company has negative net operating cash flow.

f. Net Debt to EBITDA : The ratio highlights net debt is 55.8 times EBITDA in the year.

Net Debt	EBITDA	Ratio
338,787,332	6,074,098	55.8

g. Net Interest Paid Cover: The ratio of EBIT to interest payable charges is 0.40.

Operating Profit	Net Interest Paid	Net Interest Paid Cover
4,212,334	10,498,040	0.40

h. Acid Ratio: The ratio of current assets to current liabilities is 0.3 due to the value of loans due within one year.

Current Assets (minus inventory)	Current Liabilities	Ratio
10,405,455	35,073,699	0.3

i. Net Asset Value: assets are positive and highlights the business is likely to be sustainable in the event of any deterioration of performance.

Total Assets	Total Liabilities	Net Assets
380,144,703	349,950,582	30,194,121

Observations

ThamesWey Housing Limited holds a positive Net Asset position despite making a net loss in 2020 which reflects the expectations of losses within the Business Plan. The Company Short-term turnover ratio benefits from a low forecast Loan Repayment in 2021, however over the Medium Term revenues are under pressure from Debt repayment. The Acid Ratio could present a risk and cashflow forecast should be evaluated, although it is noted there is £87m of WIP as at the Balance Sheet date that could offer mitigation providing developments are completed in 2021.

Comprehensive Statement – The Council's Financial Interests

Company Breakdown

ThamesWey Developments Limited (TDL)

ThamesWey Developments function as a property developer. They develop both commercial and residential schemes which further the Council's ambitions. Our first major scheme was the Hoe Valley Scheme.

At 31st December 2020, TDL owed £94m to Woking Borough Council of which 37% is due within one year, 24% is due within five years and the remaining 39% is due after five years.

The borrowing is charged at an annual interest rate of between 2% and 4%.

a. Short-Term Turnover Ratio (1 Year) : The short-term turnover ratio highlights TDL can service their annual borrowing 2.5 times in the current year.

2020 Revenue	Loans Due in 2021	Turnover Ratio
87,735,886	35,093,503	2.5

b. Medium-Term Turnover Ratio (5 Years): Using a multiplier of five on the current year revenue, TDL are able to service their five year debt 19.52 times.

5 Year Revenue	Loans Due to 2026	5 Year Turnover Ratio
438,679,430	22,473,199	19.52

c. Operating Margin: Operating margin is 3% for TDL.

Operating Profit	Revenue	Operating Margin
2,705,369	87,735,886	3%

d. Net Profit/Loss : The company is making a net profit of £2,350k caused by stable revenue in the year.

e. Free Cash Flow to Net Debt: It has not been possible to calculate operating margin given the company has negative net operating cash flow.

f. Net Debt to EBITDA: The ratio highlights net debt is 44.0 times EBITDA in the year.

Net Debt	EBITDA	Ratio
100,436,107	2,280,167	44.0

g. Net Interest Paid Cover: The ratio of EBIT to interest payable charges is 4.56.

Operating Profit	Net Interest Paid	Net Interest Paid Cover
2,705,369	357,964	4.56

h. Acid Ratio: The ratio of current assets to current liabilities is 1.9.

Current Assets (minus inventory)	Current Liabilities	Ratio
80,915,629	43,287,764	1.9

i. Net Asset Value: Net assets are positive and highlights the business is likely to be sustainable in the event of any deterioration of performance.

Total Assets	Total Liabilities	Net Assets
107,450,589	104,510,363	2,940,230

<u>Observations</u>

ThamesWey Developments demonstrates a positive net assets position and turnover ratios providing confidence in solvency. The operating margins of the Company are thin; however given sales typically take place within the group, namely to ThamesWey Housing Limited this operating margin is intended and presents a lower risk to the Council.

Comprehensive Statement – The Council's Financial Interests

Company Breakdown

ThamesWey Central Milton Keynes Ltd (TCMK)

ThamesWey Central Milton Keynes (TCMK) was set up as a subsidiary of ThamesWey Energy Ltd and owns and operates an Energy Station in Central Milton Keynes. TCMK was established to build and operate a Combined Heat and Power station to deliver district heating and a private wire network in the central business district in Milton Keynes.

At 31st December 2020, TCMK owed £33m to Woking Borough Council of which 4% is due within one year, 17% is due within five years and the remaining 79% is due after five years.

The borrowing is charged at an annual interest rate of between 4% and 7%.

a. Short-Term Turnover Ratio (1 Year) : The short-term turnover ratio highlights TCMK can service their annual borrowing 2.25 times in the current year.

2020 Revenue	Loans Due in 2021	Turnover Ratio
2,738,753	1,216,097	2.25

b. Medium-Term Turnover Ratio (5 Years): Using a multiplier of five on the current year revenue, TCMK's are able to service their five year debt 2.42 times.

5 Year Revenue	Loans Due to 2026	5 Year Turnover Ratio
13,693,765	5,653,180	2.42

c. Operating Margin: Operating margin is 3% for TCMK.

Operating Profit	Revenue	Operating Margin
43,901	2,738,753	2%

d. Net Profit/Loss : The company is making a net loss of £1,830k which is largely caused by the large interest payments made on loans.

e. Free Cash Flow to Net Debt: It has not been possible to calculate operating margin given the company has negative net operating cash flow.

f. Net Debt to EBITDA : The ratio highlights net debt is 28.9 times EBITDA in the year.

Net Debt	EBITDA	Ratio
33,527,338	1,160,196	28.9

g. Net Interest Paid Cover: The ratio of EBIT to interest payable charges is 0.02 highlighting very high interest costs, as well as low operating profit in the year.

Operating Profit	Net Interest Paid	Net Interest Paid Cover
43,901	1,874,003	0.02

h. Acid Ratio: The ratio of current assets to current liabilities is 0.6 highlighting the business has a relatively low value of short term assets in comparison to the debts.

Current Assets (minus inventory)	Current Liabilities	Ratio
1,134,134	1,976,583	0.6

i. Net Asset Value : Net assets are negative due to the large loans held.

Total Assets	Total Liabilities	Net Liabilities
18,213,910	39,145,222	- 20,931,312

Observations

The Ratios evidence the Going Concern risk raised by the Auditors on TCMK; it is in a negative net asset position, has thin operating margins and made a significant loss in it's accounts of £1.8m in 2020. The Company currently exhibits below threshold performance on Liquidity through the Acid Ratio, and Net Debt to EBITDA.

Comprehensive Statement – The Council's Financial Interests

Company Breakdown

ThamesWey Consolidated Position

ThamesWey Ltd was incorporated to make long-term energy and environmental project investments in support of what subsequently became the Council's Climate Change Strategy. In 2004 the company's remit was extended to include provision of affordable homes in support of the Council's Housing Strategy. In 2008 the company's remit was further extended to take forward redevelopment proposals for parts of the Borough.

At 31st December 2020, the Group owed £456m to Woking Borough Council of which 9% is due within one year and the remaining 91% is due after five years.

The borrowing is charged at an annual interest rate of between 3% and 7%.

a. Short-Term Turnover Ratio (1 Year): The short-term turnover ratio highlights 1.42 in the current year.

2020 Revenue	Loans Due in 2021	Turnover Ratio
61,597,116	43,236,459	1.42

b. Medium-Term Turnover Ratio (5 Years): No split provided

c. Operating Margin: Operating margin is 12% for ThamesWey.

Operating Profit	Loans Due to 2026	Operating Margin
7,283,990	61,597,116	12%

d. Net Profit/Loss: The company is making a net loss of £6,155k which is largely caused by the large interest payments made on loans.

e. Free Cash Flow to Net Debt: It has not been possible to calculate operating margin given the company has negative net operating cash flow.

f. Net Debt to EBITDA: The ratio highlights net debt is 40.5 times EBITDA in the year.

Net Debt	EBITDA	Ratio
494,190,795	12,196,934	40.5

***g.* Net Interest Paid Cover:** The ratio of EBIT to interest payable charges is 0.54.

Operating Profit	Net Interest Paid	Net Interest Paid Cover
7,283,990	13,549,179	0.54

***h.* Acid Ratio:** The ratio of current assets to current liabilities is 0.9 highlighting the business has slightly more liquid assets in comparison to debts.

Current Assets (minus inventory)	Current Liabilities	Ratio
79,033,379	89,640,331	0.9

i. Net Asset Value: Net assets are positive.

Total Assets	Total Liabilities	Net Assets
534,448,862	522,108,519	12,340,343

Observations

The Group position demonstrates a positive net asset value, and strong operating margin providing confidence on solvency at the Group level despite the loss made in 2020 of £6.1m. The Group holds significant debt, and the profile of the loans provided by the Council should be considered in light of a Net Debt Ratio of 41. Finally, the Acid Ratio at Group level is flagged Amber; this aggregate view of current liquidity is best reviewed at the individual company levels where risks do exist.

This analyses has been conducted by removing intra-company transactions, hence the difference between the individual Companies and Consolidated position.

Comprehensive Statement – The Council's Financial Interests

Company Breakdown

Woking Necropolis and Mausoleum (WNM Ltd)

The principal activity of the group is the provision of burial and funeral services and the maintenance of Brookwood Cemetery

At 31st December 2020, the Group owed £335k to Woking Borough Council of which 100% is due after more than one year.

a. Short-Term Turnover Ratio (1 Year) : The short-term turnover ratio highlights Woking Necropolis and Mausoleum are able to service their annual borrowing c5 times over in the current year.

2020 Revenue	Loans Due in 2021	Turnover Ratio
910,703	194,502	4.68

b. Medium-Term Turnover Ratio (5 Years): No split provided

c. Operating Margin: Operating margin is 31% for Woking Necropolis and Mausoleum.

Operating Profit	Revenue	Operating Margin
278,357	910,703	31%

d. Free Cash Flow to Net Debt: Net operating cash flow is 10% of net debt highlighting 10% of net debt could be covered by current year cash flows.

Net Operating Cash	Net Debt	Ratio
109,090	1,072,273	10%

e. Net Profit/Loss: The company is making a net loss of £278k which is largely caused by the large administrative expenses.

f. Net Debt to EBITDA: The ratio highlights net debt is 2 times EBITDA in the year.

Net Debt	EBITDA	Ratio
1,072,273	546,352	1.96

g. Net Interest Paid Cover: The ratio of EBIT to interest payable charges is 6,473.

Operating Profit	Net Interest Paid	Net Interest Paid Cover
278,357	43	6,473

h. Acid Ratio: The ratio of current assets to current liabilities is 1.3.

Current Assets (minus inventory)	Current Liabilities	Ratio
260,769	194,502	1.3

i. Net Asset Value : Net assets are positive.

Total Assets	Total Liabilities	Net Assets
5,222,810	1,264,758	3,958,052

Observations

As an operational trading company WNM has a positive Net Assets position, and operating margin of 31%. Evaluating these ratios the Company is in a robust financial position, with Amber flags in relation to Net Debt levels which warrant monitoring rather than immediate action or response.

Comprehensive Statement – The Council's Financial Interests

Company Breakdown

Victoria Square Woking (VSWL)

The principal activity of the company is that of an ongoing redevelopment project on land to the west side of the existing Peacocks Centre and Wolsey Place Shopping Centre in Woking.

At 31st December 2020, VSWL owed £497m to Woking Borough Council of which 0.3% is due within one year and the remaining 99.7% is due after more than one year.

a. Short-Term Turnover Ratio (1 Year): It has not been possible to calculate short term turnover ratio given the company has generated no revenue in the year.

b. Medium-Term Turnover Ratio (5 Years) : It has not been possible to calculate medium term turnover ratio given the company has generated no revenue in the year.

c. Operating Margin: It has not been possible to calculate operating margin given the company has generated no revenue in the year.

d. Free Cash Flow to Net Debt: It has not been possible to calculate operating margin given the company has not provided a cash flow.

e. Net Debt to EBITDA: It has not been possible to calculate operating margin given the company has nil gross profit in the year.

f. Net Profit/Loss : The company is making a net loss of £19k which is largely caused by the large interest payments made on loans.

g. Net Interest Paid Cover: The ratio of EBIT to interest payable charges is -0.9 highlighting very low interest costs which is expected given the development stage of the company.

Operating Loss	Net Interest Paid	Net Interest Paid Cover
-9,877	9,332	-0.9

h. Acid Ratio: The ratio of current assets to current liabilities is 1.2.

Current Assets (minus inventory)	Current Liabilities	Ratio
17,845,288	15,059,760	1.2

i. Net Asset Value: Net assets are negative.

Total Assets	Total Liabilities	Net Liabilities
498,917,689	510,408,982	-11,491,293

Observations

As Victoria Square is yet to become operational, the financial ratio assessment is more limited. The Company is in a negative net asset position, and holds a significant Debt value (£497m) owed to the Council.

Comprehensive Statement – The Council's Financial Interests

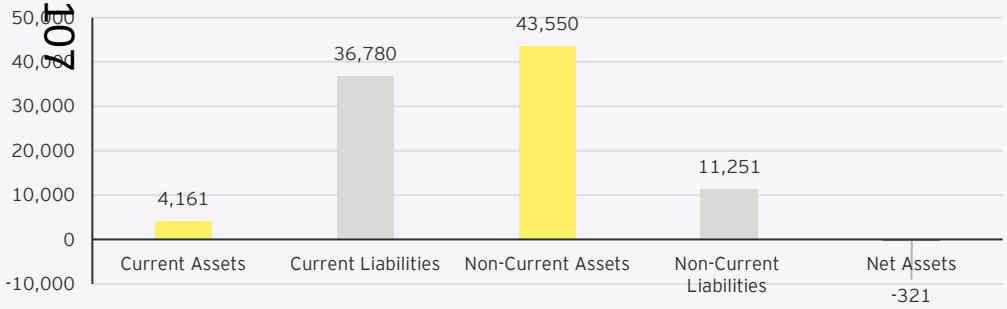
Companies Net Asset Position

The net assets of each of the companies has been assessed further in this section. Each graph highlights the companies current and non-current assets and liabilities, as well as the overall net asset position.

1. ThamesWey Energy Limited (TEL)

- The net assets in TEL highlights the company holds a significantly large value (£43.5m) of non-current assets largely relating to plant and machinery and assets under construction.
- The value of current liabilities is also significant at £36.8m, this is made up of loan amounts due to Woking Borough Council within the next year.
- The overall net liability position of the company is -£321k.

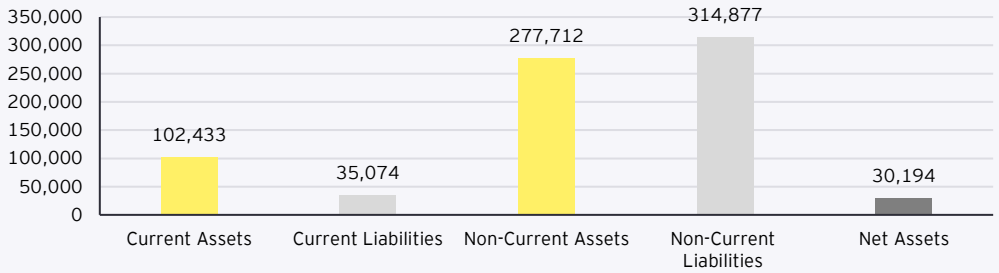
Figure 16 – ThamesWey Energy Limited – Net Asset Position (£'000)



2. ThamesWey Housing Limited (THL)

- The net asset position in THL highlights the company holds a significant amount of non-current liabilities £314.9m, this is made up of loan amounts due to Woking Borough Council after one year.
- This is offset by a large value (£277.7m) of non-current assets largely relating to investment properties held.
- The overall net asset position of the company is £30.2m

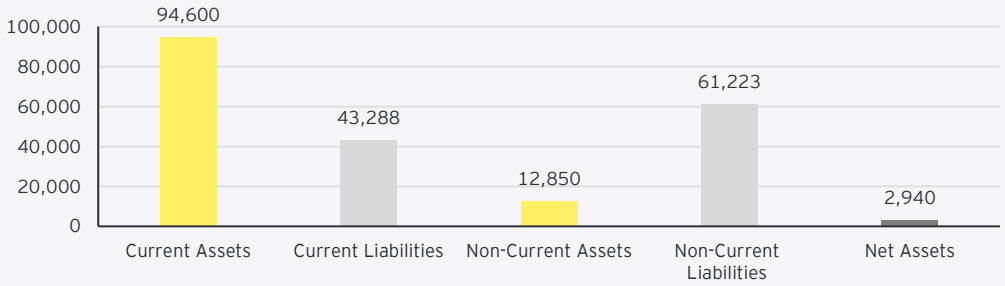
Figure 17 – ThamesWey Housing Limited – Net Asset Position (£'000)



3. ThamesWey Developments Limited (TDL)

- The net assets in TDL highlights the company holds a significantly large value (£94.6m) of current assets largely relating to 'amounts recoverable on contract' sitting within the debtors balance.
- The value of both current and non-current liabilities is also significant at £43.3 and £61.2m respectively, this is made up of loan amounts due to Woking Borough Council.
- The overall net asset position of the company is £2.9m.

Figure 18 – ThamesWey Developments Limited – Net Asset Position (£'000)



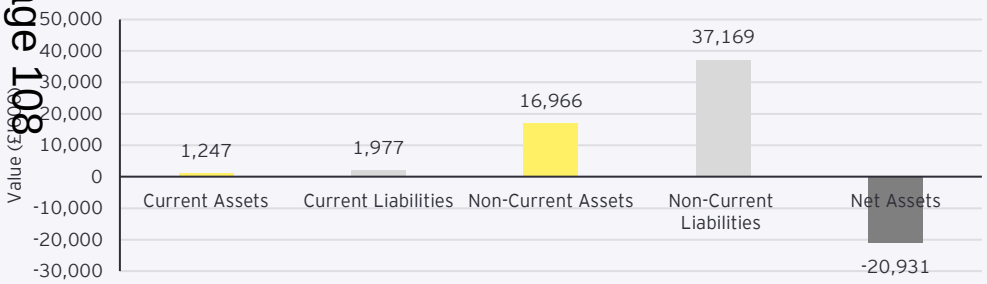
Comprehensive Statement – The Council's Financial Interests

Companies Net Asset Position (continued)

4. ThamesWey Central Milton Keynes (TCMK)

- The net assets in TCMK highlights the company holds a significantly large value (£31.8m) of non-current liabilities largely relating to loan amounts due to Woking Borough Council.
- The value of non-current assets is also significant at £17.0m, this is made up of plant and machinery, as well as a substantial holding of buildings.
- The company is in a net liability position of £20.9m.

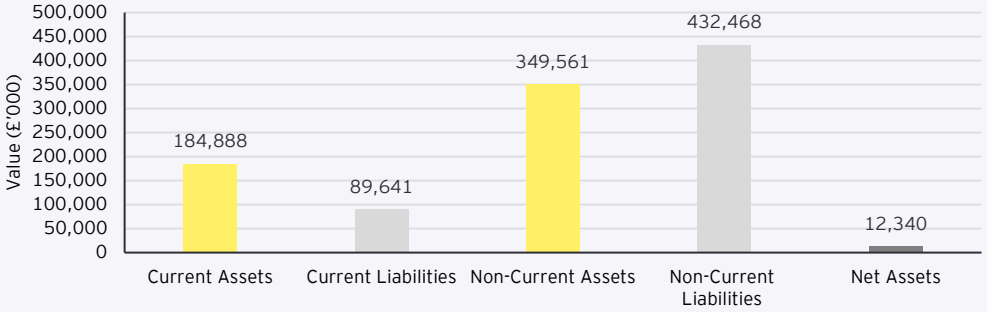
Figure 19 – ThamesWey Central Milton Keynes – Net Asset Position (£'000)



5. ThamesWey Group

- The net liabilities in the Group highlights the company holds a significantly large value £432m of non-current liabilities largely relating to loan amounts due to Woking Borough Council.
- The Group also holds a large value of non-current assets, making up £349.6m, this is mostly comprised of investment property which makes up £252.6m of the total non-current assets.
- The overall net asset position of the company is £12.3m

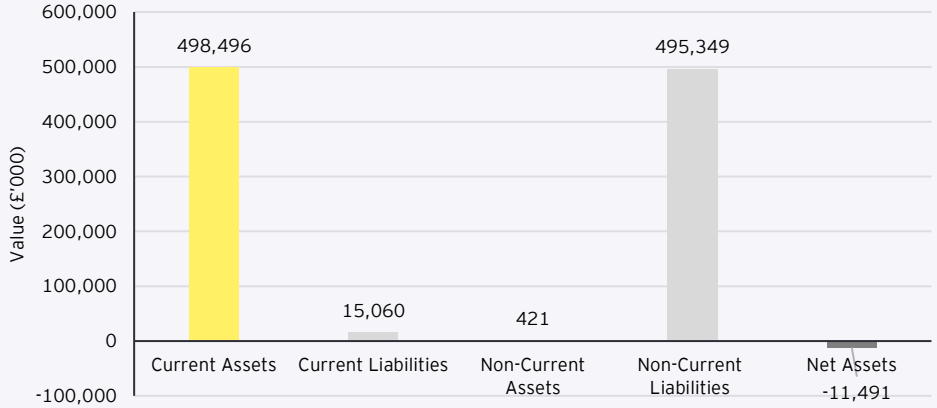
Figure 20 – ThamesWey Group Limited – Net Asset Position (£'000)



6. Victoria Square Woking Limited (VSWL)

- The net assets in VSWL highlights the company holds a significantly large value (£498.5m) of non-current assets largely relating to inventories and work in progress (WIP) held for the redevelopment project.
- The value of non-current liabilities is similarly significant at £495.3m, this is made up of loan amounts due to Woking Borough Council.
- Victoria Square is in an overall net liability position of £11.5m.

Figure 21 – Victoria Square Woking Limited – Net Asset Position (£'000)



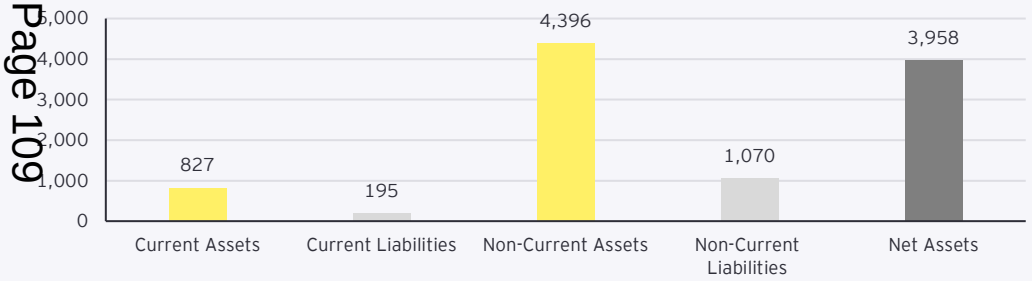
Comprehensive Statement – The Council's Financial Interests

Companies Net Asset Position (continued)

7. Woking Necropolis and Mausoleum

- The net assets in Woking Necropolis and Mausoleum highlights the company holds a significantly large value (£4.4m) of non-current assets largely relating to freehold property.
- The value of non-current liabilities is also significant at £1.1m, this is made up of both loans to group undertakings, as well as provisions for liabilities.
- The overall net asset position of the company is £4.0m

Figure 22 – Woking Necropolis and Mausoleum – Net Asset Position (£'000)



Comprehensive Statement – The Council's Contractual Obligations

Introduction

Within this section the contractual obligations held by Woking Borough Council are assessed, and grant position as per the statement of accounts. This review has included:

- The latest Statement of Accounts – 1st April 2021
- A breakdown of grants received in the year to date; split by capital and revenue grants
- A breakdown of the Council's contract register in the year

The resources noted above were provided by Woking Borough Council, we have not sought to verify accuracy or validate representations made by management in interpretation of the data.

The following subsections are shown;

1. A general overview of the grant position
2. The accounting policy for grants (as per CIPFA)
3. A detailed overview of the capital grants received
4. A detailed overview of the revenue grants received
5. An overview of the contractual obligations held by the Council

A summary of our key statements in the section to the right, this outlines the significant observations and risks we noted during our assessment.

Key Statements:

- WBC hold a total of £7.9m in outstanding Capital Grants at October 2021.
- WBC have received a total of £29.2m from Homes England related to work at Triangle Site, with £1.55m received in the current year.
- WBC have received a total of £9.4m from Homes England related to work as part of the Sheerwater leisure centre.
- WBC have received a total of £3.1m in grants from BEIS relating to a heat decarbonisation scheme.
- Revenue grants received by WBC in 2020/21 were £47m to date.
- WBC have medium-term contractual obligations of £89.5m.
- WBC have long-term contractual obligations of £39.6m

Observations:

- WBC have specific contractual obligations relating to grants received from Homes England.
- WBC have appropriate systems in place to ensure that revenue grants are administered appropriately, and the grant reimbursements are correct.

Comprehensive Statement – The Council's Contractual Obligations

Contractual Obligations – General Overview

- The Council receives grants for several purposes, including to support Government policy, encourage certain outcomes and behaviours, and to provide financial stability.
- The Council receive two types of Grants; capital grants which are used to purchase or develop assets with the aim of having a wider community benefit, and revenue grants, which are used for expenditure which does not result in a lasting asset.

Accounting Policy for Grants

- Grants for revenue expenditure are accounted for as a credit to the the CIES in same period as the expenditure to which they relate.
- Where a grant is received to purchase a fixed asset and any conditions have not been met, the grant is credited to the 'capital grants received in advance' liability account in the Balance Sheet.
- When the conditions have been met, or if there are no conditions, the grant is recognised in the CIES. The grant is held in the 'capital grants unapplied' reserve in the Balance Sheet until the expenditure is incurred, when it is transferred into the capital adjustment account.

Capital Grants

- At 31st March 2021, Woking Borough Council had £6.32m in remaining capital grants. During the year the Council received a further £1.62m taking the total capital grant balance at 1st December 2021 to £7.94m.
- Of the £7.49m outstanding balance, £0.9m relates to capital grants unapplied. These are therefore recorded in reserves within the balance sheet.
- £5.4m relates to capital grants received in advance, these are recorded as a liability in the balance sheet given the conditions are yet to be met by the Council.
- £1.7m relates to grants received during 2021/22, which reflects the fact that capital financing is undertaken at year end and therefore capital commitments against grants received have not been worked through
- An assessment of the largest grants received by the Council has been performed in the next section. A materiality threshold of £1m has been used to determine which grants to test.

Figure 23 – Capital Grant Position - £'000

Grants	Balance £'000
Capital Grants Unapplied	985
LPSA2	318
SCC Raingarden	10
Community Housing Fund	15
FSSD Park Improvements	16
Disabled Facilities Grant	579
Free Swimming	17
Mortgage Rescue	30
Capital Grants Received in Advance	5,338
SCC Lakeview Cycling Legacy Grant	1
Armed Forces Covenant Grant	8
Heritage Brookwood Cemetery	20
Homes England (Triangle)	2,154
Decarbonisation Scheme	3,149
Personalisation and Prevention	7
Received in 2021/22	1,619
Homes England (Triangle)	1,552
Homes England (OWILS)	493
Homes England (121 Chertsey Road)	104
Football Foundation 3G Woking College	(380)
London Marathon CT 3G Woking College	(150)
Horsell Amenity Fund	(1)
Total	7,942

Comprehensive Statement – The Council's Contractual Obligations

Contractual Obligations – Capital Grants (continued)

Homes England Grant

- The Council have received a total of £43m in capital grants relating to Homes England with £2m received in the current year.
- Homes England entrusts the grant recipients with a public service obligation to provide and facilitate the provision of affordable homes in England for persons failed by market housing.
- Woking Borough Council have applied for grants from Homes England in relation to the projects such as Sheerwater Regeneration and HIF. This is the Council's regeneration project to transform the centre of Sheerwater into a sustainable community and attractive new neighbourhood.
- The project funding is subject to monitoring and evaluation across a number of milestones stated in the funding agreements.
- The Council must meet the conditions set out within the agreement in order to receive (and retain) the grant funding. The conditions include various stipulations including the progress of infrastructure against milestones, housing units started and completed and wider benefits achieved.

Decarbonisation Scheme

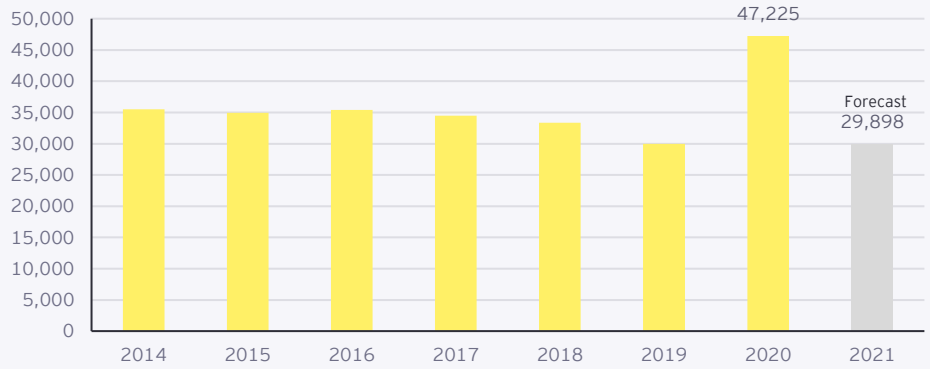
- This grant relates to funding to assist the Council in decarbonising heat from the Department of Business, Energy and Industrial Strategy (BEIS).
- The grant is to be used to connect two large office buildings to a new low carbon district heating and cooling network within Woking.
- Within the documentation provided it is noted that the grant is conditional upon specific requirements, including, providing a full risk register, firm pricing, energy savings calculations and evidence to support electricity costs.
- The grant also requires, amongst other things, monitoring reports to be provided monthly highlighting the status of the projects, project spend and any risks impacting project delivery.

Revenue Grants

Revenue Grants: Woking Borough Council received £22.4m in revenue grants in the year. This is a decrease of 53% on the prior year.

- The graph highlights the Council has received a total of £22.4m in revenue grants in the current year to date. The data used relates to November 2021, representing nine months of the financial year, an extrapolated figure for the full year would be £29m.
- The spike in the graph in 2020 shows the current year grant income is a significant decrease of 53% from the prior year where the Council received £47m in grant income, even using the extrapolated figure it is noted the value of grants received in 2020 were much larger. This is due to the impacts of Covid-19 and the grants received by the Council in support of this.

Figure 24 – Grant Income by Year -£'000



- There were five grants received in the year that were over £1m, we have extracted these in the table in figure 25. Two of these related to Covid specific grants, the total of which sums to £7.3m, making up 32% of the total grant income received.

Comprehensive Statement – The Council's Contractual Obligations

Revenue Grants (continued)

Figure 25 – Revenue Grants Above Investigation Threshold

Grant	Amount (£'000)
Rent Allowance Benefit Subsidy	6,629
Rent Rebates Benefit Subsidy	4,437
Sources of Finance PFI Credit	1,457
Sources of Finance Expanded Retail Relief	5,906
Sources of Finance Covid NDR Relief Additional Grant	1,459
Other	2,538
Total	22,426

- We have assessed each of these grants to determine if there are any risks of the Council not meeting the obligations, leading to a negative impact on revenue.

Rent Allowance Benefit Subsidy & Rent Rebates Benefit Subsidy

- The rent allowance and rent rebates received relate to housing benefits which are paid out by the Council on behalf of Central Government. The grants seen in the table above relate to reimbursements of these housing benefit payments and are claimed by the completion of subsidy forms.
- The Council has systems in place to ensure the benefit payments are administered appropriately and the grant reimbursements are correct.

Source of Finance PFI Credit

- The PFI credit is a payment to the Council each year across a twenty-five year period in respect of a completed housing PFI scheme. The properties under the scheme are managed by a housing association.
- The land is being provided by the Council for free under a 125 year lease, over which period Woking will retain nomination rights (even after the 25 year term of the contract); the rent levels will remain at social housing levels in accordance with the S106 Agreement. Units built provide social housing to people on the Woking's Housing Register throughout the 125 years.
- MTVH manage and maintain the properties for the remaining 100 years after the end of the UC payments, providing housing for the Council's nominations. It is only after the 125 year lease terminates that the houses revert back to the Council.

Sources of Finance Expanded Retail Relief and Covid NDR Relief Additional Grant

- These grants are paid to the Council by Central Government in respect of reliefs ('discounts') granted on business rates to businesses.
- The figures in the final accounts each year are based on the final 'claim' form for the year (the NNDR3 form)
- The Council has systems in place to ensure the business rates are collected appropriately and the grant reimbursements are correct.

Comprehensive Statement – The Council's Contractual Obligations

Contract position

- According to the Council's contract register the Council had 158 live contracts as at 31st October 2021. The value of these contracts was £237.6m.
- Of the 158 contracts Woking had with suppliers, 9 had a total contract value of over £1m. Of these contracts, the 3 with the highest value were with:

1. **Woking Housing Partnership Ltd** – A £96.0m contract spanning 60 months. The contract sits within Housing and relates to the provision of housing management, repairs and planned maintenance. (3 months remaining)
2. **Skanska Rashleigh Weatherfoil Ltd** – A £40.0m contract spanning 120 months. The contract sits within Building Services and relates to "integrated facilities management services for all council commercial properties". (1 year and 10 months remaining)
3. **Evolution** – A £36.5m contract spanning 300 months. The contract sits within Housing and relates to "the provision of 224 new homes for letting at social rent levels" under the PFI Housing Contract. (18 years remaining)

- As demonstrated in Figure 26, the majority of the Councils contracts are due to expire in 2022, demonstrating that the Council do not have significant contractual obligations beyond the short-term time period.
- For 2023, there are £64.1m worth of contracts due to expire, indicating that the Council do have contractual obligations in the medium-term relating to these contracts. The most significant of these contracts are;

1. **Skanska Rashleigh Weatherfoil Ltd** - Integrated facilities management services for all Council commercial properties - £40m
2. **Serco** - Grounds Maintenance and Street Cleansing Service – £20m

- For 2025, there are £23.7m worth of contracts due to expire, indicating that the Council do have contractual obligations in the medium-term relating to these contracts. The most significant of these contracts are;

1. **Kier Construction** - Development of 58 new sheltered housing units in Old Woking - £15m
2. **Freedom Leisure** - Manage the Leisure Centres and facilities in Woking Borough. - £8m

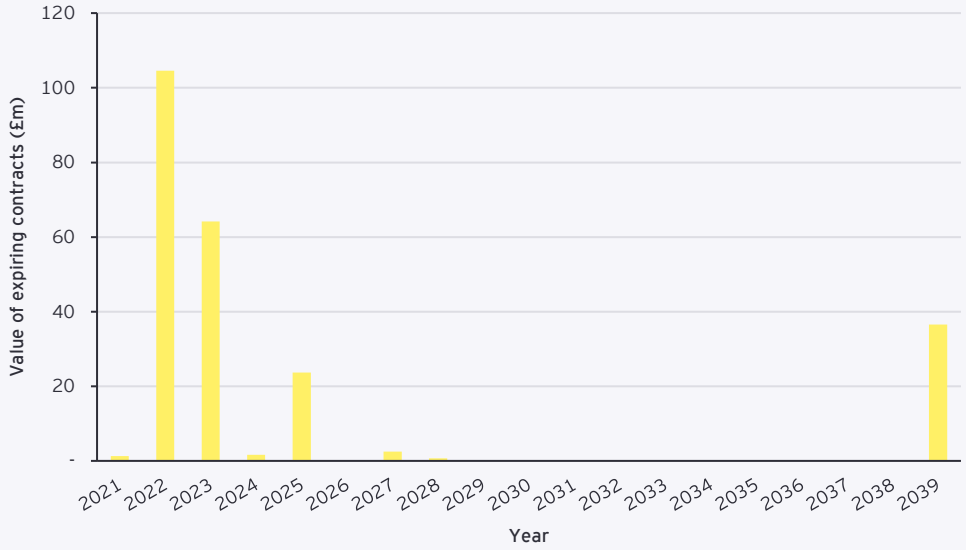
- For 2039, there is £36m worth of contracts dues to expire, indicating that the Council have contractual obligations in the long-term. This contract relates to;

1. **Evolution** - To provide 224 new homes for letting at social rent levels under the PFI Housing Contract - £36.5m (As above).

Medium-Term Obligations: Woking Borough Council have £89.5m worth of contractual obligations in the medium-term.

Long-Term Obligations: Woking Borough Council have £39.6m worth of contractual obligations in the medium-term.

Figure 26 – Contract Maturity by Year - £'m



Corporate Strategy – Outcomes and Objectives 2022-2027

- The Corporate Outcomes and Corporate Objectives below have come out of a range of stakeholder engagement sessions including Executive; CLT; Directorate Leadership Teams; Senior Managers Group
- There has not been a comprehensive read across between the Corporate Strategy Objectives and the feedback from the Community Engagement – this will be undertaken between now and the March Executive. The community engagement priorities have however been provisionally mapped against the draft Corporate Strategy Objectives in the table below. It should be noted however that the response to some of the community engagement priorities would be cross cutting and a number of Corporate Strategy Objectives would be contributing.

Themes	Corporate Outcome	Corporate Objective	What residents said was important
Communities	**Safe, thriving and sustainable communities**	Recognising the distinctive identity of our towns, villages and neighbourhoods - ensuring they have vibrant centres that support community life, wellbeing, pride and identity. Create safe and accessible public spaces through high-quality development and regeneration. Encourage and increase participation through the provision of varied cultural and sporting opportunities and amenities.	• Keeping the borough a safe place for everyone • Taking action, where required, to deal with anti-social behaviour
	High quality homes for all	Support the provision of high quality, sustainable, well managed and affordable homes to meet local needs, including those for key workers. Work with public and private sector providers to meet housing standards Prevent homelessness and its root causes	• Providing high-quality affordable and key worker homes, to meet the needs of local people • Tackling homelessness and its causes

Themes	Corporate Outcome	Corporate Objective	• What residents said was important
	Health and wellbeing for all	Work with partners to embed health and wellbeing into all that we do Encourage people to be more proactive about their health and wellbeing in order to increase independence and reduce the need for care and support services. Provide early support to residents to prevent their health and wellbeing deteriorating Work with partners to improve access to health and care services.	• Providing support for older, vulnerable people

Engagement	**Engaged communities**	Consult and engage residents more frequently and encourage all residents to have their say. Reach and listen to all our communities and act on their feedback. Be open and transparent in the management of council business	• Having a council that listens to residents and where everyone can 'have their say'
	A borough with a strong voice	Have a strong voice and influence with government and business to achieve the best outcomes for the borough Attract investment and protect our interests by raising the profile of the borough.	

Themes	Corporate Outcome	Corporate Objective	What residents said was important
	Strong and effective partnerships	Actively seek opportunities to work collaboratively with the county council and other public, voluntary, community and faith sectors. Establish and maintain strong and effective relationships with government, communities and partners	

Climate Change	**Greener living**	Help communities to reduce their carbon footprint and impact on the environment. Use the borough's natural assets and green spaces to support green and sustainable living. Work with partners to develop and incentivise greener travel choices.	• Climate change • Taking steps to improve traffic flows across the borough • Making it easier to travel around Woking Borough and surrounding areas
	Greener economy	Develop the green and sustainable sector as part of the strategy for economic growth Promote sustainable technology and innovation. Promote and invest in low carbon energy supply across the borough.	

Themes	Corporate Outcome	Corporate Objective	What residents said was important
	Greener place leadership	Lead an integrated approach to the management of flood risk and conserving water. Conserve existing habitats and creating new ones Deliver a carbon neutral council by 2030 and lead by example to support Woking businesses to be more green and sustainable. .	

Economy	**A borough of opportunity**	Develop a connected borough that can harness the opportunities provided by new technology. Establish the whole borough as a destination – a place that is open for business and investment	• Encouraging vibrant village high streets by supporting local business
	Strong and sustainable economy	Support businesses to recover from the pandemic and grow. Keep talent and skills within the borough by creating more opportunities for career progression and advancement. Create a vibrant town centre – bringing together a compelling offer of high-quality leisure, retail and sustainable living opportunities.	• Supporting new and established local businesses and shops

Themes	Corporate Outcome	Corporate Objective	What residents said was important
	A borough with an enabling infrastructure	Establish a strong case for investment in infrastructure that supports the vision and priorities for communities. Align space planning for business with our economic strategy.	

Efficiency & Transparency	**A transparent, listening and learning council**	Active use of independent and peer reviews to inform service improvement. Involve residents in the development of the council's strategies and policies. Help residents to understand and take an interest in the council's democratic processes.	
	A high performing council	Develop and strengthen strategic service and financial planning Develop the council's digital maturity and capability Adopt a council operating model that delivers the best outcomes from investments	

Themes	Corporate Outcome	Corporate Objective	What residents said was important
	A modern employer with a progressive workforce	Continuing to invest in staff, our greatest resource, by ensuring they have the skills and equipment necessary to perform their roles to the best of their ability. Work closer together to achieve consistent and integrated services for residents.	

COMMUNITY FEEDBACK PRIORITIES

Climate Change

Actions completed:

- Robust climate polices in captured within Woking's Core Strategy and other development plan documents
- Installation of Combined Heat and Power network in Woking Town Centre

Actions to be implemented:

- The Council's Climate Emergency Action Plan (CEAP) sets out the actions that the Council is prioritising for delivery, individually and in partnership with other organisations.
- Further proposed actions are set out in the 'Tackling Climate Change Locally' report to be considered by the Executive on the same agenda as this report on 20th January 2022. Specific actions are to include:
  - Adoption of a revised Sustainability Supplementary Planning Document
  - Liaise with external partners to maximise the provision of charging points for e-vehicles across the wider Borough, utilising Government funding and commercial support when available
  - Review Woking 2050, the Council's climate change strategy, to incorporate the Council's pledge for carbon neutrality and the climate emergency action plan
  - Continue to provide access to Government grants to deliver household energy efficiency improvements for eligible residents through Action Surrey

Keeping the borough a safe place for everyone

The Community Safety team contributes to ongoing work such as Community Harm and Risk Management (CHaRMM) and the Joint Action Group (JAG) meetings, as well as several events and campaigns that help keep the Borough safe.

These include yearly events such as Junior Citizen, which is aimed at all Year 6 pupils, Anti-Social Behaviour Awareness Week which is now a national event each July and Domestic Abuse Awareness Week which is a Surrey wide event held in June. We also support Surrey Police with their ongoing programmes, such as County Lines intensification weeks, crime prevention work and ongoing campaigns specific to them – recently this was E scooters in the Borough. This work also includes the implementation of the Safer Streets 3 funding for improvements along the canal.

Work will also continue with any identified group, organisation or charity to support work that they are undertaking that will be beneficial to the residents of Woking, such as Women's Support Centre, York Road Project, Woking Street Angels etc.

Taking steps to improve traffic flows across the borough

Actions completed:

- Significant investment in the public realm within Woking Town Centre to allow safer cycle and pedestrian movements
- Lockfield Drive traffic flow and vehicle capacity improvements at the Victoria Way junction
- Introduction of smart signal equipment through the town centre to allow signals to communicate better. When construction work is completed in the town centre, traffic will be able to flow through the town and not be stopped at each set of lights. This will improve carbon emissions as well as assist with the traffic flow.

Actions to be implemented:

- Identify more opportunities for cyclists and pedestrians to get around Woking, including accessible infrastructure and the provision of secure cycle parking facilities.
- Ambition to work with Surrey County Council on key agenda items including:
  - A245 corridor improvements to include smarter highway measures (there will need to be some hard measures as well)
  - Woking Town Cycling and Walking Infrastructure Plan
  - The Woking Sustainable Transport Package Phase Two.

Making it easier to travel around Woking Borough and the surrounding areas

Actions completed:

- Relating to the town centre:
  - Chertsey Road has had cycle and pedestrian improvements
  - Introduction of a bus lane and contra flow cycle lane along the High Street allows direct access for cyclists to the station and town centre
  - A new toucan crossing at Victoria Way allows cyclists and pedestrians to cross together, creating improved accessibility for cyclists to the town centre
  - A new bus stop at Bedser Bridge allows easy access to the town by bus
  - Albion/Station Plaza Square has seen the removal of through traffic and improvements for bus travel, pedestrians and cyclists
  - Improvements to public realm and pedestrian travel at Dukes Court
  - Chobham Road cycle bridge has new linkage for cyclists and pedestrians from the north side to town side of the canal

Actions to be implemented:

An aspirational list of future partnership working with Surrey as the Highway Authority:

- Woking Town Local Cycling and Walking Infrastructure Plan (LCWIP) Delivery Phase 1 - Woking Town LCWIP identified walk/cycle improvements to deliver recommended corridor improvements. The LCWIP proposed improvements on several corridors, so a phased approach is proposed to make delivery more manageable
- Victoria Arch scheme widening scheme - a £115 million highways enhancement scheme to support Woking town centre's future growth.
- Woking and Esher railway station hubs and access - Improve access by all modes between rail stations and town centres, key employment locations and residential. Also, improvements to the station and hub amenities e.g. shelter, cycle parking, security measures. Package covering railway stations in Woking and Elmbridge.
- Hermitage Road cycle bridge - Parallel dedicated pedestrian and cycle bridge adjacent to existing A324 Hermitage Road bridge, Brookwood, plus c. 150m of cycle track to connect the two sections of the Saturn Trail
- Woking Sustainable Transport Package Phase 2 - Further improvements to walking and cycling, to and from Woking town centre informed by Woking's LCWIP; Quality Bus Corridors in directions of Brooklands, Sheerwater, Byfleet, Send, Westfield, Kingfield, Mayford and Old Woking
- Six crossroads junction smarter highway - Capacity and safety improvements at Six Crossroads major A320/A245 junction
- A245 smarter highway West Byfleet to Painshill - Road modernisation and capacity improvement between West Byfleet and Painshill, including new traffic technology
- Bridge widening at Byfleet and New Haw

Providing more high-quality affordable and key worker homes to meet the needs of people

Actions completed:

- The first 46 affordable homes, part of the Sheerwater Regeneration Scheme, have been completed and work is progressing on two small sites for new council homes
- A review of the Affordable Housing Supplementary Planning Document is underway
- Seeking to prioritise key workers for any new "First Homes" (new Government scheme) built in the Borough
- Providing more high-quality affordable and key worker homes to meet the needs of local people
- Adoption of a Site Allocations Development Plan Document setting out detailed expectations for housing sites including the delivery of affordable housing
- Securing new affordable housing from larger scale developments via the planning application process

Actions to be implemented:

- Future adoption of an amended affordable housing Supplementary Planning Document

Encouraging vibrant village high streets by supporting local businesses

Actions completed:

- Supporting Neighbourhood Planning
- Supporting the West Byfleet regeneration
- Officers visit and engages with businesses across the borough, offering advice and support, marketing and promotion
- Introduced MyTownShops Woking to provide businesses with an online presence that offers a click and collect or delivery service

Actions to be implemented:

- Priorities within the Economic Development Action Plan are to ensure that the boroughs town and village commercial centres and high streets are resilient and flexible to maintain competitive advantages. These include:
    - Online is here to stay: Encouraging our smaller businesses in the town and village centres to have an on-line as well as a physical presence
    - Clean and contactless: Helping retail and other people-facing businesses to move to smart technology
    - All-round experience: Encouraging niche and specialist retailers and services in town and village centres to offer a wider range of opportunities, not just shopping

Tacking homelessness and its causes

Actions completed:

- Working in partnership with the York Road Project to offer rough sleepers extra support and accommodation following the "Everyone In" initiative
- Opened the Council's temporary accommodation scheme just before Christmas
- Expanded our Floating Support offer for homeless families, including a specialist Housing and Mental Health Support Worker, seconded from Woking Mind

Taking action where required, to deal with anti-social behaviour

New Vision Homes have re-introduced a dedicated Anti-Social Behaviour Manager post, which will come in-house in April 2022

Having a council that listens to residents, and where everyone can 'have their say'

Actions completed:

- Woking Residents' Panel has been established, where the views of panellists have helped to shape the Councils' vision for the future

- A community consultation and eight engagement roadshows were held during November and December 2021 to allow residents to influence the Council's five-year Corporate Plan for 2022-2027 and three-year Medium-Term Financial Strategy
- Your borough, your budget tool launched which allows residents to prioritise spending across the Council's key service areas
- Woking Community Forum launched which allows residents to have their say about issues that are important to them

Actions to be implemented:

- Establish a panel for tenant and leaseholder engagement
- Establish a tenant and leaseholder area on the Woking Community Forum site
- Active response to Government consultations to represent the voice of communities of the Borough Develop and publish a Community Engagement Plan
- Develop a calendar of community engagement with a target of six sharing and listening events over the year
- Develop a commissioning prospectus
- To use our representation on the Members Board of the District Councils' Network to collaborate, strengthen the voice of District and Borough Councils and influence national policy
- To continue to support the scrutiny of the Councils strategies to strengthen democratic accountability

Providing support for older, vulnerable people

Actions completed:

- The Extra Care Housing scheme was launched at Hale End Court in Old Woking
- Byfleet Care Club at St Marys in Byfleet has opened to provide support and respite for those residents living with dementia and their carers.

Actions to be implemented:

- The Council will update policy to assist more residents being discharged from hospital with facilities they require to allow them to remain independent at home

Supporting new and established local businesses and shops to create more local jobs

Actions completed:

- Major Woking Town centre investment and regeneration including Victoria Square
- Commencement of the Woking Town Centre Masterplan
- Approval of a revised Economic Development Action Plan
- Between March 2020 and September 2021, the Council distributed over 4860 grants totalling £27,381,704.44 to local businesses across various schemes. The Council provided a wide range of business support both directly and through Woking Works, as well as helping businesses access government support, providing advice and help with a range of issues including:
    - Over 650 interactions with businesses including one-to-one support with business advisers and support for strategy, business plans and marketing, as well as start-up support and continued engagement with businesses throughout 2020/21
    - Directly contacted business owners and business managers on the high streets and villages across Woking Borough to offer advice and support on grant applications or other government initiatives
    - Supported the #WeAreWoking campaign, to encourage customers back onto the high street and to 'shop local'

- A comprehensive amount of services are offered to support new and established businesses including:
    - Resilience planning via 1-2-1 Business Support clinics as part of the Woking Business Growth service
    - Business directory of Woking businesses
    - Start Up Woking is aimed at providing support to start-ups
    - A jobs' board

Actions to be implemented:

- Approval and implementation of the Woking Town Centre masterplan
- Implement digital strategy
- Destination Woking

EXECUTIVE – 3 FEBRUARY 2022

HOUSING REVENUE ACCOUNT BUDGETS 2022-23

Executive Summary

Following the end of the rent reduction period in April 2020 social housing rents are now increased by CPI + 1%. The budgeted rents have been prepared on this basis and rents have been increased by 4.1% (September CPI of 3.1% plus 1%).

On 13 February 2020 Council approved the full Sheerwater Regeneration Scheme under which the HRA will lose the rental income from the dwellings within the regeneration red line. As discussed later in the report, many dwellings within the Regeneration Red Line are now being held as vacant if they become void. This is necessary to minimise moving tenants and will allow the regeneration to be carried out efficiently. However the HRA is foregoing the rental income from these dwellings and the financial implications arising from the Regeneration continue to create an HRA deficit which will be funded by a transfer from reserves in 2022/23.

The working balance per property is forecast to be £100 at 31 March 2022. £100-£150 balance per property is considered to be necessary for prudent financial management.

Recommendations

The Executive is requested to:

RECOMMEND TO COUNCIL That

(i) the draft Housing Revenue Account budgets for 2022/23, as set out in Appendix 1 to the report, be agreed; and

(ii) with effect from 4 April 2022, rents be increased by 4.1%.

Reasons for Decision

Reason: To recommend that the Council approves the resources necessary to implement its objectives and to enable the Council to determine charges to tenants for 2022/23.

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

Background Papers: None.

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Date Published: 28 January 2022

1.0 Introduction

1.1 This paper sets out the Council's draft Housing Revenue Account (HRA) budgets (Appendix 1) for 2022/23.

1.2 Detailed explanations of the changes and pressures within the different elements of the budget are set out in the sections below. The HRA is forecast to make an estimated deficit of £804,849 with a £802,708 contribution from reserves being required to maintain a working balance per property of £100. A range of £100 to £150 per property is considered prudent.

2.0 Forecast Outturn

2.1 The collection rate is up significantly on the same period last year, but still down on pre-pandemic levels, due to many tenants struggling with the financial impact of Covid-19. Work continues in 2021/22 to ensure that those tenants receive advice and support in accessing Universal Credit. It is worth noting that with the embargoes on taking recovery action during 2020/21, the courts have a considerable backlog and have prioritised the most serious cases (i.e. significant ASB, substantial rent arrears of more than 1 year, etc.). Rental income is also affected by void properties within the Red Line of the Sheerwater Regeneration awaiting redevelopment.

2.2 The overall arrears position for the HRA has remained fairly static and currently sits at approx. £837k.

2.3 The New Vision Homes contract will end on 31/03/2022. On 11th February 2021, Council resolved to bring the New Vision Homes contract services in house at the end of the contract term. As part of this process, the New Vision Homes contract will need to be Final Accounted. As there is no provision within the contract for interim final accounts, this will mean a Final Account for a 10 year ongoing project. Due to the varied nature of the contract and the 10 year term, there is uncertainly around the level of the Final Account payment. It is anticipated that the Final Account process will take from April to August 2022.

2.1 When HRA properties within the Sheerwater Red Line become void they are being held as vacant to facilitate the commencement of the Sheerwater Project. The estimated full year effect of these properties remaining vacant to the financial year end is £1,419,442.

2.2 HRA interest costs are forecast to be £5,372,517 in 2021/22, against a budget of £5,216,852

3.0 Approach to Budget Setting 2022/23

3.1 The final budgets in this paper should be considered alongside the final Investment Programme report elsewhere on the agenda which will influence the overall budget position.

<u>Management and Administration</u>

3.2 Salary and other central costs have been allocated to the HRA in accordance with normal accounting rules to show the full cost of the service. The budgets are set and monitored in a pre-allocated format to make it possible to see the overall impact rather than just a proportion of the overall cost/variance which may be allocated to an individual service.

3.3 Under the NVH insource, a significant amount of staff will be brought into the Council. The allocation of costs between the HRA and General Fund has therefore increased to allow for additional costs to accommodate and support these new posts.

4.0 Rents and Other Charges

4.1 On the 4th October 2017, the Department for Communities and Local Government (DCLG) and the Prime Minister's Office, announced that social housing rents will be increased by Consumer Price Index (CPI) plus 1% for 5 years from 2020 ending the four year rent reduction period. A rent increase of 4.1% (September CPI of 3.1% plus 1%) has been incorporated into the final estimates.

Recovery of Charges

4.2 Service charges, including energy charges, are based on the cost of the service being provided. The Chief Finance Officer has delegated authority to vary service charges in line with external factors.

4.3 Energy charges are levied on a per block basis based on cost. This allows energy costs to be recharged to tenants on a more detailed basis. An energy charge review was carried out in 2021/22 and the Final Budget incorporates the amended charges. Energy costs have shown a significant increase and this increase has been taken into account while budgeting the recharge to the tenants. However, officers will review this significant increase in year.

4.4 Housing related Support charges were reviewed and the new charges introduced from April 2020. Up to 31st March 2018 Surrey County Council fully subsidised the Housing Related Support charges for council tenants in receipt of a means tested benefit. This £130,000 funding ceased in 2017/18. However under the new arrangements many tenants in receipt of means tested benefit continue to receive the service free of charge.

4.5 Hale End Court (a new sheltered scheme) was opened in October 2021. All service charges pertaining to Hale End Court are recoverable.

Implementation Date

4.6 The new rents will be applied from the first Monday in April (i.e. 4 April 2022).

4.7 Service charges are usually increased from August each year. However several new contractual changes will take place from April 2022 due to the insourcing of the NVH contract. Officers are reviewing whether the new service charges should be applied from 4 April 2022 (in line with the new contractual arrangements) or from 1 August 2022.

5.0 Prudential Borrowing

5.1 The HRA requires certainty and accuracy of costs wherever possible especially following government policy changes, rent reductions, and the impact of the Sheerwater regeneration project. HRA interest charges for pre 2016/17 borrowing are fixed at the Council's average borrowing rate on 31 March 2016. HRA borrowing from April 2017 onwards are charged at the annual average 50-year PWLB borrowing rate. This ensures that General Fund investment decisions made by the Council do not impact the HRA.

5.2 The updated forecast for HRA interest costs are £5,372,517 in 2021/22 and £5,463,712 in 2022/23. These costs include the borrowing taken on to fund the new build development schemes detailed in the Housing Investment Programme elsewhere on the agenda. £9,737,368 additional borrowing is forecast over 2021/22 and 2022/23.

5.3 The HRA budget makes no allowance for repayment of the debt taken on for Self-Financing or for the repayment of the borrowing relating to the new build developments. The borrowing relates to long life assets which are fully maintained.

6.0 Robustness of the Budget and Risks

6.1 It is important to consider the robustness of the budget and the adequacy of reserves for the purpose of maintaining the financial health of the Housing Revenue Account. The key risks are set out in the following paragraphs.

Covid Crisis

6.2 The Covid Crisis has had a significant impact on HRA rent collection as tenants were faced with financial hardship. The collection rates have stabilised, but are still down on pre-pandemic levels, due to many tenants struggling with the financial impact of Covid-19 and due to a back log in the courts. An additional £200,000 bad debt provision was included in the 2021/22 budget to allow for under recovery of rents due to Covid. This specific provision has been removed in 2022/23 but Officers will need to review recovery rates for the final budget to ensure the remaining bad debt provision is sufficient. The number of tenants in receipt of Universal Credit continues to grow which is an additional challenge to rent collection due to the way the Universal Credit is paid (monthly in arrears).

HRA New Build Developments

6.3 The land assets held by the authority, and other potential development sites around the Borough, have been reviewed to identify suitable new build affordable housing sites in order to utilise retained one for one receipts and increase the local affordable housing supply.

6.4 The Housing Investment Programme Report elsewhere on the agenda lists these new build development schemes. The Final Budget has been prepared on the basis that the Corner of Rydens\Sundridge Road project will complete in 2021/22 and Bonsey Lane in 2023/24. Old Woking Independent Living (Hale End Court) is completed.

6.5 Historically HRA dwellings have been let at Social rent levels. Social rents are calculated using a prescribed complex formula which takes 70% of the national average rent and adjusts it based on how the property value and local earnings (using the relative county earnings) compare to the national average. Both the property value and relative county earnings are at 1999 levels and the outcome can only be adjusted by 5 or 10%. This formula is applied nationally and makes no further allowance for local circumstances. Therefore there is little flexibility within this formula to set a rent which is suitable for the relevant part of the borough, suitable for the type of accommodation, and ensures the financial sustainability of the HRA and affordability to tenants.

6.6 The additional rental income generated by the new build units is unlikely to cover the management, maintenance, and interest costs attributable to the new build dwellings. The net cost of these developments will therefore be subsidised by HRA surpluses. New build rents will be reviewed upon completion to ensure they are set at a level which guarantees the schemes are affordable. Under the Kingsmoor Park Development, a level of social rent which is suitable for Woking was determined. Where possible the new units will be let at or just below Kingsmoor Park rent levels (which are shown below) and capped at a LHA levels. To enable this new build units will be grouped into an Affordable (up to 80% of market rents inclusive of service charge) Rent Category within the HRA. This will provide flexibility to set suitable rents. However, it may not be possible to charge higher rents for New Builds which have been part funded by Homes England grant (due to the grant conditions restricting the level of rent which can be charged).

6.7 The 2021/22 Kingsmoor Park rent levels are:-

2021/22 Kingsmoor Park Rents	
Unit Type	**£**
Rents £ pw	
1 bed flat	**£130**
2 bed flat	**£148**
2 bed house	**£159**
3 bed house	**£183**
4 bed house	**£193**

Retained One for One Replacement Receipts

6.8 Local Authorities can retain an element of Right to Buy receipts locally to be used on one for one replacement housing. These receipts can currently 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 with interest charged at 4% above the base rate.

6.9 The HRA 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.

Repairs, Maintenance, and Management & Contractual Inflation and Impact of NVH Insourcing

6.10 The services currently provided by New Vision Homes (NVH) will be brought in house from 1st April 2022. Various pricing mechanisms are used under the contract most of which are based on the original tender submitted 10 years ago. The HRA will still need to contract for certain services such as responsive repairs (although more of the management of the service will be with Council Officers). The prices available in the current markets may be significantly different to those charged under the existing contract. Therefore it is likely that some services will provide a saving under the new arrangements while other services will be procured at a higher cost.

6.11 New budgets have been set for the NVH insource and these budgets offset the savings brought about by this in-source. This includes Repairs budgets, HRA overheads and support costs in addition to direct salary costs. This is considered prudent for financial planning at this stage and the position will be amended as the results of the tender exercises become clearer.

6.12 Other cost pressures include cleaning costs, caretaking costs and energy costs because of the increased charges and inflation.

6.13 As per the 1 April 2017 Item 8 Determination, depreciation is to be charged to the HRA with effect from 1st April 2017 in accordance with proper accounting practices. The depreciation replaces the Major Repairs Contribution and is transferred to the Major Repairs Reserve to be used on capital works to the stock or repaying debt. HRA depreciation is calculated by dividing the total asset value of Council Dwellings by their average useful economic life. Based on the 31st March 2021 asset value the depreciation amount is estimated to be £3,956,449 in 2022/23.

Sheerwater Regeneration

6.14 In February 2020 the full Sheerwater scheme and financing facilities were approved by Council. The Council approved use of Compulsory Purchase Order powers for the

regeneration in July 2020. The leisure facilities under the scheme have been opened and progress is being made on the early construction phases.

6.15 Under the Sheerwater Regeneration approximately 426 HRA dwellings will be demolished. The vacant land will be transferred to Thameswey Developments Ltd and the replacement affordable housing dwellings transferred to Thameswey Housing Ltd. The HRA will therefore lose the rental income from these 426 dwellings. This places pressure on the HRA and an annual transfer from reserves is forecast to be required in order to sustain the HRA in the earlier years of the regeneration. The financial impact of the regeneration is already significant as dwellings which become void within the red line are being held as vacant. The HRA therefore loses the rental income from these dwellings but there is no offsetting saving.

6.16 Currently there are 185 void HRA dwellings within the red line. As the phasing of the project is finalised some of these units will be re-let as temporary accommodation. However it is likely any re-letting of properties will be offset by new voids in areas which are in the earlier phases on the scheme. The 2022-23 budget assumes that any dwellings currently void will not be re-let in future. It also assumes that there will be no income from dwellings due to be demolished within the first 36 months of the regeneration project. This will increase if more properties within the red line become void and are not offset by additional re-lets.

6.17 The financing of the Sheerwater Regeneration Project allows for a capital receipt to be made from the Project to the HRA to compensate it for the historic HRA debt relating to the demolished dwellings. However the timing will depend on the financial position of both the project and the HRA which will need to be reviewed over the course of the project.

Reserves and Balances

6.18 The total contribution to the Asset Management Programme is £3,956,449 in 2022-23.

6.19 The balance on the HIP Reserve is £4,201,473 as at 31 March 2021. It is likely that the remaining balance will need to be ring-fenced to be used to maintain an HRA Surplus during the construction phase of the Sheerwater Regeneration and to offset the rental income lost due to the Covid Crisis.

7.0 Conclusion

7.1 The 4 year rent reduction period had a significant impact on the financial position of the HRA. While the return to rent increases of CPI + 1% is welcomed the rental income over the HRA 30 Year Business Plan will be considerably less than that calculated under Self-financing.

7.2 The regeneration of Sheerwater has started meaning the HRA will forego the rental income on void and demolished dwellings within the red line. As detailed in the report it is estimated that the HRA will use reserves of £802,708 to maintain the working balance per property of £100 in 2022/23.

8.0 Corporate Strategy

8.1 The report sets out the draft budgets for managing and maintaining the Council's housing stock during 2022/23. Provision of housing is a key priority within the Council's Corporate Plan.

9.0 Implications

Finance and Risk

9.1 The financial implications are explicit in the report.

9.2 Risks to budgets have been identified throughout the year and will be reported in the Performance and Financial Monitoring Information booklet (the “Green Book”). Specific risks have been set out in the report.

Equalities and Human Resources

9.3 No equalities implications noted.

9.4 There are no additional human resources or training and development implications arising as a direct result of this report.

Legal

9.5 The Local Government Finance and Housing Act 1989 requires councils who own housing that they rent out to tenants to separate all of the financial activities relating to the council acting as landlord into a ring-fenced account known as the Housing Revenue Account. Housing authorities have a statutory duty to maintain a HRA account, which is primarily a landlord account, in order to account to their tenants for income and expenditure on council housing separately from other functions and services of the Council. There are no specific legal implications identified at this time.

10.0 Engagement and Consultation

10.1 No public consultations have been undertaken in preparing this report.

REPORT ENDS

HOUSING REVENUE ACCOUNT

	ORIGINAL ESTIMATE 2021/22		ORIGINAL ESTIMATE 2022/23	
EXPENDITURE	£		£	
SUPERVISION & MANAGEMENT				
Estate Management		5,209,526		5,750,548
Rent Accounting/Collection		(41,265)		(41,265)
Home Support Service		683,294		683,294
Tenant Participation		24,599		24,599
Repairs Admin		60,131		39,333
Democratic Process		1,583,714		1,565,814
		7,519,999		8,022,323
DEPRECIATION		3,700,000		3,956,449
MAINTENANCE				
Day to Day Repairs	1,150,493		2,028,766	
Planned Maintenance	1,104,979	2,255,472	591,650	2,620,415
Debt Management Expenses		36,000		36,000
TOTAL EXPENDITURE		**13,511,471**		**14,635,187**
INCOME				
GROSS RENTS & SERVICE CHARGES		18,137,062		19,322,718
Additional Bad Debt Provision For Covid Impact		-200,000		0
INTEREST COUNCIL HOUSE MORTGAGES		1,149		1,149
TOTAL INCOME		**17,938,211**		**19,323,867**
NET (COST)/SURPLUS OF SERVICES		**4,426,740**		**4,688,680**
Interest Payable and Similar Charges		5,216,852		5,463,712
Amortisation of Premiums and Discounts		29,817		29,817
Surplus (Deficit) for Year		**-819,929**		**-804,849**
WORKING BALANCE STATEMENT				
Surplus (Deficit) brought forward		332,271		339,341
Surplus (Deficit) for Year		-819,929		-804,849
Energy Refund To Tenants				
Interest on Working Balances		0		0
Surplus (Deficit) carried forward		-487,659		-465,508
TRANSFER TO (FROM) RESERVES (HIP Reserve)		-827,000		-802,708
Surplus (Deficit) carried forward		339,341		337,200
No. of Dwellings @ 31 March		3,399		3,372
WORKING BALANCE PER PROPERTY		100		100

EXECUTIVE – 3 FEBRUARY 2022

INVESTMENT PROGRAMME 2021-22 TO 2025-26

Executive Summary

The Investment Programme sets out the capital and one-off investments required to deliver the Council's key strategies and objectives. The Programme includes projects where the funding and consequent revenue implications have been incorporated into the General Fund and Housing Revenue Account budgets for 2022/23 which appear elsewhere on the agenda. Further detail on these projects is also provided.

The impact of the Investment Programme on revenue, capital and reserves are included in appendices attached to this report. Inclusion in the Investment Programme does not mean a project will proceed, only that the Council plans to undertake it if resources permit.

The Covid pandemic has had a considerable impact on local government finances. Whilst the government provided support through a series of grant payments, these have not covered all the Council's costs nor did the income compensation scheme fully mitigate income losses. The economic consequences and the financial impact on the Council will continue for some time. Projects suspended during the pandemic have been reviewed to determine which should remain as pipeline projects which will proceed when resources allow.

Appendix 9 provides a glossary explaining the technical terms used in this report.

Recommendations

The Executive is requested to:

RECOMMEND TO COUNCIL That

(i) the Investment Programme 2021/22 to 2025/26 be approved subject to reports on projects where appropriate; and

(ii) the proposed financing arrangements be approved.

Reasons for Decision

Reason: To recommend to the Council that it approves the capital resources for 2022/23 onwards considered necessary to support its service plans and objectives.

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

Background Papers: None.

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Date Published: 28 January 2022

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. The Council recognises that its Investment Programme ambitions exceed the resources immediately available to finance all of these ambitions.

1.2 Appendix 9 provides a glossary explaining the technical terms used in this report.

2.0 Approach to updating the Investment Programme

2.1 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. It is still too early to be able to confidently forecast when this income will return.

2.2 In preparing the draft Investment Programme for 2021/22 a number of projects were temporarily suspended. These were projects which had not yet been committed and would have revenue consequences through use of the Council's revenue reserves or the financing costs of borrowing.

2.3 A review of these projects has been undertaken for this current draft Investment Programme with some projects moved onto the pipeline projects list and others removed where they are no longer required. The government settlement, announced in December 2021, was again for a single year which makes longer term planning difficult as work continues to establish a balanced medium term financial position.

3.0 Overview of the Investment Programme

3.1 The Investment 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 5 and 6.

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	Reserves	A summary of the forecast reserves position.
4	Investment Strategy Reserve	A schedule of the movements on the Council's Investment Strategy Reserve. This is the Council's main 'usable' revenue reserve.
5	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.
6	General Fund Projects	A list of projects included in the Investment Programme (allowance made in the General Fund budget).

Appendix	Title	Description
6a	Asset Management Plan Wolsey Place/ Export House	A breakdown of the projects within the Wolsey Place/ Export House Asset Management Plan included in summary in Appendix 6.
6b	IT Programme	A breakdown of the IT programme line in Appendix 6.
7	Pipeline Projects	A list of projects which are not currently being funded but placed on priority list subject to funding availability.
8	Cancelled Projects	A list of projects which have been removed from both the funded Investment Programme and the previously held 'temporarily suspended projects list' as they are no longer required or due to passage of time.
9	Glossary	An explanation of the technical terms used in the IP.
10	PWLB Categories	Details of which category each project has been assigned to under the new PWLB borrowing rules.

4.0 General Fund Investment Programme

4.1 The current and committed project details are set out in Appendix 6.

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.

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. A forecast of the Investment Strategy Reserve balance is set out in Appendix 4.

5.0 Housing Investment Programme

5.1 Works on the Council's housing stock have been managed by New Vision Homes (NVH) but this will be brought back in-house from 1 April 2022. The breakdown of the Woking Borough Council Homes Section of the Housing Investment Programme (Appendix 5) 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.

5.2 The total Asset Management Plan budget is £3,700,000 for 2022/23. This is funded by a contribution to the Major Repairs Reserve which is the value of depreciation charged on Council Dwellings.

5.3 The Mandatory Disabled Facilities Grants (DFG) item 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. This funding level has been confirmed up until 2025/26.

<u>Provision of New Housing</u>

5.4 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.

5.5 Land assets held by the authority, and other potential development sites around the Borough, have been reviewed to identify suitable new build affordable housing developments. The Housing Investment Programme lists these schemes. 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.

5.6 The Council has secured Homes England Investment Partner Status. Officers continue to work with Homes England to access grant for other affordable housing schemes to deliver this programme.

5.7 The HRA new build developments include Hale End Court (the Old Woking Independent Living Scheme, OWILS), Monument Way, Bonsey Lane, and Corner of Rydens Way\Sundridge Road sites. Hale End Court is now completed, Bonsey Lane is expected to complete in 2023/24 and Rydens Way\Sundridge Road project is expected to complete in 2022/23.

Sheerwater Regeneration

5.8 In February 2020 the Council approved the updated Sheerwater Regeneration project and financing arrangements. It was clear that close monitoring and further work would be required to seek to improve the financial position of the project. The Council on 30 July 2020 authorised the use of Compulsory Purchase Order (CPO) powers for the scheme.

5.9 Following an update of the Sheerwater position presented by Thameswey, the Council has approved proceeding with the Red, Yellow and Copper phases of the regeneration.

5.10 The Sheerwater loan facilities approved by Council in February 2021 are shown in the table below. During the construction period Thameswey Developments Ltd (TDL) has a facility for maturity loans of up to 5 years. On sale of any properties to rent, from TDL to Thameswey Housing Ltd (THL), THL can take long term funding (50 years) for the operational period.

	Facility £m	Term	Type	Rate	Arrangement fee
Thameswey Developments Ltd (during construction)	115	Up to 5 years	Maturity	relevant PWLB rate	No
Thameswey Housing Ltd (until constuction complete)	290	Up to 5 years	Maturity	relevant PWLB rate	No
Thameswey Housing Ltd Operational	290	50 years	Annuity	relevant PWLB rate	No
Thameswey Housing Ltd Revolving Loan facility	116	Up to 30 years	Maturity	relevant PWLB rate	No
Thameswey Energy Ltd	5.25	20 years	Annuity	relevant PWLB rate	No

5.11 Given the low long term borrowing rates currently available, the Council agreed that TDL be authorised to take long term annuity funding, up to 50 years, through its £115m facility with those loans transferring to THL as the project progresses. The total long term loans drawn by the Thameswey Group for the Sheerwater project should not exceed the long term facility of £290m previously agreed (excluding THL revolving facility and TEL facility).

5.12 The allowance for Sheerwater Social Support remains in the funded Investment Programme, recognising the critical need to support the community through this project.

6.0 Reserves Forecast and Resources Statements (Appendices 2-4)

6.1 The Council has a number of reserves which represent funds set aside to manage the Council through its Medium Term Financial Strategy, including the town centre regeneration. It has been forecast that a significant proportion of these accumulated reserves could be needed to cover revenue losses to support the Medium Term Financial Strategy as the economy recovers from the Covid pandemic. A minimum level of reserves has been established which will provide the Council with sufficient resilience and allow some one off expenditure.

6.2 The Reserves section of the Investment Programme shows 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 as the Council resets its financial strategy.

6.3 Forecast use of reserves is shown without allocation from existing earmarked reserve. The Medium Term Financial Strategy (MTFS) will consider which reserves should be used for this purpose.

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. These impacts have been minimised through a review of all projects whereby a number of projects where possible are moved down to the pipeline projects list and some cancelled as they are no longer required.

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 economic uncertainty, the Council's financial position will be considered before projects commence, and delaying starting 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 Corporate 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 service 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 Further detail on active projects is reported to the Executive through the project monitoring process. Please see the 'Monitoring Reports – Projects' Report elsewhere on the agenda for further details.

9.0 New schemes included within the Financed Investment Programme

9.1 The Investment Programme includes the following new schemes which have been added since the Investment Programme was approved in February 2021. The items added to the programme are indicated below and further details can be found in Appendices 5 and 6.

- Decarbonisation – Export House/Midas House
- Town Centre Masterplan
- Fit for the Future external support
- Playground improvements
- Celebrate Woking
- Town Centre Help points
- Rainwater Gardens Project
- Buzz Theatre
- Re-deployable CCTV
- Eastwood Leisure Centre

Housing Infrastructure Fund (HIF)

9.2 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.

9.3 The terms of the funding were agreed in early 2020 and the Council has received £30,633,614 to date.

9.4 The Council's element of the project funding depends on developers contributions from the development sites which will benefit from the infrastructure improvements. The potential medium term economic consequences of the pandemic, including the time for the economy to recover, may result in a delay in the assumed development.

9.5 An update on this project was provided to the Executive in October and the Director of Planning, in consultation with the Executive Member, was delegated authority to reach agreement with Homes England and Network Rail on the proposed revised timetable for the project noting a revised start date to the commencement of physical works until later in 2022/23.

9.6 The additional £339k grant allocated for capacity funding for this current financial year has been reflected in the Investment Programme.

Victoria Square Woking Ltd (VSWL)

9.7 Construction of the Victoria Square regeneration project has been delayed by the impact of the Covid pandemic but is due to open in March 2022. The Investment Programme shows the remaining loan facility to Victoria Square Woking Ltd drawn in 2021/22 with the acquisition of the car park element by the Council in 2022/23. An update on the scheme is due to be reported to the March Executive meeting.

Brookwood Cemetery

9.8 The Investment Programme previously included capital and revenue grants to Brookwood Cemetery to fund backlog maintenance as well as capital improvements at £1m capital grant and £500k revenue grant each year. The assumed level of these grants has been reduced in this Investment Programme, as both are ultimately funded from the Council's revenue reserves, to £300k for the capital grant and £150k revenue grant in 2021/22.

9.9 These grants were previously temporarily suspended in the Investment Programme and now moved onto the Pipeline Projects list. The Cemetery board has been requested to consider the minimum resources required to continue the service until the Council has a secure financial plan for the future.

9.10 Allowance is made in the 2022/23 budget for no further revenue grant and £100k capital grant from the Council.

Opportunity Purchases

9.11 The Investment Programme includes a budget allowance for Opportunity Purchases. This is for property which becomes available and which would assist in progressing the Council's long term objectives.

9.12 It is assumed that all Opportunity Purchases will be neutral to the revenue budget, either providing an income stream to meet financing costs, or being part of a development site where financing costs can be capitalised until the asset is complete. It is important that future Opportunity Purchases do not result in increased revenue costs for the Council.

Playgrounds Improvements

9.13 Playgrounds improvements are planned at Horsell Moor, Oakfield, and Sutton Green during 2022/23. The Investment Programme also includes allowance for playground maintenance and surfacing repairs.

Flood Schemes

9.14 The Council has been seeking to progress a number of flood alleviation schemes which have been included in the Investment Programme. The assumed Council contribution to these projects has a significant impact on the revenue budget through the financing costs of the borrowing required.

9.15 In 2020/21 the projects were moved to the suspended list whilst the Council sought funding to ensure the delivery was affordable. Work continues with the Environment Agency and other partners and the schemes are shown in the pipeline list (Appendix 7) to be brought into the funded programme when an affordable funding proposal is available.

Medium Term Financial Strategy (MTFS) Requirement

9.16 In November 2020 HM Treasury announced revised lending terms for the PWLB. The PWLB will no longer lend to any Local Authority which plans to buy investment assets primarily for yield (regardless of whether this purchase would be funded by PWLB borrowing or through other resources).

9.17 The main source of borrowing for Woking is the PWLB and the Council cannot risk loss of access to borrowing which is required to complete ongoing developments. Any property purchased would need to comply with the stricter definitions set by the new guidance and ensure there is no scope for the government to challenge the purpose of the acquisition.

9.18 The Investment Programme still includes provision for Opportunity Purchases as these are made for operational\regeneration purposes and not primarily for yield. These purchases will need to be considered on an individual basis.

9.19 Appendix 10 details which category the projects on the Investment Programme are classified as under the new PWLB lending rules.

SCC Long Term Empty Properties funding

9.20 As set out in the General Fund budget also on this agenda, Surrey County Council (SCC) have proposed that any additional Council Tax generated through implementation of additional charges for Long Term Empty Properties may be used by the Districts for priority projects.

9.21 SCC would like the reallocated funding to directly support a County initiative or specific project. Examples include work that supports homelessness reduction, addresses climate change commitments and rethinking local transport delivery.

9.22 These funds have been allocated to the Council contribution to the decarbonisation works at Export and Midas House.

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:

- Acquisition of Car Parks from Victoria Square Woking Ltd (TMP12)
- All Weather Pitch – Cardinals in the Community (20052)
- Brookwood Cemetery – Grant for Capital Works (20041)
- Capitalised Salary Costs for Projects (TMP23)
- Car Park Management System (TMP13)
- CCTV Infrastructure Upgrade and Formation of Town Centre Control Room (20122)
- Dukes Court Plaza (20209)
- Housing Infrastructure Fund (HIF) Land Acquisition Strategy (20226)
- HRA Housing Developments (20191)
- HRA Property Purchases
- Loan re Greenfield School
- Loan re Wolsey Place
- Loans to Thameswey Central Milton Keynes
- Mandatory Grants
- New Hostel Provision (TMP51)
- Opportunity Purchases for Regeneration
- Playgrounds Improvements
- Poole Road Energy Centre – Loan to Thameswey Energy Ltd
- Provision of New Homes
- SEN School at Brookwood Farm (funded from Grant)
- Sheerwater Regeneration - Loan to TDL
- Strategic Regeneration Site Acquisition

- Syrian Refugee Resettlement Programme (TMP15)
- Sythwood Residential Units (TMP52)
- Victoria Arch and Integrated South Side Works including Network Rail (20226)
- Victoria Square Phase 2 – Loan to Victoria Square Woking Ltd
- Wolsey Place Refurbishment and Reconfiguration
- Woking Borough Council Homes (10429)
- Woking Integrated Transport Package (20124)
- Woking Shopping Food Court & Vertical Circulation
- Woking Sustainable Transport Package (TMP8)
- Decarbonisation for Export House and Midas House (20280)

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.

10.4 Approved loans to group companies in total exceed £1 million and are released on request, providing they are within the sums agreed in the Group Business Plans.

11.0 Schemes not yet taken account of

11.1 There are a number of initiatives that have not been included in the Investment Programme as they are not yet ready for formal consideration. These include projects at Monument Way, the former Robin Hood and Anchor pub sites, and land acquired at Egley Road. These projects will continue to be worked up and submitted to the Executive for consideration.

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:

12.2 "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 approves 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."

12.3 The use of this delegated authority is reported in the Green Book.

13.0 Thameswey

13.1 The Thameswey group continues to work to existing Business Plans. During 2022 the group Business Plans will be reviewed in detail to ensure they support the Council's Corporate Strategy due to be adopted in April.

13.2 Existing loan facilities are sufficient to progress the Thameswey group plans in 2022. As set out in the Medium Term Financial Strategy (MTFS) and General Fund report also on this agenda, Thameswey Energy Ltd (TEL) has been provisionally allocated funding through the government Heat Networks Investment Project (HNIP). Discussions are continuing on the terms of this funding and it is proposed that the details of any additional loan facility required to support the project be considered by the Executive as part of the MTFS in March.

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 have been built into the Treasury Management Estimates.

14.2 Later phases of the General Fund programme, and the progression of the pipeline projects, rely on the affordability of financing borrowing costs or the identification and receipt of other new resources to enable projects to proceed.

14.3 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. In corporate terms there is a risk for the Council in overstretching its capacity. This is recognised by Officers and from time to time it will be necessary to re-prioritise the programme to reflect the capacity of the Council.

Equalities and Human Resources

14.4 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.

Sustainability

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

Legal

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

15.0 Engagement and Consultation

15.1 No general public consultations have been undertaken in connection with this report. The Investment Programme has been reviewed by Managers, Corporate Leadership Team, Portfolio Holders and Finance Task Group.

REPORT ENDS

APPENDIX 1

INVESTMENT PROGRAMME SUMMARY
2021/22 - 2025/26

	APPENDIX & PAGE REFERENCE	PLANNED EXPENDITURE				
		21/22	22/23	23/24	24/25	25/26
		£'000	£'000	£'000	£'000	£'000
General Fund	Appendix 6	263,313	119,800	35,037	9,793	8,640
Housing Investment Programme	Appendix 5	105,290	110,724	114,341	62,655	81,034
Total Investment Programme		368,603	230,524	149,378	72,449	89,674

INVESTMENT PROGRAMME SUMMARY
2021/22 - 2025/26

APPENDIX 2

	FINANCING SUMMARY												
	CHARGE TO GEN. FUND (Revenue) £'000	BORROWING			CAPITAL RECEIPTS £'000	RESERVES					COMMUNITY FUND £'000	GRANTS & CONTRIBS £'000	
		GENERAL FUND £'000	HRA £'000	TO FUND EXTERNAL LOANS £'000		IT RESERVE £'000	HIP RESERVE £'000	GENERAL RESERVE £'000	MAJOR REPAIRS £'000	SECTION 106 £'000			TOTAL
2021/2022	365	27,153	6,731	293,848	3,236	180	438	860	3,700	97	0	31,995	368,603
2022/2023	140	69,592	2,756	101,197	2,621	180	448	830	3,700	122	0	48,938	230,524
2023/2024	120	17,560	2,429	104,514	2,480	180	348	428	3,700	122	0	17,497	149,378
2024/2025	100	5,808	1,500	57,297	1,090	180	0	275	3,700	122	0	2,376	72,449
2025/2026	100	5,093	1,500	75,676	1,090	180	0	275	3,700	122	0	1,938	89,674

RESERVES FORECAST **APPENDIX 2C (General Fund) / 3 (Investment Programme)**

AT 31 MARCH	2021	2022	2023	2024	2025	2026
	£'000	£'000	£'000	£'000	£'000	£'000
REVENUE RESERVES						
Investment Strategy Reserve	3,054	3,125	3,321	3,637	3,973	4,309
Forecast use of reserves due to COVID	0	-5,045	-6,863	-7,803	-7,803	-7,803
Underlying use of reserves net of MTFS savings	0	-2,370	-5,904	-8,938	-12,790	-16,642
Housing Investment Programme Reserve	4,201	2,936	1,686	536	-266	-1,068
Medium Term Financial Strategy Reserve	3,868	3,868	3,868	3,868	3,868	3,868
Provision for Flexibility Reserve	140	140	140	140	140	140
Leased Car Relief Vehicle Reserve	-	-	-	-	-	-
Freda Ebel Bequest	2	2	2	2	2	2
Community Fund	543	543	543	543	543	543
Insurance Fund	26	26	26	26	26	26
Parking Reserve	-	-	-	-	-	-
Environmental (CO2) Reserve	35	35	35	35	35	35
Wolsey Place Reserve	3,582	2,947	2,299	1,637	961	271
New Homes Bonus Reserve	1,244	1,162	1,162	1,162	1,162	1,162
Group Company Reserve	750	750	750	750	750	750
Woking Palace Reserve	50	50	50	50	50	50
Equipment Reserve	480	463	393	393	393	393
Peer grant Reserve	38	38	38	38	38	38
Business Rates Equalisation Reserve	9,576	2,456	2,456	2,456	2,456	2,456
Local Council Tax Support Scheme Hardship Fund	48	48	48	48	48	48
Westfield Common Reserve	108	108	108	108	108	108
PFI Reserve	2,739	2,739	2,739	2,739	2,739	2,739
Town Centre Management Agreement Reserve	451	393	335	277	219	161
Victoria Square Reserve	3,349	5,075	5,075	5,075	5,075	5,075
Sheerwater Reserve	0	0	0	0	0	0
Off Street Parking Reserve	2,000	2,000	2,000	2,000	2,000	2,000
Syrian Refugee Reserve	1,207	1,207	1,207	1,207	1,207	1,207
Homelessness Support Reserve	183	183	183	183	183	183
Dukes Court Reserve	3,273	3,273	3,273	3,273	3,273	3,273
HS2 Reserve	2,800	2,800	2,800	2,800	2,800	2,800
	43,747	28,952	21,770	16,242	11,190	6,124
CAPITAL RESERVES & OTHER RESOURCES						
Usable Capital Receipts	5,509	3,904	2,915	2,066	2,607	3,148
Set Aside Capital Receipts	58,426	65,280	77,385	89,210	101,335	113,787
Major Repairs Reserve	15	15	271	527	783	1,039
Development Contribution Reserve	10,688	10,591	10,469	10,347	10,469	10,591
	74,638	79,790	91,040	102,150	115,194	128,565
WORKING BALANCES						
GF Working Balance	1,500	1,500	1,500	1,500	1,500	1,500
HRA Working Balance	334	334	334	334	334	334
	1,834	1,834	1,834	1,834	1,834	1,834
TOTAL RESERVES	120,219	110,576	114,644	120,225	128,217	136,522

INVESTMENT STRATEGY RESERVE

APPENDIX 4

	2021/22	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000	£'000
Balance Brought Forward	**3,054**	**3,125**	**3,321**	**3,637**	**3,973**
Source of Funds					
Planned Contribution from General Fund	1,319	1,319	1,319	1,319	1,319
New Homes Bonus	81	0	0	0	0
Total Available Funds	4,454	4,444	4,640	4,956	5,292
Use of Funds					
Management of Change (GF only)	-250	-250	-250	-250	-250
Use of Selective Licensing Surplus					
Financing IP including Revenue Items	-365	-140	-120	-100	-100
Celebrate Woking	0	-100	0	0	0
Flood Prevention Schemes	0				
Best Bar None					
Sheerwater Social Support	-125	-125	-125	-125	-125
Countryside Management	0	0	0	0	0
Sheerwater Football Club/Woking Football Club Ground Sharing					
Queen Elizabeth Gardens Drainage, Landscaping and Lighting					
Transfer to Wolsey Place Reserve	-300	-300	-300	-300	-300
Transfer to New Homes Bonus Reserve	-81	0	0	0	0
Transfer to Equipment Reserve	0	0	0	0	0
Transfer to Town Centre Management Account Reserve	-92	-92	-92	-92	-92
Transfer of On-Street Parking to Surrey County Council	-116	-116	-116	-116	-116
Transfer to Community Fund	0	0	0	0	0
Transfer to Provision for Flexibility	0	0	0	0	0
Total Use of Funds	-1,329	-1,123	-1,003	-983	-983
Balance Carried Forward	**3,125**	**3,321**	**3,637**	**3,973**	**4,309**

HOUSING INVESTMENT PROGRAMME
2021/22 - 2025/26

APPENDIX 5

DETAILS OF PROJECT	21/22 £'000	22/23 £'000	23/24 £'000	24/25 £'000	25/26 £'000
Provision of New Homes					
Affordable Housing - Thameswey Housing Ltd					
Provision of New Homes	20,687	27,500	35,750	45,750	50,000
Total Thameswey Housing Ltd	20,687	27,500	35,750	45,750	50,000
Sheerwater Implementation Costs					
Capital Expenditure Funded By WBC Borrowing:					
Sheerwater Regeneration - Loan to TDL (During Construction)	59,437	68,931	65,098	8,547	22,676
Sheerwater Regeneration - Loan to Thameswey Energy Ltd	5,250				
Project Management\Revenue Expenditure Originally Financed From The Sheerwater Regen Reserve:					
Sheerwater Regen Staff Costs	232	232	0		
Removal Costs	18	18	18		
Equalities Survey	18	18	18		
Miscellaneous Costs Including Subsidy to the Doctor's Surgery & 3rd Party Legal Fees	117	117	117		

HOUSING INVESTMENT PROGRAMME
2021/22 - 2025/26

APPENDIX 5

DETAILS OF PROJECT	21/22 £'000	22/23 £'000	23/24 £'000	24/25 £'000	25/26 £'000
Other Regeneration Expenditure\Additional Housing Purchases:					
Mortgages Of Last Resort	300				
Home Loss and Disturbance Payments	348	348	348		
Total Sheerwater Implementation Costs	65,721	69,664	65,599	8,547	22,676
General Fund Housing Developments					
New Hostel Provision (funded from capital receipts/borrowing)	0	3,308	3,307		
Temporary Accommodation Acquisition and Conversion	2,491				
Rough Sleeping Accommodation Programme (RSAP) Acquisitions - Grant/ General Fund Borrowing	1,514				
Total General Fund Housing Developments	4,005	3,308	3,307	0	0
Total Non HRA Homes	90,413	100,472	104,656	54,297	72,676
HRA Housing Developments:					
Old Woking Independent Living Scheme (Flat 1 to 23) (Part Funded by Retained Receipts)	3,254				
Old Woking Independent Living Scheme (Flat 24 to 48) (Part Funded by Homes England Grant)	2,435				
Monument Way	250	0	0		
Bonsey Lane	30	1,327	1,327		
Corner Of Rydens Way\ Sundridge Road	460	467			

HOUSING INVESTMENT PROGRAMME
2021/22 - 2025/26

APPENDIX 5

DETAILS OF PROJECT	21/22 £'000	22/23 £'000	23/24 £'000	24/25 £'000	25/26 £'000
HRA Property Purchases:					
HRA Market Purchases	3,000	3,000	3,000	3,000	3,000
Total HRA Homes	9,429	4,794	4,327	3,000	3,000
Total Provision of Homes	**99,842**	**105,266**	**108,983**	**57,297**	**75,676**
Renovation & Improvements					
Woking Borough Council Homes					
Council Homes AMP (Illustrative breakdown)					
Communal Works	953	953	953	953	953
Lifecycle Dwelling Investment	948	948	948	948	948
Disabled Adaptations/Extensions	197	197	197	197	197
Works Arising From Cyclical Inspections	1,068	1,068	1,068	1,068	1,068
Capitalised Responsive Enhancements	44	44	44	44	44
Energy Reduction Programme	295	295	295	295	295
Development Projects	29	29	29	29	29
Fees & Consultancy	167	167	167	167	167

HOUSING INVESTMENT PROGRAMME
2021/22 - 2025/26

APPENDIX 5

DETAILS OF PROJECT	21/22 £'000	22/23 £'000	23/24 £'000	24/25 £'000	25/26 £'000
Clientside Renovation & Improvements Projects					
Communal Heating and Hot Water Systems	90	100			
Sub Total - Woking Borough Council Homes	3,790	3,800	3,700	3,700	3,700
Private Sector Homes					
Mandatory Grants					
Mandatory Disabled Facilities	988	988	988	988	988
Fast Track Disabled Adaptation Grant	300	300	300	300	300
Palliative Care/end of Life Assistance	50	50	50	50	50
Discretionary Grants					
Discretionary Disabled Facilities Grant	80	80	80	80	80
Disabled Facilities Top-Up Grant	50	50	50	50	50
Moving Home Grant	20	20	20	20	20
Safe At Home Assistance	50	50	50	50	50
Warm At Home Assistance	100	100	100	100	100
Empty Homes Assistance	20	20	20	20	20
Sub Total - Private Sector Homes	1,658	1,658	1,658	1,658	1,658
Total Renovation & Improvement	**5,448**	**5,458**	**5,358**	**5,358**	**5,358**
TOTAL HOUSING INVESTMENT PROGRAMME	**105,290**	**110,724**	**114,341**	**62,655**	**81,034**

INVESTMENT PROGRAMME 2021/22 - 2025/26
GENERAL FUND PROJECTS
(Finance cost included in revenue budget)

APPENDIX 6

REVENUE/ CAPITAL	PROJECT REFERENCE	DETAILS OF PROJECT	21/22 £000	22/23 £000	23/24 £000	24/25 £000	25/26 £000
		Group/External Loans and Share Capital					
C	n/a	Loans to Thameswey Central Milton Keynes	3,400	3,600	3,000	3,000	3,000
C	n/a	Poole Road Energy Centre - Loan to Thameswey Energy Ltd	20,517	1,167	667		
C	n/a	Victoria Square Phase 2 - Loan to Victoria Square Woking Ltd	174,567				
C	20104	Loan to Freedom Leisure - Pool Changing Rooms	15				
C	n/a	Loan to Freedom Leisure - Leisure Centre Dry Change	57				
C	n/a	Loan to Rutland - Robin Hood Pub	368				
C	n/a	Loan re Greenfield School	7,700				
C	n/a	Loan re Wolsey Place	1,850				
		Loan re Dukes Court (funded by borrowing)	1,000				
			209,474	**4,767**	**3,667**	**3,000**	**3,000**
		Woking Borough Council					
		Place					
C	Appendix 6(a)	Asset Management Plan - Wolsey Place/Export House (funded by borrowing)	0	485	0		
C	n/a	Wolsey Place Refurbishment and Reconfiguration (funded from contribution)	1,675	200	200		
C	TMP1	Wolsey Place Mall Refurbishments (funded by VSWL)	250				
C	n/a	Opportunity Purchases For Regeneration (funded by borrowing) *	3,000	3,000	3,000	3,000	3,000
C	TMP2	Dukes Court Refurbishment (funded by borrowing) *	374				
C	20209	Dukes Court Plaza (funded by borrowing)	3,495				
C	n/a	Woking Shopping Food Court & Vertical Circulation (funded from borrowing)	1,918				
R	TMP8	Victoria Square Financial Modelling (funded by Victoria Square Reserve)	20				
R	10297	Local Development Framework (funded by revenue)	174				
C	10207	Suitable Alternative Natural Green Space (SANG) Maintenance (S106 funded)	50	50	50	50	50
C	TMP8	Woking Sustainable Transport Package (funded from grant/contribution)	4,400				
C	20226	Victoria Arch and Integrated South Side Works and Housing Infrastructure Fund (HIF) Land Acquisition Strategy (funded from grant \ CIL \ Interim Borrowing)	21,685	46,182	24,311	93	
C	10889	Town Centre Planned Maintenance (funded from reserves)	150	150	150	150	150
C	TMP10	Westfield Common Management (funded from S106)	47	72	72	72	72
R	20067	Developing a Favourable Conservation Status Licence (funded from New Homes Bonus)	13				
C	TMP12	Acquisition of Car Parks from Victoria Square Woking Ltd (funded by borrowing)	0	58,000			

INVESTMENT PROGRAMME 2021/22 - 2025/26
GENERAL FUND PROJECTS
(Finance cost included in revenue budget)

APPENDIX 6

REVENUE/ CAPITAL	PROJECT REFERENCE	DETAILS OF PROJECT	21/22 £000	22/23 £000	23/24 £000	24/25 £000	25/26 £000
C	20229	Car Park Management System (funded by borrowing)	1,756				
R	20041	Brookwood Cemetery - Revenue Grant for Backlog Maintenance & Repairs (funded by New Homes Bonus/Investment Strategy)	150	0	0	0	0
C	20041	Brookwood Cemetery - Grant for capital works (funded by borrowing)	300	100	0		
C	TMP15	Syrian Refugee Resettlement Programme (funded by grant)	1,872	338			
R	20234	Planet Woking - Climate Emergency Funding (funded from revenue)	91				
	20226	HIF FF A320 Woking Town Centre Scheme (funded by HIF Capacity Support Grant - Homes England)	339				
	20268	Railway Underpass (funded by grant)	28				
	20280	Decarbonisation for Export House and Midas House (funded by Grant/Service Charges)	4,628				
	20256	E-commerce platform for independent retailers in Woking Project (funded from grant)	30				
	20270	Woking Town Centre Masterplan (funded by Reserves)	100				
	20275	Victoria Way Central Reservation (funded from contribution)	750				
	20262	Leisure Centre & 3G Car Park in Woking Park Alterations (funded by borrowing)	13				
		Buzz Theatre (funded by revenue)		40	20		
C	n/a	Economic Regeneration (funded from borrowing)	600				
	20210	31-33 Commercial Way - Standalone funding for asbestos free estate. (funded by borrowing)	20				
		Town Centre Help points (funded by borrowing)		110			
C	20120	Rainwater Gardens Project (funded by Grant)		280	240	345	
		Re-deployable CCTV (funded from equipment reserve)	10				
		People					
C	10206	Playgrounds Improvements (S106, grant and borrowing funded)	121	235	100	100	
C	20052	All Weather Pitch - Cardinals in the Community (S106, grant and borrowing funded)	187				
R	20158	Celebrate Woking (funded from reserves)		100			
		Eastwood Leisure Centre (funded by borrowing)				100	
C	10874	Rhoda McGaw Theatre Refurbishment (funded by borrowing)	91				
R/C	20035	Personalisation and Prevention Fund - Over-arching project (funded from grant)	45				
C	20138	Community Meals - Kitchen Equipment Replacement (funded from equipment reserve)	7				
C	n/a	Pool in the Park - Accessibility Upgrades (new pool hoists - funded from equipment reserve)	0	70			
C	n/a	Transit Site Project (funded by borrowing)	127				
R	TMP17	Sheerwater Social Support (funded from reserves - Investment Strategy Reserve)	125	125	125	125	125

INVESTMENT PROGRAMME 2021/22 - 2025/26
GENERAL FUND PROJECTS
(Finance cost included in revenue budget)

APPENDIX 6

REVENUE/ CAPITAL	PROJECT REFERENCE	DETAILS OF PROJECT	21/22 £000	22/23 £000	23/24 £000	24/25 £000	25/26 £000
		Us					
C	n/a	Asset Management Plan (funded by borrowing/revenue)	1,922	1,000	1,000	1,000	1,000
C	Appendix 6(b)	IT Programme (funded by borrowing)	863	2,985	860	515	
C	10615	I T Infrastructure (funded 180k from IT reserve)	180	180	180	180	180
C	20122	CCTV Infrastructure Upgrade and Formation of Town Centre Control Room (funded by borrowing/grant)	850	268			
C	TMP23	Capitalised salary costs for projects (funded by borrowing)	884	1,063	1,063	1,063	1,063
		Fit for the Future External Support (funded by Reserves/Capital Receipts)	500				
			53,839	**115,033**	**31,371**	**6,793**	**5,640**
		Total	**263,313**	**119,800**	**35,037**	**9,793**	**8,640**
Capitalisation/other mitigation of interest costs to apply							

INVESTMENT PROGRAMME 2021/22 - 2025/26
GENERAL FUND PROJECTS
(Finance cost included in revenue budget)

REVENUE/ CAPITAL		PROJECT REF NUMBER	DETAILS OF PROJECT	21/22 £000	22/23 £000	23/24 £000
			Asset Management Plan - Wolsey Place/Export House			
			Export House			
C	*	TMP24	Secondary Means of Escape and Staircases - Finishes	0	50	
C	*	TMP25	External Window Cleaning Cradle	0	80	
C	*	TMP26	External Concrete Cladding	0	60	
C	*	TMP28	Main Roof	0	80	
C	*	TMP29	Building Management System		55	
			Export House Sub-total	0	325	0
			Wolsey Place			
C	*	TMP30	Switch room and switchboard - back of house and lift supplies	0	65	
C	*	20066	Replacement generator	0	55	
C		TMP31	Former LL Stores including kitchen and WC facilities	0		
C	*	TMP32	Common Area - Floor Finish	0	0	0
C	*	TMP34	Spalling and Concrete Damage	0	40	
C	*	20082	Central Square - Lighting and Ceiling Finishes and Door Heaters in Wolsey Walk East (to be split)			
C			**Wolsey Place Sub-total**	0	160	0
			Total	**0**	**485**	**0**

* Detailed costings are yet to be carried out. Accordingly a contingency has been included to cover the possibility of increased costs.

** To be recovered through service charge.

APPENDIX 6b

INVESTMENT PROGRAMME 2021/22 - 2025/26
GENERAL FUND PROJECTS
(Finance cost included in revenue budget)

REVENUE / CAPITAL	PROJECT REF NUMBER	DETAILS OF PROJECT	21/22 £000	22/23 £000	23/24 £000	24/25 £000
		IT Programme				
		Microsoft 365		90		
		Cyber Security Measures	250	250	250	250
		Igel upgrade / replacement - Laptop upgrade assumed		360	0	
		Payment Card Industry Data Security Standards	70	70	20	
		Network Review		250	250	
		WiFi Review	30			
		SAN / Server Replacement		1,000		
		Customer Self Service	50	50	50	50
		NVH contract end ICT	50	50		
		Cloud for on-premise Apps	50	50	50	10
		Telephony / Unified Comms	0	300		
		Video conferencing	25	50		
		ICT Servicedesk system		60		
		Off-site printing	50			
		Replacement MFDs	10			
		Data Centre Facilities Refresh			30	
		Mobile phone refresh		90		
		Home Working	25	25	25	25
		IPF System Upgrade	50			
		Infrastructure Refresh Budget	100	100	100	100
		Cyber Security Refresh Budget	80	80	80	80
		Call Secure Plus	23			
		Transformation Project - ICT		85		
		Data Publishing		25	5	
		Total	**863**	**2,985**	**860**	**515**

INVESTMENT PROGRAMME 2022/23 - 2025/26
PIPELINE PROJECTS

REVENUE/ CAPITAL	PROJECT REFERENCE	PIPELINE PROJECTS	22/23	23/24	24/25	25/26
		Place				
C	10917	River Wey Flood Prevention - Byfleet (funded by borrowing/reserves/grant)	5,100	5,500		
C	10916	Hoe Valley Flood Alleviation and Enhancement Scheme (funded by borrowing/reserves/grant)	558	2,000	2,000	6,000
C	10918	River Wey Flood Prevention - Old Woking (funded by borrowing)			10,000	
R	TMP11	Countryside Management (funded from reserves)	55	135	115	0
R	20041	Brookwood Cemetery - Revenue Grant for Backlog Maintenance & Repairs (funded by New Homes Bonus/Investment Strategy)	0	0	0	
C	20041	Brookwood Cemetery - Grant for capital works (funded by borrowing)	900	1,000	1,000	
		People				
C	20081	Playing Pitch and Outdoor Facility Strategy Action Plan (funded from grant/contribution)	2,784			
C	20142	The Vyne Surgery Extension (funded by borrowing) *	695			
C	20143	Sheerwater Dentist Surgery - Provision of new surgery building (funded by borrowing) *	1,742			
R	n/a	Community Fund Projects	100	100	100	100
C	AF43176	Community Transport - Replacement vehicles (funded from reserves)	152	76	76	76
R	20158	Celebrate Woking (funded from reserves)	50	150	150	
C	20253	Maybury Centre Café (funded by borrowing)	25			
C		Monument Way	3,315	10,939		
		Us				
C	TMP22	Civic Offices - Upgrade of heating and ventilation systems (funded by borrowing)	900	300		
			15,476	**19,900**	**13,441**	**6,176**
		* Capitalisation/other mitigation of interest costs to apply				

INVESTMENT PROGRAMME 2020/21 - 2023/24
CANCELLED PROJECTS

REVENUE/ CAPITAL	PROJECT REFERENCE	CANCELLED PROJECTS	20/21	21/22	22/23	23/24
		Place				
C	20165	Victoria Way Car Park Extension (funded by borrowing) *			9,535	7,500
C	20099	Heathside Crescent Car Park Extension (funded by borrowing) *				11,000
C	TMP20	Canal Boat Basin (funded by borrowing) *	0			5,000
R	TMP14	We Are Woking (funded from VSWL/Victoria Square reserve)		250		
		People				
C	10874	Rhoda McGaw Theatre Minor Items (funded by borrowing)	0	10	10	10
C	TMP18	Woking Gymnastics Centre (funded by borrowing)	2,443	3,000		
C	TMP19	Redevelopment of YPod (funded by borrowing/grant/contributions) *	1,315			
C		Building Lives Academy \ Woking Youth Hub	100			
		Us				
R	n/a	Provision for Feasibility Studies (funded by revenue)	50	50	50	50
			3,908	**3,310**	**9,595**	**23,560**
		* Capitalisation/other mitigation of interest costs to apply				

APPENDIX 9

INVESTMENT PROGRAMME - GLOSSARY OF TERMS

INVESTMENT PROGRAMME	A plan of the capital and one-off investment required to deliver the Council's key strategies and objectives. Projects/schemes will proceed only if resources permit.
CAPITAL EXPENDITURE	Expenditure that has a benefit exceeding a year (as opposed to revenue expenditure where the benefit is used up in the year).
FUNDS	Money resources needed to finance the Investment Programme. Funds will only be released to enable a project to proceed once the Chief Finance Officer is satisfied that the project is affordable and the resources are available.
REVENUE IMPLICATIONS	The ongoing costs such as maintenance and loan charges arising from capital investment.
HOUSING INVESTMENT PROGRAMME (HIP)	Planned spending on housing projects .
GENERAL FUND INVESTMENT PROGRAMME	All other projects.
CURRENT AND COMMITTED SCHEMES	Schemes which are currently underway, for which funds have been released or for which it is imperative that they proceed to achieve key objectives.
NEW PROPOSALS	Schemes for which resources have not been released and, probably, have yet to be fully scoped.
RESERVES	Money set aside to cover expenditure in the future (excluding provisions for future liabilities or losses).
IT IP RESERVE	Money set aside specifically for Information Technology schemes.
HIP RESERVE	Money set aside specifically for Housing Investment Programme (HIP) schemes.
INVESTMENT STRATEGY RESERVE	Money set aside for schemes not covered by other reserves, mainly General Fund Investment Programme schemes.
MAJOR REPAIRS RESERVE	Money set aside mainly from the Major Repairs Allowance paid annually by the Government to finance work on Council houses.
SECTION 106	Contributions received from developers as part of the Town Planning process to finance projects in the community.
BORROWING	Borrowing money from external sources in accordance approved borrowing limits and tests of affordability.
HOUSING CAPITAL RECEIPTS	Proceeds from the sale of housing assets, such as sales under Right to Buy.

GF CAPITAL RECEIPTS	Proceeds from the sale of assets other than Housing assets. No pooling is required.
GF REVENUE	Funding provided by the General Fund budget to finance one off revenue type Investment Programme projects.
COMM FUND	Community Fund – money set aside to provide financial assistance to local organisations for the provision of new or improved facilities for the benefit of the community.
GROUP COMPANY	Funding by Group Company.
PFI	Private Finance Initiative – a Government programme to bring private investment into social housing by allowing local authorities to work with a partnership of specialist organisations to build new homes or improve properties already owned by the Council.
OTHER	Funding from National Lottery, Government departments and other organisations.

INVESTMENT PROGRAMME 2021/22 - 2025/26
PROJECTS BY PWLB CATEGORY

DETAILS OF PROJECT	PWLB CATEGORY
Group/External Loans and Share Capital	
Loans to Thameswey Central Milton Keynes	Service Delivery - Energy Generation & Supply
Poole Road Energy Centre - Loan to Thameswey Energy Ltd	Service Delivery - Energy Generation & Supply
Victoria Square Phase 2 - Loan to Victoria Square Woking Ltd	Regeneration
Loan to Freedom Leisure - Pool Changing Rooms	Service Delivery - Recreation & Sport
Loan to Freedom Leisure - Leisure Centre Dry Change	Service Delivery - Recreation & Sport
Loan to Rutland - Robin Hood Pub	Housing
Loan re Greenfield School	Service Delivery - Early years & Primary Schools
Loan re Wolsey Place	Regeneration
Loan re Dukes Court (funded by borrowing)	Regeneration
Woking Borough Council	
Place	
Asset Management Plan - Wolsey Place/Export House (funded by borrowing)	Regeneration
Wolsey Place Refurbishment and Reconfiguration (funded from Wolsey Place Reserve)	Regeneration
Wolsey Place Mall Refurbishments (funded by VSWL)	Regeneration
Opportunity Purchases For Regeneration (funded by borrowing) *	Regeneration
Dukes Court Refurbishment (funded by borrowing) *	Regeneration
Dukes Court Plaza (funded by borrowing)	Infrastructure
Woking Shopping Food Court & Vertical Circulation (funded from borrowing)	Regeneration
Victoria Square Financial Modelling (funded by Victoria Square Reserve)	Reserves - Regeneration
Local Development Framework (funded by revenue)	Revenue - Service Delivery -Planning & Development
Suitable Alternative Natural Green Space (SANG) Maintenance (S106 funded)	Revenue - Service Delivery - Open Spaces
Victoria Arch - Network Rail (funded from Business Rates Equalisation reserve)	Regeneration/Infrastructure
Woking Integrated Transport Package (funded from S106 and grant)	Regeneration
Playing Pitch Feasibility Study (funded by revenue)	Service Delivery - Open Spaces
Woking Sustainable Transport Package (funded from grant/contribution)	Regeneration/Infrastructure
Victoria Arch and Integrated South Side Works (funded from grant \ CIL \ Interim Borrowing)	Infrastructure
Housing Infrastructure Fund (HIF) Land Acquisition Strategy (funded by grant \ interim borrowing) *	Infrastructure
Town Centre Planned Maintenance (funded from reserves)	Revenue - Public Realm
Westfield Common Management (funded from S106)	Reserves - Service Delivery - Open Spaces
Developing a Favourable Conservation Status Licence (funded from New Homes Bonus)	Reserves - Service Delivery - Open Spaces
Acquisition of Car Parks from Victoria Square Woking Ltd (funded by borrowing)	Service Delivery - Parking
Car Park Management System (funded by borrowing)	Service Delivery - Parking
Brookwood Cemetery - Revenue Grant for Backlog Maintenance & Repairs (funded by New Homes Bonus/Investment Strategy)	Revenue/reserves - Heritage/Cemeteries
Brookwood Cemetery - Grant for capital works (funded by borrowing)	Service Delivery - Cemeteries
Syrian Refugee Resettlement Programme (funded by grant)	Revenue
Planet Woking - Climate Emergency Funding (funded from revenue)	Revenue
HIF FF A320 Woking Town Centre Scheme (funded by HIF Capacity Support Grant - Homes England)	Regeneration/Infrastructure

DETAILS OF PROJECT	PWLB CATEGORY
Railway Underpass (funded by borrowing)	Infrastructure
Decarbonisation for Export House and Midas House (funded by Grant/Service Charges)	Service Delivery - Energy Generation & Supply
E-commerce platform for independent retailers in Woking Project (funded by grant)	Revenue - Regeneration
Woking Town Centre Masterplan (funded from Revenue)	Revenue - Regeneration
Victoria Way Central Reservation (funded from contribution)	Infrastructure
Leisure Centre & 3G Car Park in Woking Park Alterations (funded by borrowing)	Service Delivery - Recreation & Sport
31-33 Commercial Way - Standalone funding for asbestos free estate. (funded by borrowing)	Regeneration
Town Centre Help points (funded by borrowing)	Infrastructure
Rainwater Gardens Project (funded by Grant)	Service Delivery - Flood prevention
People	
Playground Improvements Phase 4 (S106 & grant funded)	Service Delivery - Recreation & Sport
All Weather Pitch - Cardinals in the Community (S106, grant and borrowing funded)	Service Delivery - Recreation & Sport
Sheerwater Football Club/Woking Football Club Ground Sharing (funded from reserves)	Service Delivery - Recreation & Sport
Playground Improvements - Horsell Moor (funded by borrowing)	Service Delivery - Recreation & Sport
Playground Improvements - Oakfield (funded by borrowing)	Service Delivery - Recreation & Sport
Playground Improvements - Sutton Green (funded by borrowing)	Service Delivery - Recreation & Sport
Playground maintenance / surfacing repairs (funded by borrowing)	Service Delivery - Recreation & Sport
Celebrate Woking (funded from reserves)	Revenue
Eastwood Leisure Centre (funded by borrowing)	Service Delivery - Recreation & Sport
Rhoda McGaw Theatre Refurbishment (funded by borrowing)	Service Delivery - Culture & Heritage
Personalisation and Prevention Fund - Over-arching project (funded from grant)	Revenue
Community Meals - Kitchen Equipment Replacement (funded from equipment reserve)	Reserve - Service Delivery - Social Care
Pool in the Park - Accessibility Upgrades (new pool hoists - funded from equipment reserve)	Reserve - Service Delivery - Recreation & Sport
Transit Site Project (funded by borrowing)	Housing
Sheerwater Social Support (funded from reserves - Investment Strategy Reserve)	Revenue
Us	
Asset Management Plan (funded by borrowing/revenue)	Service Delivery - Central Services
IT Programme (funded by borrowing)	Service Delivery - Central Services
I T Infrastructure (funded 180k from IT reserve)	Service Delivery - Central Services
CCTV Infrastructure Upgrade and Formation of Town Centre Control Room (funded by borrowing/grant)	Service Delivery - Community Safety
Capitalised salary costs for projects (funded by borrowing)	Service Delivery - Central Services
Fit for the Future External Support (funded by borrowing)	Service Delivery - Central Services
All capital projects on the Housing Investment Programme have been classified under Housing	

EXECUTIVE – 3 FEBRUARY 2022

CAPITAL, INVESTMENT AND TREASURY MANAGEMENT STRATEGIES

Executive Summary

In accordance with statutory provisions it is necessary for the Executive to approve the Council's Treasury Management Strategy and to make recommendations to the Council in respect of the Minimum Revenue Provision (MRP) Strategy and the Treasury Management Prudential Indicators as required under the Chartered Institute of Public Finance and Accountancy's Prudential Code.

Since 2019/20 the Council has also been required to approve a Capital Strategy and Investment Strategy. These provide detail on the Council's activities, the reasons for and types of investments undertaken and the risk exposure as a result of these decisions. The intention is to provide a comprehensive and transparent picture of the Council's position which links into the Council's overall corporate plans and objectives.

Recommendations

The Executive is requested to:

RESOLVE That

(i) the Treasury Management Strategy set out in the report be approved; and

RECOMMEND TO COUNCIL That

(ii) the Capital and Investment Strategies for 2022/23 be approved; and

(iii) the Treasury Management Prudential Indicators set out in table 1 of Section 4 of the Treasury Management Strategy and the MRP policy set out in Appendix A be approved, subject to any changes arising from consideration of the Investment Programme, revenue budgets and Government Funding Settlement.

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Reasons for Decision

Reason: To determine the Council's Treasury Management Strategy for 2022/23 and to recommend to Council the Capital and Investment Strategies, Treasury Management Prudential Indicators and MRP Strategy to be adopted.

The Executive has authority to determine recommendations (i) above; (ii) and (iii) will need to be dealt with by way of a recommendation to Council.

Background Papers:	None.
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Date Published:	28 January 2022

1.0 Introduction

1.1 Since 2019/20 the CIPFA Prudential Code for Capital Finance in Local Authorities, and new government guidance on Local Government Investments have required the publication of Capital and Investment Strategies. The government also introduced statutory guidance.

1.2 The Capital, Investment and Treasury Management strategies are presented together enabling the links to be highlighted whilst minimising duplication. A suite of appendices are included which can be referred to from any of the core strategies.

1.3 These strategies will continue to be developed further to support the understanding of the Council's capital investments and long term plans. The documents link with the Council's other long term plans and the Medium Term Financial Strategy to provide an overall picture of the Council's activity.

2.0 Capital Strategy

2.1 The Capital Strategy has a wide scope covering the Council's overall approach to capital investment. It demonstrates how the Council takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability.

2.2 The purpose of the capital strategy is to give a clear and concise view of how the Council determines its priorities for capital investment, decides how much it can afford to borrow and sets its risk appetite. It includes references to elements of the Investment Strategy, Treasury Management Strategy and the Council's Investment Programme.

2.3 The Capital Strategy sets out the Council's long term approach in line with the long term nature of capital and investment decisions. There is a direct link to the Council's Local Plan, place shaping activities and other long term strategies.

2.4 Group activities and joint ventures are also included in the Capital Strategy, including the processes for ensuring effective due diligence and defining the Authority's risk appetite.

2.5 The guidance requires that proportionality, in respect of overall resources, is also considered.

3.0 Investment Strategy

3.1 The Investment Strategy provides an explanation of investment activities, explaining 'why' as well as 'what' investments are made. A range of indicators and disclosures are recommended in the guidance.

3.2 Investments held for treasury management purposes are covered by the Treasury Management Strategy (see below), with the focus of the Investment Strategy being other investments such as loans, shares and property.

3.3 Property, loans and shares are treated as capital expenditure and financed in the same way as other Investment Programme projects, with allowance made to repay any borrowing over time. However the expenditure creates an asset shown as an investment on the Council's balance sheet and so the guidance has been applied.

3.4 Whilst the Council has a significant property portfolio, these assets are not held solely for investment purposes. Each acquisition has had a strategic purpose with a direct link to Council objectives or services. Shares and Loans are also used to support the Council's objectives.

4.0 Treasury Management Strategy

4.1 Treasury Management refers to the management of cash balances through borrowing and investment. The Department of Levelling Up, Housing and Communities (DLUHC - this was formerly the Ministry of Housing, Communities and Local Government (MHCLG)) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (a separate report).

4.2 The Treasury Management Strategy sets out the Council's strategy for borrowing and to prepare a strategy for setting out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

4.3 The Local Government Act 2003 and supporting regulations require the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

5.0 Future Developments

5.1 In October 2019 CIPFA published a Financial Management Code (FM Code). This provides guidance for good and sustainable financial management in local authorities and will provide assurance that authorities are managing resources effectively. It requires authorities to demonstrate that the processes they have in place satisfy the principles of good financial management. The FM Code identifies risks to financial sustainability and introduces a framework of assurance.

5.2 CIPFA published revised Treasury Management and Prudential Codes on 20th December 2021. CIPFA stated that formal adoption of the Treasury Management Code is not required until the 2023/24 financial year and the new reporting requirements of the Prudential Code can be deferred to 2023/24. The revised codes will have implications regarding;

- Additional benchmark treasury indicators.
- Clarifying what CIPFA expects a local authority to borrow for and what they do not view as appropriate (including setting a proportionate approach to commercial and service capital investment). The Prudential code confirms that an authority must not borrow to invest primarily for financial return.
- Implementation of a policy to review commercial property, with a view to divest where appropriate.
- Other changes regarding investment practices to manage risks associated with non-treasury investment, business models to support long term treasury investments, and all investments and investment income must be attributed to the purpose of either Treasury Management, Service Delivery, or Commercial Return.

5.3 Members will be updated on how all these changes will impact the current approach and any changes required will be formally adopted within the 2023/24 Treasury reports.

5.4 The Department for Levelling Up, Housing and Communities (DLUHC) issued "Consultation on changes to the capital framework: Minimum Revenue Provision" on 30th November 2021 to last for 10 weeks until 8th February 2022. The consultation proposes changes to require that local authorities can no longer use capital receipts in lieu of MRP, or exclude investment assets from MRP. Officers are completing a response to the consultation and the potential implications are discussed in the General Fund Budget report elsewhere on the agenda. Any changes will be applicable from 2023/24 and do not affect the 2022/23 budget.

6.0 Chief Finance Officer

6.1 Taking into account the factors set out in the Capital, Investment and Treasury Management Strategies the Chief Finance Officer (CFO) has confirmed that the Council's investment plans are affordable and there are sufficient reserves in place to manage the immediate risks.

6.2 New investment decisions were temporarily suspended during 2020, where possible, to allow time for the future financial position of the Council to become clearer following the Covid-19 pandemic. These suspended projects have been reviewed and those which remain relevant included in a pipeline list of projects not yet funded. These will be considered further as the recovery is clearer and a sustainable medium term financial position established.

7.0 Corporate Strategy

7.1 The Capital, Investment and Treasury Management Strategies support the Council's use and prioritisation of resources in line with the Corporate Plan and emerging Corporate Strategy due to be adopted in April 2022.

8.0 Implications

Finance and Risk

8.1 The financial implications are set out in the three strategy reports.

8.2 Each strategy sets out the risks involved in the Council's activities. The new Investment Strategy and Capital strategies seek to improve transparency and understanding of the total exposure to risk and mitigating factors. Risk is also considered in every investment and capital decision and reported regularly through the Council's monthly reporting (Green Book), Medium Term Financial Strategy (MTFS) and annual budget reports.

Equalities and Human Resources

8.3 Training and development are covered in each of the strategy reports. Where additional needs are identified the Council will provide specific, focussed training.

8.4 No equalities implications have been identified.

Legal

8.5 The CIPFA codes support the provisions of the Local Government Act 2003 and the Local Authorities (Capital Finance and Accounting) Regulations 2003 and support strategic planning for capital and investment at a local level. The Council is required to comply with the codes.

9.0 Engagement and Consultation

9.1 There have been no specific consultations in relation to this report.

REPORT ENDS

CAPITAL STRATEGY 2022-23

1.0 Introduction

1.1 This capital strategy provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services together with an overview of how associated risk is managed and the implications for future financial sustainability.

1.2 Capital expenditure is focussed on the Council's priorities and is long term investment to secure long term improvements for the community. It is linked to the Council's long term strategies and vision in developing a sustainable future for the Borough. The Council's priorities areas are:

- Decent and Affordable Housing
- Economic Development
- The Environment; and
- Health and Wellbeing

1.3 Other important areas for capital investment are where there is a Health and Safety issue identified, or a need to make improvements to the Council's assets.

2.0 Capital Expenditure and Financing

2.1 Capital expenditure is where the Council spends money on assets, such as property or equipment, which will be used for more than one year. This includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy or develop assets.

2.2 Projects which involve capital expenditure are usually included in the Council's Investment Programme which is approved annually as part of the budget process. Financing costs in the General Fund and Housing Revenue Account budgets reflect the annual costs of implementing the Investment Programme.

2.3 It is possible that revenue (operational) budgets could be used for capital purposes however, there is not sufficient flexibility within service budgets to incur significant capital spend. The Council's Investment Programme includes both capital and revenue projects. Revenue projects such as feasibility studies are shown within the Investment Programme as they are one-off in nature. There is also often flexibility in timing as projects may be deferred if funding cannot be secured. Revenue budgets comprise operational costs and income which is expected to recur each year.

<u>Investment Programme 2022/23</u>

2.4 In 2022/23, the Council is planning Investment Programme expenditure of £231m as summarised below:

Table 1: Investment Programme February 2022

	2020/21 Actual £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m	2024/25 Budget £m	2025/26 Budget £m
General Fund	266	265	120	35	10	9
Housing (Including Council Housing)	77	105	111	114	63	81
TOTAL	344	370	231	150	73	90

2.5 The main General Fund capital projects in 2022/23 are:

- Victoria Arch and Integrated South Side Works (HIF bid) – highway improvements and replacement of Victoria Arch unlocking housing sites.
- Acquisition of Car Parks from Victoria Square Woking Ltd – providing sufficient parking for future town centre growth.
- Investment in Thameswey Central Milton Keynes
- Poole Road Energy Centre – creating a new energy centre to supply Victoria Square and other town centre properties.

2.6 There is a £3m budget for 'Opportunity Purchases' in 2022/23. The Opportunity Purchases budget enables the acquisition of small sites or properties which are of use to the Council if they become available. In some instances these assets will be disposed of if the use is only temporary. Opportunity purchases are reported during the year in the Council's monthly performance and financial monitoring (Green Book).

2.7 The Investment Programme includes annual provision for works to the Councils assets (The Asset Management Plan) and development/replacement of ICT systems.

2.8 The Housing Investment Programme (HIP) sets out the Council's housing related projects. Some of these are General Fund housing, for example relating to private sector housing provision or homelessness. Other expenditure is on the Council's own housing stock and is financed through the Housing Revenue Account (HRA). The HRA is a ring-fenced account separating the income and expenditure relating to council housing from other Council activities.

2.9 The main HIP projects in 2022/23 are:

- Provision of new homes by Thameswey Housing Ltd.
- Sheerwater Regeneration scheme – project which will improve the Sheerwater area with new housing and leisure facilities.
- Provision of new HRA properties using retained Right to Buy receipts.
- Improvement works to existing HRA properties.

2.10 Other areas of HIP spend include Disabled Facilities grants and provision of a new hostel.

Investment Programme Governance

2.11 Projects may be initiated by Service managers, Councillors, Corporate Leadership Team (CLT) or be the result of an external source or opportunity. A project manager is appointed and will prepare a short summary of the project for consideration by CLT. If CLT are supportive, the project manager will complete a more detailed workbook which covers the objectives of the

project, the costs, funding and risks. If necessary a report will be presented to the Executive or Council to approve use of resources.

2.12 Project progress reports are prepared for the Executive and highlight any issues relating to the timescale or budget of a project as well as providing a high level update. Variations to project timescales or budgets are submitted to CLT to be considered. If necessary these will be reported to the Executive.

2.13 Some projects, due to their scale and importance to the Council, will have specific project governance assigned. For example there are Officer and Member working groups for the Sheerwater regeneration project, and a Member Oversight panel for the Victoria Square development.

2.14 Projects which have been subject to detailed consideration by the Executive or Council will also follow the project management mandate and workbook process which ensures that all the relevant information is considered.

2.15 Projects are consolidated into the Investment Programme on an annual basis and presented to the Executive/Council in budget papers. Where relevant the debt financing and repayment costs of the Investment Programme are incorporated into the General Fund and Housing Revenue Account budgets, and reflected in the Prudential Indicators approved by Council. New projects may be approved during the year subject to the impact on the revenue budget being assessed and affordable.

2.16 The Executive has authority to approve new projects up to a total of £10m in any one year, with any individual project no more than £5m. Any projects approved under this authority are reported in the Green Book during the year. Any new capital expenditure which exceeds these parameters must have full Council approval. The Council would also need to approve any changes in borrowing limits necessary to accommodate additional borrowing.

Investment Programme Financing

2.17 All projects within the Investment Programme are financed either from grants or contributions (external sources), reserves or capital receipts (internal sources) or borrowing (including leasing/Private Finance Initiative). Table 2 shows the financing of the February 2022 Investment Programme.

Table 2: Investment Programme Funding February 2022

	2020/21 Actual £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m	2024/25 Budget £m	2025/26 Budget £m
Borrowing	325	330	174	125	65	82
Grants & Contributions	18	30	49	17	2	2
Reserves & Capital Receipts	8	10	9	8	6	5
TOTAL	351	370	231	150	73	90

2.18 The Council must make provision for the repayment of any borrowing used to finance capital expenditure. This is normally through the annual charge to the revenue budget known as the 'minimum revenue provision' (MRP). The Council has a policy for the calculation of MRP which can be found at Appendix A.

2.19 Where borrowing has been used to advance loans, the loan repayments are set aside as MRP for the future repayment of the underlying borrowing. If borrowing has been used as a temporary funding source, capital receipts, developer contributions or grant may be applied to reduce the outstanding debt. For property acquisitions funded by borrowing, the MRP is

charged on an annuity basis comparable to the principle repayments on an underlying annuity loan.

2.20 Planned set aside for the repayment of underlying Council borrowing (MRP) is shown in Table 3 below.

Table 3: MRP

	MRP (excluding loan repayments) £'000	Loan repayments set aside £'000	Total MRP £'000
2020/21 Actual	6,814	5,729	12,543
2021/22 Forecast	6,219	6,146	12,365
2022/23 Budget	7,348	9,508	16,856
2023/24 Budget	9,039	9,669	18,708
2024/25 Budget	9,414	10,013	19,427
2025/26 Budget	10,278	10,193	20,471

2.21 On the 30th November 2021 the Department for Levelling Up, Housing and Communities (DLUHC) issued a consultation on MRP. The consultation includes reviewing the approach of using capital receipts in lieu of MRP. The implications of this proposal are discussed in the General Fund budget report elsewhere on the agenda.

2.22 The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces as funds are set aside to repay debt. The CFR is expected to increase by £165m during 2022/23. Based on the Council's Investment Programme the estimated CFR is as shown in Table 4 below:

Table 4: Estimate of Capital Financing Requirement (CFR)

	2020/21 Actual £m	2021/22 Forecast £m	2022/23 Budget £m	2023/24 Budget £m	2024/25 Budget £m	2025/26 Budget £m
General Fund Services	510	519	581	590	586	581
Council Housing (HRA)	146	153	156	158	160	161
Capital Investments	1,095	1,390	1,489	1,592	1,648	1,722
TOTAL CFR	1,751	2,062	2,227	2,341	2,394	2,464

2.23 Where opportunities arise, the Council will apply for government or other external funding to contribute towards planned Investment Programme projects. The award of grants is subject to the conditions of the grant awarding body and will often include a requirement for match funding by the Council and a repayment clause if funds are not applied in accordance with the grant terms.

2.24 In July 2019 the Council was awarded £95m from the Homes England Housing Infrastructure Fund (HIF) towards the replacement of Victoria Arch and associated highways works. The full project is expected to cost £115m, with £10m contribution from Network Rail and £10m from the Council funded by development contributions (or interim borrowing if these contributions are not received at the time of financing the scheme).

Asset Management

2.25 To ensure that capital assets continue to be of long-term use, the Council includes an annual Asset Management Plan (AMP) allowance in the Investment Programme. This is used to improve the Council's existing assets. The planned use of the Asset Management Plan budget for 2022/23 is shown in an appendix to the Investment Programme.

2.26 If improvement works are required which cannot be met by the annual AMP budget a specific analysis will be prepared in order for the investment to be approved. Revenue budgets include allowance for day to day repairs and maintenance. Some works on commercial properties are the responsibility of the tenant. Other works may be recharged to tenants as part of the service charge either in-year or over a period of time.

2.27 The Council may invest in changes to commercial properties to secure a new tenancy or to relocate tenants to improve the offer, or diversity of services or employment space, within the Borough.

Asset Disposals

2.28 If an asset is not needed the Council may sell it generating a capital receipt. The capital receipt can be used for capital purposes such as to fund alternative capital investment, or to repay debt (MRP).

2.29 Repayments of capital grants, loans and investments also generate capital receipts. Where funded by borrowing the Council allocates these repayments as MRP for the repayment of the underlying debt.

2.30 When council houses are sold under the Right to Buy scheme the Council retains an element of the sale proceeds to be put towards replacement council housing. These receipts are held within the Council's capital receipts reserves but are separately identified due to the restrictions on use. If not spent within 5 years these receipts must be returned to the government with interest.

2.31 The Council is not actively holding assets for sale so a significant level of capital receipts is not expected to be available over the period of the Investment Programme. However, when opportunities arise, the Council will consider the disposal of assets if it is considered optimal to the vision for the Borough.

Table 5: Capital Receipts

	2020/21 Actual £m	2021/22 Forecast £m	2022/23 Budget £m	2023/24 Budget £m	2024/25 Budget £m	2025/26 Budget £m
Asset Sales	1.2	0.0	0.0	0.0	0.0	0.0
Right to Buy Sales	1.6	1.6	1.6	1.6	1.6	1.6
Loan Repayments	5.7	6.1	9.5	9.7	10.0	10.2
TOTAL	8.5	7.8	11.1	11.3	11.6	11.8

3.0 Treasury Management

3.1 The Council's Treasury Management Strategy sets out how the Council manages cash balances. Surplus cash may be invested until required, while a shortage of cash will be met by borrowing.

3.2 At the current time minimal cash balances will be held as the balances would earn little return due to current low interest rates. The Council's reserves will be used to reduce the overall

borrowing drawn down which delays the Council incurring external financing costs for capital investment. Each year the annual budget assumes that the Council draws down the total level of borrowing required to fund the Investment Programme. Any under borrowing results in a saving against the interest cost budget.

3.3 During 2021/22 the Council has converted most of the short-term borrowing taken in the previous financial year to long term borrowing to take advantage of the low PWLB rates available.

3.4 Borrowing for long term assets is financed through long-term loans reflecting the long term life of the asset and mitigating the risk of rising interest rates. However flexibility is maintained to use short term borrowing to manage short term cash flows, to manage the timing of long term decisions and to generate in-year interest savings.

3.5 In November 2020 HM Treasury announced revised lending terms for the PWLB. The PWLB will no longer lend to any Local Authority which plans to buy investment assets primarily for yield (regardless of whether this purchase would be funded by PWLB borrowing or through other resources). The Treasury Management and Prudential Codes were updated in December 2021 confirming the principle that an authority must not borrow to invest primarily for financial return.

3.6 The Council's Capital Programme has been reviewed by the s151 Officer and a return has been provided to the PWLB and HM Treasury which confirms that Woking complies with these new rules and is able to access PWLB Borrowing.

3.7 Borrowing and treasury investments are reported in the Council's monthly performance and financial monitoring (Green Book).

3.8 Projected levels of the Council's total outstanding debt (which comprises borrowing, PFI liabilities and leases) are shown below, compared with the capital financing requirement. Statutory guidance is that debt should remain below the CFR except in the short term. This demonstrates that borrowing is only being taken to meet capital financing needs.

Table 6: Gross Debt & Capital Financing Requirement

	2020/21 Actual £m	2021/22 Forecast £m	2022/23 Budget £m	2023/24 Budget £m	2024/25 Budget £m	2025/26 Budget £m
Debt (including PFI & leases)	1,716	2,062	2,227	2,341	2,394	2,464
Capital Financing Requirement	1,751	2,062	2,227	2,341	2,394	2,464

Authorised and Operational borrowing limits

3.9 The Council is legally obliged to set an affordable borrowing limit known as the authorised limit each year. External debt must not exceed the authorised limit. A lower operational limit is also set which acts as a warning and requires a report to Council if breached.

3.10 The Authorised and Operational limits are set by full Council and reported on the Treasury pages of the Green Book each month so that actual borrowing can be assessed in the context of these limits.

3.11 The limits are calculated with reference to the planned Investment Programme, allowing scope for those projects funded by borrowing to proceed. When the Council approved the Victoria Square regeneration project the limits were increased to accommodate the full project cost

from project commencement. This enabled flexibility to secure borrowing in at preferential rates, if available, in advance of cashflows.

3.12 The Treasury Management Strategy sets out the Authorised and Operational borrowing limits for 2022/23.

Treasury Management Strategy

3.13 Treasury Management is concerned with making investments of surplus cash and borrowing to manage delay in cash flows. Investments made for service reasons are not generally considered to be part of treasury management.

3.14 The Council's Treasury Management Strategy is to prioritise security and liquidity over yield for treasury management investments. Cash is invested securely with the Council's own bank, in diversified money market funds, or with other local authorities. The primary focus is on minimising risk rather than maximising returns.

3.15 Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Finance Director and finance team who follow the Treasury Management Strategy approved by the Executive. Treasury Management practices are in place which provide day to day guidance for treasury officers. The Green Book monthly monitoring report includes details of all investment and borrowing taken in the month and shows the overall position at the month end. A Treasury Management report is presented to the Executive after the end of the year detailing the activity for the year and the Overview and Scrutiny Committee receives a mid-year report.

4.0 Investments for Service Purposes

4.1 The Council uses different mechanisms and investment structures to secure capital developments for the Borough. This includes the use of its group companies through the Thameswey group, and joint ventures for example Victoria Square Woking Ltd, and enables the Council to take a longer term view than would otherwise be possible.

4.2 Investment in shares and loans to these entities is treated as capital investment and is financed within the Council's Investment Programme. Whilst these investments are made to secure service objectives, not for profit, the Council still plans to at least break even. The margins on loans made for service purposes have provided an additional income stream for the Council and have enabled services to continue despite reductions in government funding.

4.3 The Thameswey group continue to work to existing business plans. During 2022/23 there plans will be reviewed in detail to ensure they align with the adopted Council Corporate Strategy. Existing loan facilities are sufficient to progress the Thameswey group plans in 2022.

4.4 There is monthly reporting in the Green Book and a set of protocols which govern the practices of the group. Decision making for other loans and investments follows the processes for the Investment Programme.

4.5 The Council's capital programme does not include purchases for assets primarily for yield. Any commercial properties acquired are not bought purely for income but for future service opportunities or growth (for example for regeneration purposes). General Fund property purchases are treated as capital expenditure with the associated financing and capital repayment (MRP) costs included in the Council's budgets.

4.6 With the exception of lower value property acquired using the Council's opportunity purchases budget, new property acquisitions will be the subject of Executive or Council approval. The ongoing revenue impact of these purchases will be presented along with the strategic reason of the purpose including details of quality of tenancies, vacant space provided, and the future

opportunities the acquisition of the property will provide for the Council. The revenue impact of strategic properties acquired since 2016/17 is reported monthly in the Green Book.

5.0 Liabilities

5.1 In addition to the borrowing considered in the sections above, and the Treasury Management Strategy, the Council is committed to making future payments to cover its pension fund deficit valued at £82m at 31 March 2021.

5.2 The Council has a Private Finance Initiative (PFI) scheme which provides 224 houses at social rents for 25 years. The liability associated with the repayment of the liability through the unitary charge was assessed as £25.6m at 31 March 2021.

5.3 Decisions on incurring new discretional liabilities are taken in the same way as other Council expenditure and will be the subject of Executive/Council decisions if not covered by approved budgets.

5.4 Further details on liabilities can be found in of the Council's statement of accounts published on the Council's website.

6.0 Revenue Budget Implications

6.1 Capital expenditure is not charged directly to the revenue budget, instead the financing and capital repayment (MRP) is charged in year. The costs net of investment income are shown as net financing costs in the table below. The table compares the net financing costs to the net revenue stream (amount funded by Council Tax, business rates and Government Funding).

6.2 This indicator has increased substantially over recent years due to two factors:

- Net financing costs do not include the income generated from assets acquired or developed, for example commercial property, car park provision.
- Net revenue stream has steadily reduced through government funding cuts to government funding and restrictions on Council Tax increases

Table 7: Proportion of Financing Costs to Net Revenue Stream

	2020/21 Actual £m	2021/22 Forecast £m	2022/23 Budget £m	2023/24 Budget £m	2024/25 Budget £m	2025/26 Budget £m
Financing Costs (£m)	14.5	14.5	17.0	20.2	19.7	19.7
Net Revenue Stream (£m)	12.5	12.6	13.2	12.2	12.1	11.9
Proportion of Net Revenue Stream	116%	116%	129%	165%	163%	165%

6.3 Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure and will extend up to 50 years into the future. The Council links the use of long term borrowing to capital expenditure where the benefits are also expected to extend into the long term. In particular spend on the transformation and regeneration of the town centre will have a long term impact and infrastructure works are hoped to attract further private investment into the Borough.

6.4 The Investment Programme was reduced in scope during 2020, with uncommitted projects funded by borrowing or reserves temporarily suspended while the Council assessed the financial position post Covid. These projects have been assessed and those which remain relevant included on a pipeline list which is not currently funded. The Finance Director is

satisfied that the proposed capital programme is prudent, affordable and sustainable in 2022/23, and that the revenue impacts of the projects included have been recognised in the budget. Future years will need to be reviewed as the economic consequences of the recovery from the pandemic become clearer.

6.5 The Medium Term Financial Strategy (MTFS) sets out the impact and pressures on the Council over a four year period. The net cost of decisions, assessed individually, are consolidated into the next update of the MTFS.

6.6 The 2020/21 and 2021/22 budget forecast significant use of reserves covering the projected loss of income due to the Covid-19 pandemic. The Council has set a minimum level of reserves acceptable to enable sufficient resilience and scope for one-off spend. The MTFS determines the savings required to ensure this level of reserves is maintained.

7.0 Knowledge and Skills

7.1 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. The Finance Director, Financial Services Manager and senior members of the Finance team are qualified accountants with many years' experience. The Council has a Strategic Asset Manager and Estates Management team with experience in managing properties, and valuation. The Council also has an in-house legal team led by the Director of Democratic and Legal Services (Monitoring Officer).

7.2 External advisors and consultants are used where the Council does not have the technical knowledge, experience or skills required. They are also used to supplement the internal resource if Council staff do not have the capacity to manage the Council's requirements.

7.3 The Council supports training towards professional qualifications and for staff to attend relevant training courses for continued professional development. A management training programme is also being completed by senior members of staff. There is a Members' development programme and the Council has the Charter mark for Member Learning and Development. In October 2019 the Council was awarded the Investors in People Silver accreditation and the Health and Wellbeing Good Practice Award. Specific training and briefing sessions are organised on subjects or projects as needs are identified.

EXECUTIVE – 3 FEBRUARY 2022

INVESTMENT STRATEGY REPORT 2022-23

1.0 Introduction

1.1 The Treasury Management and Prudential Codes were updated in December 2021. CIPFA has stated that there will be a soft introduction of the codes with local authorities not being expected to have to change their Treasury reports for 2022/23. Full implementation is required for 2023/24.

Type of Investment	Strategy
Day to day investment of surplus cash balances – Treasury Management Investments	Treasury Management Strategy
Loans and acquisition of shares in wholly owned companies, joint ventures and other organisations for service purposes	Investment Strategy
To earn investment income	Investment Strategy

2.0 Treasury Management Investments

2.1 The Council holds cash balances for day to day use, to make payments to suppliers, contractors and payroll. Balances arise as there are timing differences between Council Tax and Business Rates collected and distributed, and between other income generated and the associated service or debt management costs. The timing of long term borrowing will be determined depending on the interest rates available which may mean that funds are held for a short period before they are required or that short term borrowing is taken which is subsequently refinanced. The Council also holds reserves for future expenditure.

2.2 The consequential cash surpluses are invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA). The balance of treasury management investments is expected to fluctuate between £0m and £50m during the 2022/23 financial year. Higher cash balances will be held if long term borrowing rates fall and funds are secured for ongoing projects.

2.3 Cash surpluses are invested to ensure security, liquidity and some income generation from these Council resources in line with the Treasury Management Code.

2.4 Treasury Management Investments are reported each month in the Council's Performance and Financial Monitoring report, the 'Green Book', available on the Council's website.

3.0 Loans for Service purposes

3.1 The Council lends money to its subsidiary companies and joint ventures, suppliers, local businesses and charities, other local service providers, local residents and its employees to support local public services and stimulate local economic growth.

3.2 Provision of loan finance to another organisation can be an effective way for the Council to achieve its objectives whilst benefiting from the expertise or capacity of that organisation.

3.3 These loans are treated as capital expenditure and are financed by borrowing or other available resources. Where capital expenditure is funded by borrowing Minimum Revenue Provisions (MRP) are set aside for repayment of the borrowing. Loan repayments are set aside for the repayment of debt in lieu of MRP.

3.4 On the 30th November 2021 the Department for Levelling Up, Housing and Communities (DLUHC) issued a consultation on MRP. The consultation includes reviewing the approach of using capital receipts in lieu of MRP. The implications of this proposal are discussed in the General Fund budget report elsewhere on the agenda.

3.5 The most significant loans are to the Thameswey Group (wholly owned subsidiary) and Victoria Square Woking Ltd. At 31 March 2021 the Council had made £244m of loans to Thameswey Housing to provide housing in the Borough, £76m to Thameswey Developments Ltd, £47m to Thameswey Energy and Thameswey Central Milton Keynes, to further the Council's energy efficiency policies, £86m to the Thameswey group relating to the Sheerwater project, and £527m to Victoria Square Woking Ltd for the town centre regeneration project.

3.6 Other loans have been advanced to the Peacocks to enable the improvement of the shopping centre, Greenfield School, Kingfield Community Sports, and Freedom Leisure for improvements at the Pool in the Park.

3.7 The main risk when making loans is that the borrower will be unable to repay the principal lent and/or the interest due. Loans are generally secured against assets which means the Council could take the assets in the event of default. The business case for the underlying investment is also considered before funds are loaned.

3.8 The table below sets out the loans for service purposes, as at 31 March 2021, together with commitments for loans for service purposes included in the February 2022 Investment Programme. It is considered that this remains an acceptable level given the diversification of loans advanced and the asset backed nature of loans. These total advances are the upper limits on the outstanding loans to each category of borrower approved by the Council and any additional loan advances would have to be subject to further consideration by the Council.

3.9 To facilitate the delivery of housing the Council allows for 50% of the following years Thameswey Housing approved budget to be drawn in advance. This ensures delivery of new properties is not constrained by changes in the timing of project costs.

Table 1: Loans and Loan Commitments for Service Purposes

Category of Borrower	Actual 31/03/2021 £'000	Investment Programme February 2022 2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Subsidiaries						
Thameswey Energy Ltd	12,607					
Thameswey Central Milton Keynes Ltd	33,391	3,400	3,600	3,000	3,000	3,000
Thameswey Housing Ltd	244,359	20,687	27,500	35,750	45,750	50,000
Thameswey Solar Ltd	993					
Thameswey Developments Ltd (THL)	47,250					
Thameswey Developments Ltd (TEL)	28,735	25,767	1,167	667	-	-
Thameswey Developments (Sheerwater)	5,000	59,437	68,931	65,098	8,547	22,676
Thameswey Housing (Sheerwater)	70,732					
Thameswey Developments (S/W Leisure)	9,800					
Victoria Square Woking Ltd	527,043	174,567				
Rutland Woking	1,632	368				
Peacocks	6,350					
Woking Hospice	9,706					
Greenfield School	6,400	7,700				
Freedom Leisure	1,705	72				
Kingfield Community Sports Centre Ltd	1,500					
Local Residents (Mortgages)	1,869	300				
Loan Re Wolsey Place		1,850				
Loan Re Dukes Court		1,000				
Other	201					
TOTAL	1,009,273	295,148	101,197	104,514	57,297	75,676

3.10 If loans are expected not to be repaid in full, accounting standards require the Authority to set aside a loss allowance, reflecting the likelihood of non-payment. From 2018/19 onwards the Statement of Accounts show the loan balance net of this loss allowance. However, the Authority makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

3.11 The Council assesses the risk of loss before entering into, and whilst holding, service loans and undertakes further work where necessary to assess:

- who the loan is to be made to - with appropriate enquiries to fully understand the entity where the entity is not already known/associated with the Council;
- the revenue stream associated with the loan to be made;
- the loans will be secured against capital assets where possible to ensure the Council receives the assets in the event of non-repayment. Covenants or legal bonds may be taken against capital assets.

3.12 Credit ratings are not routinely used for known associated entities, but would be used for supplier loans.

4.0 Shares for Service Purposes

4.1 The Council may invest in the shares of its subsidiaries, its suppliers, local businesses and organisations and other jointly owned public sector led activities, to support local services and stimulate local economic growth.

4.2 All investment in shares is treated as capital expenditure and is financed by available resources or borrowing. Where capital expenditure is funded by borrowing Minimum Revenue Provisions (MRP) are set aside for repayment of the borrowing which may be calculated to match asset life, or over a shorter period in line with the Council's MRP policy (Appendix A).

4.3 Shares have been used to provide subsidy into Thameswey Housing Ltd. As the shares do not have interest payable on them, the company is able to provide rents at sub market rates. The shares in Woking Necropolis and Mausoleum Ltd relate to the acquisition of the Cemetery. Whilst the cemetery business generates some income it would not be sufficient to meet financing costs associated with the purchase.

4.4 The Council has also invested in shares to support activity where the funding could otherwise have been through provision of a grant. The Municipal Bonds Agency (Local Capital Finance Company) is one example of this, where the Council has supported a sector wide initiative. The Credit Union investment is another example. In some circumstances it may be beneficial, for service and partnership reasons, to acquire an interest in the organisation as well as providing financial support.

4.5 If shares were being held as an investment, to achieve dividend income and for future sale, a fall in value whereby the initial outlay may not be recovered would be a risk. However, since the Council's investments in shares have been financed with any associated borrowing being repaid over time, or where the underlying expenditure is a long term asset, it is not considered that this is a significant risk.

Table 2: Shares for Service Purposes

	Actual	Investment Programme February 2022				
Investment	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Thameswey Ltd	31,193	No further share capital planned in Investment Programme February 2022				
Woking Necropolis & Mausoleum Ltd	6,000					
Victoria Square Ltd	14					
Local Capital Finance Company	50					
Boom Credit Union	50					
Woking Town Centre Management	1					
Kingfield Community Sports Centre Ltd	500					
TOTAL	37,808	-	-	-	-	-

4.6 The Authority assesses the risk of loss before entering into and whilst holding shares depending on the long term objective of the funding provided.

4.7 As shares are treated as capital expenditure, rather than investments for the purpose of financial income, investments in shares are not considered to be liquid in nature. That is, they cannot be readily converted back to cash through sale.

4.8 The Authority does not invest in any non-specified investment types. The government defines a non-specified Investment as a financial investment that is not a loan and does not meet the criteria to be treated as a specified investment. See Appendix D for definitions of specified and non-specified investments. Shares are treated as capital investment and therefore do not meet this definition.

5.0 Strategic Property Investments \ Commercial & Service Investments

5.1 The changes to the Treasury management and Prudential Codes (published in December 2021) require that the purpose, objectives, and management arrangements for commercial & service investments need to be defined in the Council's treasury management strategies from 2023/24 onwards. The strategies will be expanded in the coming year to add more detail to the paragraphs below.

5.2 The Ministry of Housing, Communities & Local Government (MHCLG) defines property to be an investment if it is held primarily or partially to generate a profit. The Council's Strategic

Property portfolio, including assets held for future redevelopment are included in this category. However the Council does not acquire assets primarily for yield and the following paragraphs relate to the sustainability of strategic purchases made in order to meet Council service objectives such as regeneration.

5.3 The Council does invest in property if there is a strategic reason for the acquisition. Strategic property assets may be affordable to hold in the long term may also generate a profit that can be spent on local public services. Strategic properties may be held for a variety of reasons including:

- Proposed redevelopment of the site or surrounding area
- Future potential redevelopment of a site or surrounding area
- To influence commercial use of a site
- Consolidation of interests in a site
- To acquire part of a site for an alternative use
- To maintain a property with an existing use, or to make it available for an alternative use
- As a result of a relationship with a strategic partner, other public sector body or business within the Borough

5.4 The Council's commercial property portfolio has been acquired over time and comprises office, retail and industrial assets within Woking. The Council employs an Estates Management Team to over see the management of these commercial properties. Where appropriate external management agencies are also appointed to manage the rental income, maintenance, and service charge arrangements of commercial units.

5.5 Since 2016/17 the Council has allocated borrowing to secure specific strategic property within the Borough and drive local economic regeneration. The financial position of these assets is reported in the Green Book. Properties are held for long term strategic purposes and are treated as capital expenditure with the financing interest and repayment costs charged to revenue budgets.

Table 3: Strategic Property acquired since 2016/17 and generating a commercial income (For financial performance see monthly Green Book reporting)

Property	Date of Acquisition	Net Income (Dec 2021) £'000	Acquisition Costs £m	Additional Investment £m	Accounts 31.3.2021 Gains or Losses £m	Accounts 31.3.2021 Value in Accounts £m
Cleary Court	2016/17	-19	3.6	0.5	-1.1	2.9
Morris House	2016/17	-131	4.7	1.3	-3.0	2.9
6 Church St West	2016/17	370	11.5	0.4	-1.3	10.6
Orion Gate	2016/17	924	22.7	0.2	-1.6	21.3
Dukes Court	2017/18	2,235	71.4	0.7	-20.6	51.5
Red House	2018/19	42	6.3		-1.3	5.0
CMS House	2018/19	48	2.0		-0.9	1.1
Victoria Gate	2018/19	478	37.9	5.0	-2.3	40.6
Midas House	2018/19	-266	25.3		-3.6	21.7
Albion House	2018/19	441	28.9		-7.5	21.4
Commercial Buildings	2019/20	41	4.0		-1.4	2.7
1 Christchurch Way	2019/20	279	11.5		-1.4	10.1
Goldsworth Park Shopping Ctr	2020/21	257	17.1		-0.8	16.3
36 to 42 Commercial Way	2020/21	75	2.0		0.0	2.0

Excludes properties purchased under the HIF Project.

5.6 Within the base commercial rents originating prior to 2016/17, the most significant assets were the Council's interests in the Wolsey Place and Peacocks shopping centres, industrial estates across the borough and town centre office buildings.

5.7 The government guidance considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs. Valuations vary depending on many factors including the local, national and global economic climate. For property investments the valuation is directly related to the rental income achieved, a vacant area may therefore have a significant impact on the valuation. Whilst it is important to monitor the property valuations, the Council has treated these acquisitions as capital expenditure and appropriately funded these assets. Repayment of the costs is being provided on an annuity basis. The property assets are not being held for sale as a means to repay borrowing, the intention is for them to be held for the long term.

5.8 All properties are valued on an annual basis to provide a fair value for the preparation of the Council's accounts. Any impact of a change in valuation will be reported following the completion of the annual accounts.

5.9 The Council assesses the risk of loss before entering into and whilst holding property acquisitions. Consideration is given to the operational service or strategic benefit/opportunity provided by acquisition of the asset set against the risk of loss of income to service the capital expenditure. In each case the Council/Executive will receive information on the tenancies and likely income to be achieved from any vacant areas. Investment is in the context of the long term development plans and vision for Woking, and level of reserves to mitigate any economic downturn.

5.10 Property is held as a long term strategic asset and not a short term financial asset. It is funded as capital expenditure and it is not therefore being held with a view to being able to convert to cash at short notice, as a treasury investment would be. Where funding is by borrowing, the borrowing is long term to correspond with the long term nature of the asset. The Council's policy for repayment of the borrowing (MRP) can be found at Appendix A and determines that repayment is on an annuity basis for commercial property. This ensures that there is sufficient

resource set aside to repay the borrowing as it becomes due. As borrowing is repaid, the debt associated with the asset reduces.

6.0 Proportionality

6.1 The Council has been able to increase service activity and support to the local community in recent years through use of the income generated from investments in group companies and strategic commercial income. Without this income, services would have had to be reduced at a time when they have been needed most as other support for the vulnerable is under pressure. However the changes to the PWLB Borrowing rules (discussed in reports elsewhere on the agenda) mean that Woking can no longer make acquisitions which could be seen as primarily for yield despite having sound strategic reasons.

6.2 Income has also supported the Council's long term redevelopment of Woking Town Centre, achieving a better offer for local people, attracting businesses and employers to the Borough and contributing towards housing needs. The long term assets driving these improvements are funded by borrowing whilst the income they generate in direct rents or investment income offsets these costs.

6.3 Table 4 below shows the balance between expenditure planned to meet the service delivery objectives and/or place making role of the Authority, interest costs on borrowing and investment/commercial rental income.

Table 4: Proportionality of Investments

	2020/21 Actual £m	2021/22 Forecast £m	2022/23 Budget £m	2023/24 Budget £m	2024/25 Budget £m	2025/26 Budget £m
Gross Service Expenditure (GSE)	69.6	71.5	72.9	73.7	74.5	75.2
Interest & Repayment (MRP) costs	40.9	47.2	55.5	61.3	63.5	65.8
Treasury Investment Income	-28.0	-32.7	-38.5	-41.1	-43.8	-46.1
Commercial Rental Income	-21.3	-20.2	-21.0	-21.8	-22.6	-22.6
(Treasury + Commerical income)/GSE	-71%	-74%	-82%	-85%	-89%	-91%

6.4 The Council had accumulated reserves to mitigate temporary reductions in rental income, and to provide time for any long term adjustment in rents to be managed. Should there be a significant permanent reduction in income, due to the environment post Covid-19, service provision would need to be reviewed.

6.5 The Council's borrowing has been spread over many assets with residential property as well as strategic commercial properties in different sectors (retail, office) and let to a variety of tenants across different industries. This reduced the impact of an issue with any individual tenant or type of tenant.

6.6 The experience of the Covid-19 pandemic during 2020/21 and 2021/22 has affected most tenants to some extent and some rents have not been paid. It has been possible to use available revenue reserves to cover losses and the forecast impact of the difficult economic environment during 2022/23.

7.0 Capacity, Skills and Culture

7.1 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. The Finance Director, Financial Services Manager and senior members of the Finance team are qualified accountants with many years' experience. The Council has a Strategic Asset Manager and Estates Management team with experience in managing properties, and

valuation. The Council also has an in-house legal team led by the Director of Democratic and Legal Services (Monitoring Officer).

7.2 External advisors and consultants are used where the Council does not have the technical knowledge, experience or skills required. They are also used to supplement the internal resource if Council staff do not have the capacity to manage the Council's requirements.

7.3 The Council supports training towards professional qualifications and for staff to attend relevant training courses for continued professional development. A management training programme is also being completed by senior members of staff. There is a Members' development programme and the Council has the Charter mark for Member Learning and Development. In October 2019 the Council was awarded the Investors in People Silver accreditation and the Health and Wellbeing Good Practice Award. Specific training and briefing sessions are organised on subjects or projects as needs are identified.

8.0 Investment Indicators

8.1 The Authority has set the following quantitative indicators to provide information on the Authority's total risk exposure as a result of its investment decisions.

Total risk exposure and funding

8.2 Total risk exposure is the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually committed to lend but have yet to be drawn down.

Table 5: Total Investment Exposure

Total Investment Exposure	31.3.2021 Actual £m	31.3.2022 Forecast £m	31.3.2023 Forecast £m
Treasury Management including Money Market Funds and Bank balance	15	2	2
Service Investments: Loans	953	1248	1,349
Service Investments: Shares	38	38	38
Commercial Investments: Property (at valuation)	330	330	330
TOTAL Investments	1,335	1,617	1,719

8.3 The Council is generally in an underborrowed position due to the ongoing borrowing requirement. This means that the Council's reserves and working capital balance is being used to reduce the actual borrowing taken. This has been the Council's approach for some years as current low interest rates mean that funds held in reserve as treasury investments would not achieve a significant return. Instead those funds enable the Council to delay drawing and paying the interest costs on long term borrowing. In setting the annual revenue budget it is assumed that the underborrowing position is corrected and that long term borrowing is taken to re-instate those reserves temporarily used.

Rate of return

8.4 This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. The Strategic Property Investment target rate of return shown in table 6 has been maintained at 1.5%. This reflects the underlying lease income during 2020/21. Not all commercial lease income was received, largely due to the impact of covid, and Officers are still working with tenants to

recover further income. No further commercial investments are planned and the rate of return is expected to increase gradually over the life of the underlying assets.

Table 6: Investment Rate of Return (net of all costs)

Investments net rate of Return	2020/21 Actual	2021/22 Forecast	2022/23 Budget
Treasury Management Investments	0.01%	0.01%	0.9%
Service Investments: Loans	0% - 2%		
Service Investments: Shares	Nil - do not expect any return on shares		
Strategic Property Investments since 2016/17 *	1.5%	1.5%	1.5%

Consideration of Other Indicators

8.5 The Capital Strategy and Treasury Management Strategy include additional focussed indicators which are not replicated here.

8.6 Monthly reporting through the Green Book enables performance to be assessed during the year and for the up to date position to be tracked. The Strategic Property performance shows the current status of newly acquired assets.

8.7 Consideration will be given to further performance indicators, to be included in future years, which would complement the information included in this report.

EXECUTIVE – 3 FEBRUARY 2022

TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS 2022-23

1.0 Introduction

1.1 The Local Government Act 2003 and supporting regulations require the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

1.2 The Act requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance issued subsequent to the Act) (included as section 12); this sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

1.3 Revised reporting was required from 2019/20 onwards due to revisions of the MHCLG Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes include the introduction of a capital strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011.

1.4 CIPFA published updated Treasury Management and Prudential Codes on 20th December 2021. CIPFA has stated that there will be a soft introduction of the codes with local authorities not being expected to have to change their current draft treasury reports for 2022/23. Full implementation is required for 2023/24.

1.5 The new changes require that the purpose, objectives, and management arrangements for commercial & service investments need to be defined in the Council's treasury management strategies from 2023/24 onwards. The strategies will be expanded in the coming year to incorporate these changes.

2.0 Treasury Management Strategy 2022/23

2.1 The suggested strategy for 2022/23 in respect of the following aspects of the treasury management function is based upon the Treasury officers' views on interest rates, supplemented with leading market forecasts provided by the Council's treasury advisor. The strategy covers:

- treasury limits in force which will limit the treasury risk and activities of the Council;
- Prudential Indicators;
- the current treasury position;
- the borrowing requirement;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- borrowing rescheduling;
- the investment strategy;
- creditworthiness policy;
- policy on use of external service providers;
- the MRP strategy; and
- Council loans to Group Companies

2.2 It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires a local authority

to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions.

2.3 This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from:

- increases in interest charges caused by increased borrowing to finance additional capital expenditure, and
- any increases in running costs from new capital projects

are limited to a level which is affordable within the projected income of the Council for the foreseeable future.

2.4 The Council's reserves are set aside for specific purposes; in order to progress long term capital investment initiatives considered to be in the interests of residents where there are not sufficient reserves of capital or revenue, the Council needs to borrow. There is no absolute limit on what the Council can borrow; it can borrow what it considers it can afford to repay from its income sources such as council tax and service charges including rental income.

3.0 Treasury Limits for 2022/23 to 2025/26

3.1 It is a statutory duty under Section 3 of the Local Government Act 2003 and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. In England and Wales the Authorised Limit represents the legislative limit specified in section 3 of the Local Government Act 2003.

3.2 The revenue consequences of capital expenditure and financing decisions have been included in the General Fund and HRA reports (elsewhere on this agenda) and the assessment of the affordability of the Council's Investment Programme is made in the context of those reports. The Investment Programme is the subject of a separate report elsewhere on this agenda. The prudential limits contained in this report are therefore informed by the proposals in those reports.

3.3 The Authorised Limit for external borrowing is to be set, on a rolling basis, for the forthcoming financial year and three successive financial years.

3.4 In setting the Authorised and Operational limits, it should be noted that the limits in 2021/22 cover the full project costs for Victoria Square to enable borrowing to be taken in advance of need if borrowing rates are sufficiently advantageous.

3.5 The Treasury limits also include an allowance above the planned long term borrowing requirement for the year. This enables short term cashflow requirements to be covered and provides some flexibility to facilitate borrowing in advance for known future requirements at advantageous interest rates. The allowance is particularly important considering the potential cashflow implications of the current economic climate.

4.0 Prudential Indicators for 2021/22 to 2022/26

4.1 The prudential indicators in table 1 below are relevant for the purposes of setting an integrated treasury management strategy. Non-treasury management prudential indicators are set out in Appendix 3 to the General Fund Service Plans, Budgets and Prudential Indicators report elsewhere on this agenda.

Treasury Management Strategy and Prudential Indicators 2022-23

PRUDENTIAL INDICATOR	2021/22	2022/23	2023/24	2024/25	2025/26
TABLE 1 - TREASURY MANAGEMENT PRUDENTIAL INDICATORS	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
	Estimate	**Estimate**	**Estimate**	**Estimate**	**Estimate**
Authorised limit for external borrowing -					
Non - HRA					
Borrowing	£1,986,376	£2,150,314	£2,238,372	£2,299,385	£2,331,670
Other long term liabilities	£23,482	£22,242	£20,989	£19,660	£18,168
Total Non - HRA	£2,009,858	£2,172,556	£2,259,361	£2,319,045	£2,349,838
HRA					
Borrowing	£153,168	£155,923	£158,352	£159,852	£161,352
Other long term liabilities	£0	£0	£0	£0	£0
Total HRA	£153,168	£155,923	£158,352	£159,852	£161,352
Total authorised limit for external borrowing	£2,163,026	£2,328,479	£2,417,714	£2,478,897	£2,511,190
Operational boundary for external borrowing -					
Non - HRA					
Borrowing	£1,976,376	£2,140,314	£2,228,372	£2,289,385	£2,321,670
other long term liabilities	£23,482	£22,242	£20,989	£19,660	£18,168
TOTAL Non - HRA	£1,999,858	£2,162,556	£2,249,361	£2,309,045	£2,339,838
HRA					
Borrowing	£153,168	£155,923	£158,352	£159,852	£161,352
other long term liabilities	£0	£0	£0	£0	£0
Total HRA	£153,168	£155,923	£158,352	£159,852	£161,352
Total operational boundary for external borrowing	£2,153,026	£2,318,479	£2,407,714	£2,468,897	£2,501,190
Housing Revenue Account Limit on Indebtedness *	n/a	n/a	n/a	n/a	n/a
Upper limit for fixed interest rate exposure	100%	100%	100%	100%	100%
Upper limit for variable rate exposure	70%	70%	70%	70%	70%
Upper limit for total principal sums invested for over 365 days (per maturity date)	£3,000	£3,000	£3,000	£3,000	£3,000

* The Housing Revenue Account Limit on Indebtedness (the 'Debt Cap') was scrapped by the Chancellor in the 2018 Autumn Budget.

Maturity structure of new fixed rate borrowing during 2022/23	upper limit	lower limit
under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

PRUDENTIAL INDICATOR	2021/22	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000	£'000
	Estimate	Estimate	Estimate	Estimate	Estimate
Gross Borrowing : Capital Financing Requirement					
External Borrowing					
Borrowing at 1st April	£1,681,068	£2,062,308	£2,226,793	£2,340,556	£2,393,879
Expected change in borrowing	£356,563	£143,483	£94,027	£34,992	£53,447
Other long term liabilities	£23,482	£22,242	£20,989	£19,660	£18,168
Expected change in other long term liabilities	£1,194	-£1,240	-£1,253	-£1,329	-£1,492
Gross Borrowing at 31st March	£2,062,308	£2,226,793	£2,340,556	£2,393,879	£2,464,002
Capital Financing Requirement at 31st March *	£2,062,308	£2,226,793	£2,340,556	£2,393,879	£2,464,002
Under/(over) borrowing	£0	£0	£0	£0	£0

* The Capital Financing Requirement includes borrowing undertaken for group company activities.

5.0 Current Treasury Position

5.1 The Council's position at 31st December 2021 is set out below.

		Principal		Ave. rate
Borrowing		£m	£m	%
Long term borrowing:				
Fixed rate funding	PWLB	1,746.6		2.62
	Market	36.0		3.95
			1,782.6	2.65
Variable rate funding	PWLB	0.0		-
	Market	0.0		-
			0.0	
Other long term liabilities (PFI)			23.5	3.73
Total long term borrowing			1,806.1	2.66
Short term borrowing			55.0	0.34
Total Borrowing			1,861.1	2.59
Investments				
External Cash deposits				
- Long term on advice of TUK		0.0		-
- Short term on advice of TUK		0.0		
			0.0	
- Short term WBC Treasury			49.8	0.02
Long term investments in Group/External Companies			1,118.6	3.10
Total Investments			1,168.4	2.97

6.0 Borrowing Requirement

	2021/22	2022/23	2023/24	2024/25	2025/26
	£'000 Estimate	£'000 Estimate	£'000 Estimate	£'000 Estimate	£'000 Estimate
New borrowing – Non – HRA	561,280	264,595	105,443	51,823	68,623
New borrowing – HRA	6,731	2,756	2,429	1,500	1,500
TOTAL	568,011	267,351	107,872	53,323	70,123

6.1 The borrowing requirement includes borrowing for the Investment Programme, Invest to Save schemes and advances to group companies and joint ventures, including the Victoria Square Development.

6.2 The replacement borrowing indicates the years in which the Council's loans mature and may need replacing. Replacement borrowing may also be required when LOBOs (Lender Option Borrower Option) reach a step up date, if circumstances dictate and the Council chooses to repay the LOBO.

7.0 Prospects for interest rates

7.1 The Council has appointed Link Asset Services as treasury adviser to the Council and part of their service is to assist the Council to inform our view on interest rates. Appendix B draws together a number of current City forecasts for short term (Bank Rate) and longer fixed interest rates.

7.2 Link Asset Services current Bank Rate forecast for financial year ends (March) is: -

- 2021/22 – 0.25%
- 2022/23 – 0.75%
- 2023/24 – 1.00%
- 2024/25 – 1.25%

8.0 Borrowing Strategy

8.1 The Link Asset Services forecast for the PWLB new borrowing rates for maturity loans is shown in the table below. These rates take into account the certainty rate discount of 0.20% but still include the premium of 0.80% over the actual cost of borrowing.

	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Mar-24	Mar-25
Bank rate	0.25%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%
5 yr PWLB rate	1.50%	1.50%	1.60%	1.60%	1.70%	1.90%	2.00%
10 yr PWLB rate	1.70%	1.80%	1.80%	1.90%	1.90%	2.10%	2.30%
25 yr PWLB rate	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.50%
50 yr PWLB rate	1.70%	1.80%	1.90%	1.90%	2.00%	2.10%	2.30%

8.2 The timing of new long term borrowing will depend on the borrowing requirements (including the term of the projects being undertaken and resulting asset lives), the cost of carrying long term funding compared to short term borrowing; and the projections on interest rates. The Link

forecasts above will be used as a suitable trigger point for considering fixed rate long term borrowing during 2022/23.

8.3 As short term borrowing rates will continue to be cheaper than longer term rates, there are likely to be opportunities to generate savings by undertaking short term borrowing. Any short term borrowing will be considered in the light of the short term nature of the savings and the risk of adverse interest rate movements prior to refinancing.

8.4 Variable rate borrowing is expected to be cheaper than long term borrowing but given that interest rates are expected to rise in the medium to longer term, fixed rate borrowing is the Council's preferred option. In making a decision on the borrowing term and type of loan, consideration will be given to the purpose for which the borrowing is being taken and the market conditions at that time. Where a scheme being funded is relatively short term or tied to a specific funding decision, the borrowing will normally reflect this.

8.5 When undertaking new maturity borrowing, the Council looks to spread its loan maturity profile and this strategy will continue during the year ahead. Borrowing is likely to continue to be annuity loans for significant projects which ensure a consistent payment profile over the life of the loan. The current maturity profile is shown in Appendix I.

8.6 Consideration will be given to borrowing fixed rate market loans at 25 – 50 basis points below PWLB target rate.

8.7 It is possible that the Municipal Bond Agency will offer loans to local authorities in the future. The Council will review the options available through the Municipal Bond Agency for possible borrowing in the future if and when information is available.

PWLB Borrowing

8.8 On 25 November 2020, the Chancellor announced the conclusion to the review of PWLB borrowing terms. The margins over gilt yields for PWLB rates; the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three-year capital programme. The new margins over gilt yields are as follows: -.

- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
- **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

8.9 Officers will continue to review whether to bid for the local infrastructure rate through the Infrastructure bank. The rate available is only 20 bps less than the certainty rate (which the Council already has access to) and the cash has to be taken in one drawn down after a long application period. Therefore the 20 bps benefit could be offset by increases in interest rates and the cost of holding the funds before being spent.

Asset Lives

8.10 The length of borrowing taken will be linked to the asset lives of the underlying Council Investment Programme. Treasury management decisions, and individual loans, are not directly associated with individual assets. However, if there are significant long or short term assets being acquired or loans advanced in any year, consideration will be given to matching these asset lives/terms in the underlying borrowing secured.

8.11 In recent years, and in 2022/23, the majority of borrowing is applied to very long term assets and projects with a 50 year business case. It is likely that the majority of borrowing taken in 2022/23 will be 50 year annuity matching the modelling of these projects.

Sensitivity of the forecast

8.12 In normal circumstances the main sensitivities of the forecast are likely to be the two scenarios below. The Council Treasury Officers, in conjunction with the treasury advisers, will continually monitor both the prevailing interest rates and the market forecasts, adopting the following approaches to changing circumstances:

- if it was felt that there was a significant risk of a sharp fall in long and short term rates, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

- If it was felt that there was a significant risk of a much sharper rise in long and short term rates than currently forecast, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are still relatively cheap, whilst taking into account the cost of carry of the borrowing until it is required.

9.0 External Borrowing v Investments

Comparison of gross and net borrowing positions at year end	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
External Borrowing - Non HRA	1,909.14	2,070.87	2,182.20	2,234.03	2,302.65
External Borrowing - HRA	153.17	155.92	158.35	159.85	161.35
Total	2,062.31	2,226.79	2,340.56	2,393.88	2,464.00
Cash Balances	- 2.00	- 2.00	- 2.00	- 2.00	- 2.00
Net Borrowing	2,060.31	2,224.79	2,338.56	2,391.88	2,462.00

9.1 The table above shows the Council's projected net external borrowing position (calculated as gross borrowing less cash balances including short term investments). As at 31 December 2021, cash balances totalled £49.8m giving a net external borrowing of £1,811.3m.

9.2 Treasury officers will monitor the interest rate market and report any decisions in the Monthly Performance and Monitoring Information ('Green Book').

10.0 Policy on borrowing in advance of need

10.1 The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance for known requirements will be considered carefully to ensure value for money can be demonstrated and that the Council can ensure the security of funds.

10.2 In determining whether borrowing will be undertaken in advance of need the Council will;

- ensure that there is a clear link between the investment programme and maturity profile of the existing portfolio which supports the need to take funding in advance of need;

- ensure the on going revenue liabilities created, and the implications for future plans and budgets have been considered, including the cost of carry of the borrowing until it is needed;

- evaluate the economic and market factors that might influence the manner and timing of any decision to borrow;
- consider the merits and demerits of alternative forms of funding; and
- consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.

11.0 Borrowing Rescheduling

11.1 The introduction by the PWLB in 2007 of a spread between the rates applied to new borrowing and repayment of borrowing means that PWLB to PWLB restructuring is currently much less attractive. This was compounded in October 2010 by a considerable further widening of the difference between new borrowing and repayment rates as part of the Comprehensive Spending Review, through the addition of a premium on the cost of borrowing. In particular, consideration would have to be given to the costs which would be incurred by prematurely repaying existing PWLB loans and it is very unlikely that these could be justified on value for money grounds if using replacement PWLB refinancing. This still remains the case despite the recent changes to the margins discussed above. However, some interest savings may still be achievable by using LOBO (Lenders Option Borrowers Option) loans and other market loans in rescheduling exercises rather than using PWLB borrowing as the source of replacement financing.

11.2 The reasons for any rescheduling to take place will include:

- The generation of cash savings and / or discounted cash flow savings;
- Enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

11.1 Should market conditions indicate there is an advantage to rescheduling borrowing, Officers will call a meeting of the Treasury Management Panel to consider the proposals. Any rescheduling will be reported to the Executive in the Monthly Performance and Monitoring Information (‘Green Book’).

12.0 Annual Investment Strategy

Investment Strategy

12.1 The Council’s in house managed funds are mainly cash flow derived. Investments will accordingly be made with reference to cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Were there to be any core balance of funds up to £10 million available for investment over a 0-5 year period, these funds that would be managed on the advice of Tradition UK.

12.2 The Council currently holds no investments for which the remaining time to maturity is in excess of one year.

12.3 Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021.

12.4 As shown in the forecast table above, the forecast for Bank Rate now includes three increases, one in quarter ending June 2022 to 0.50%, quarter 4 of 2022/23 to 0.75%, March 2024 to 1.00% and, finally, one in March 2025 to 1.25%.

12.5 For its cash flow generated balances, the Council will seek to utilise its Lloyds business reserve account, money market funds and short-dated deposits (overnight to three months) using secure counterparties in order to benefit from the compounding of interest.

12.6 The Council will receive monthly reports on its investment activity in the Green Book, an annual monitoring report to the Overview and Scrutiny Committee and at the end of the financial year as part of its Annual Treasury Report.

Investment Policy

12.7 The Council will have regard to the DLUHC's Guidance on Local Government Investments ("the Guidance"), CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code") , and the CIPFA Treasury Management Guidance Notes 2018

12.8 The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of this Council is low – the Council's investment priorities will be security first, liquidity second and then return.

12.9 The borrowing of monies purely to invest or on-lend to external parties to make a return is unlawful and this Council will not engage in such activity. This excludes lending to group companies and other organisations which is carried out in order to achieve the Council's strategic objectives.

12.10 Part of the Council's investments may be managed on the advice of Tradition UK (TUK) and will reflect TUK's views of market and the future for interest rates. Subject to the availability of funds, TUK may be asked to manage up to £10m. TUK are the only external fund manager involved in the management of the Council's funds, although no funds are held with them at the present time.

12.11 All investments of the Council's funds will comply with the Annual Investment Strategy. The arrangements between the Council and TUK additionally stipulate guidelines and duration and other limits in order to contain and control risk.

12.12 Investment instruments identified for use in the financial year are listed in Appendix D under the 'Specified' and 'Non-Specified' Investments categories (determined by level of risk). Counterparty limits will be as set through the Council's Treasury Management Practices Schedules. The limits shown are maximum levels. The Chief Finance Officer in consultation with Treasury Officers has the scope to reduce these limits (below those shown) to minimise the level of cash at risk in the light of market conditions. As Money Market Funds (MMFs) are diversified by nature and AAA rated, the Chief Finance Officer, in consultation with Treasury Officers, will vary the limits of these funds in order to manage cash flows. These limits will be updated in the Treasury Management Practices.

12.13 When the Council has funds in excess of normal limits that it is not possible or economical to invest with a suitable counterparty, these will remain on deposit with Lloyds Bank, the Council's banker.

Credit Worthiness Policy

12.14 The Council uses Fitch ratings to derive its investment criteria (used in the table Appendix D). Where a counterparty does not have a Fitch rating, the equivalent Moody's rating will be used. The Council is alerted to all credit rating changes on a daily basis through its use of the Link

Asset Services creditworthiness service. If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

12.15 The Link Asset Services creditworthiness service uses a modelling approach with credit ratings from all three rating agencies – Fitch, Moodys and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses credit watches, credit outlooks and other information in a weighted scoring system. The end product is a series of colour code bands which indicate the relative creditworthiness of counterparties and give a recommended duration for investments.

12.16 When placing investments Treasury Officers will take account of this information, although it is not followed entirely such as in the use of building societies.

12.17 Treasury officers are of the view that credit rating agencies and Link Asset Services have underestimated the level of support within the building society sector. Consequently the Council will continue to use Building Societies based on asset value and market sentiment indicating that the risk is acceptable.

12.18 This Council will not use the approach suggested by CIPFA of using the lowest rating from all three rating agencies to determine creditworthy counterparties as this would leave the Council with few financial institutions on its approved lending list. The Link Asset Services creditworthiness service does use ratings from all three agencies, but by using a scoring system, does not give undue preponderance to just one agency's ratings.

12.19 The Council's credit limits have historically been set at a sufficiently high level that none of the institutions that have not been able to meet their commitments in recent times, have been on the Council's lending list, or those that have got into difficulties have received government support. Similarly none of the building societies in which the Council has invested have failed to meet their commitments. On this basis the Council will continue to use Link Asset Services' creditworthiness service, credit ratings and asset value (for building societies) for determining eligibility for the lending list. As indicated in paragraph 12.8, the risk appetite of the Council is low, and the priority for investment is security, followed by liquidity, then return.

<u>Country Limits</u>

12.20 The Council will only use approved counterparties from the UK and countries with a minimum sovereign credit rating of AA+ from Fitch Ratings (or equivalent from other agencies if Fitch does not provide). The list of countries that qualify using this criteria are shown in Appendix E. This list will be added to or deducted from by officers should ratings change in accordance with this policy.

12.21 The Executive resolved in June 2016 that the UK be excluded from the sovereign rating criteria, as it is not felt that there is additional risk to undertaking investments in the UK.

12.22 Should the level of the Council's investments increase it will seek to avoid a concentration of investments in too few counterparties or countries (although a concentration in the UK is not considered to be undesirable).

13.0 Use of External Service Providers

13.1 As previously stated the Council uses Link Asset Services as its external treasury management advisors in order to acquire access to specialist skills and resources. The services provided include the following:-

- Provision of interest rate forecasts and advice on borrowing and investment strategies;
- Regular updates on economic and political changes;

- Forecasts of movements in Public Works Loan Board rates;
- Advice on debt rescheduling, funding policy, volatility and maturity profile analysis;
- Advice on investment counterparty creditworthiness;
- Provision of annual template documents and advice on the various Treasury Management reports; and
- Treasury Management training.

13.2 Although external treasury management advisors are used, responsibility for treasury management decisions remains with the Council at all times and undue reliance is not placed upon the external service provider.

14.0 MRP Policy

14.1 As required by MHCLG regulations, the Council has adopted a policy for setting aside funds for the repayment of borrowing through the Minimum Revenue Provision. Appendix A contains the policy statement.

14.2 As referred to in the overarching report the Department for Levelling Up, Housing and Communities (DLUHC) issued a consultation on MRP on 30th November 2021 which closes on 8th February 2022. The MRP policy will be updated to incorporate any new requirements following the consultation.

15.0 Council Loans to Group Companies

15.1 Council loans to Group Companies will continue to be structured to give a benefit to council tax payers.

15.2 The loans will be ‘eliminated’ on consolidation in to group accounts. Therefore, the prudential indicators set out in this report exclude these inter-group loans.

15.3 Where the Council finances loans to Group Companies by external borrowing, these external loans are taken account of in setting the borrowing limits. The limits set out in this report take into account the requirements set out in the approved Group Business Plans. The borrowing limits will need to be reviewed if the Council approves taking additional borrowing to fund new group company projects in the future. Borrowings by the Group Companies themselves do not count against the Council’s borrowing limits.

REPORT ENDS

Annual Minimum Revenue Provision Report and Policy Statement

Introduction

A statement on the Council's policy for setting aside funds for repayment of borrowing, its annual Minimum Revenue Provision (MRP), must be submitted to the full Council for approval before the start of the financial year to which the provision will relate.

The Council is legally obliged to "have regard" to the Guidance, which is intended to enable a more flexible approach to assessing the amount of annual provision than was required under the previous statutory requirements. The Guidance explains how the MRP might be determined, with an overriding recommendation that the Council should make prudent provision to redeem its debt liability over a period which is reasonably commensurate with that over which the capital expenditure is estimated to provide benefits.

Essentially, the Guidance may only be applied to new capital expenditure relative to the period to which the annual MRP relates. This means that debt which remains outstanding in respect of earlier capital expenditure will continue to be subject to MRP at the rate of 4% per annum or 1% for share purchases. New expenditure to be financed from borrowing is recommended to be subject to MRP on the estimated useful life basis. This may either be assessed as equal annual instalments, or lower early year charges on an annuity basis, or in accordance with depreciation accounting methods.

In general it is recommended that the Council should adopt the recommendations contained within the Guidance. However, in certain cases the Guidance recommends a useful life period/MRP for expenditures which it would not be appropriate to adopt, such as in the case of long term debtors arising from loans made to group companies and other third parties. These loans will be repaid by the third parties, and the principle repayments from these loans will be set aside for the repayment of the underlying debt.

The following Policy Statement is therefore recommended for adoption.

MRP Policy Statement

The Council implemented the new MRP Guidance in 2007/08, and has assessed the Minimum Revenue Provision for 2007/08 and subsequent years in accordance with the main recommendations contained within the Guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003. In particular, the Council are satisfied that the guidelines for their annual amount of MRP set out within this Policy Statement will result in their making the requisite prudent provision that is required by the Guidance.

Certain expenditures reflected within the debt liability at 31st March 2007 will under delegated powers be subject to either the uncompleted scheme or the anticipated life expectancy provisions of the asset life method.

In cases where schemes are not fully completed at the end of the financial year, expenditure on these may be deferred from any MRP charge in the subsequent year but reconsidered for MRP in a later year, subject to the date of their completion.

The spreading of the MRP charge under the estimated life period approach will be carried out in an aggregate manner. Details of individual schemes, whilst required for supporting information purposes in the year for which MRP liability is first being assessed, have no beneficial purposes thereafter. Schemes will accordingly be grouped within differing life periods where such apply.

The Council also determines that available resources for financing capital expenditure, such as capital receipts, will be applied to new expenditures in a manner that is considered appropriate

in any financial year. For example, it will not be considered imprudent to apply such resources in the first instance to expenditures that have a shorter estimated lifespan.

When adopting this aspect of the recommendations the Council may treat any new capital schemes which are both commenced and finalised within the financial year as having been financed from any associated grants, S.106 monies, or similarly earmarked funds. This is however entirely at their discretion. In cases where expenditure is incurred on only part of a scheme which is not completed by the year end, any grant or similar financing resources may be either allocated to other new expenditures under delegated powers, or carried forward for MRP purposes, as necessary or appropriate.

Final decisions regarding the manner in which such resources are deemed to be allocated to schemes will be taken under delegated powers.

Where schemes require interim financing by loan, pending receipt of an alternative source of finance (for example capital receipts), no MRP charge shall be applied.

Estimated life periods will also be determined under delegated powers. For example, it is likely that new buildings or similar structures will have an estimated life, set by Asset Management, of over 70 years, as will any new land purchases. In this latter case, it is considered that the recommended life period of 50 years for land contained within the Guidance does not adequately reflect its realistic life period, which is considered to be at least as great as would be the case if a building is placed upon it. The Council are aware when approving this that the Guidance recommends only that the life period should bear some relation to that over which the asset is estimated to provide a service.

In the case of new capital expenditures which serve to add to the value of an existing capital asset, these will be estimated to have the same useful life as the asset whose value is enhanced.

To the extent that expenditures are not on the creation of an asset, and are of a type that are subject to estimated life periods that are referred to in the Guidance, these periods will generally be adopted by the Council. However, in the case of long term debtors arising from loans or other types of capital expenditure made by the Council which will be repaid under separate arrangements (such as long term investments)the principle repayments will be set aside for the repayment of the underlying debt. The loans and underlying security are monitored and any issue around recoverability will require a review of the MRP. From 2009/10 the Council has made a Minimum Revenue Provision on investments in shares based on a 100 year life; the latest Guidance suggests 20 years for shares. Investments in shares tend to be long term in nature, however, going forward, borrowing applied to shares will be subject to MRP at the time length specified in the Government guidance.

Commercial properties acquired through borrowing will be subject to MRP matching the principle repayments under an indicative annuity schedule for the underlying debt. Therefore over the life of the relevant asset the MRP will be consistent with the repayment of the corresponding borrowing used to finance the purchase of the asset. This method may also be extended to individual operational assets if it is deemed more appropriate for the circumstances around that asset.

In view of the variety of different types of capital expenditure incurred by the Council, which is not in all cases capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure, and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

The determination as to which schemes shall be deemed to be financed from available resources, and those which will remain as an outstanding debt liability to be financed by borrowing or other means will be assessed under delegated powers.

INTEREST RATE FORECASTS

The data overleaf shows forecasts published by Link Asset Services and Capital Economics (an independent forecasting consultancy).

The PWLB rates and forecasts shown are at the certainty rate which is available to the Council and is a 20 basis points reduction compared to the standard published PWLB rates.

The rates used in preparing budgets and forecasts have been drawn from these diverse sources and officers' own views.

Link Group Interest Ra 20.12.21													
	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30
Bank Rate													
Link	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
Capital Economics	0.50	0.75	0.75	1.00	1.25	1.25	1.25	1.25	-	-	-	-	-
5yr PWLB Rate													
Link	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
Capital Economics	1.80	1.90	2.10	2.20	2.20	2.30	2.40	2.40	-	-	-	-	-
10yr PWLB Rate													
Link	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
Capital Economics	2.00	2.10	2.20	2.30	2.30	2.40	2.50	2.50	-	-	-	-	-
25yr PWLB Rate													
Link	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
Capital Economics	2.20	2.30	2.50	2.70	2.70	2.70	2.80	2.90	-	-	-	-	-
50yr PWLB Rate													
Link	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30
Capital Economics	1.90	2.00	2.20	2.40	2.50	2.60	2.70	2.90	-	-	-	-	-

Link Asset Services' View on the Economic Background

COVID-19 vaccines.

These were the game changer during 2021 which raised high hopes that life in the UK would be able to largely return to normal in the second half of the year. However, the bursting onto the scene of the Omicron mutation at the end of November, rendered the initial two doses of all vaccines largely ineffective in preventing infection. This has dashed such hopes and raises the spectre again that a fourth wave of the virus could overwhelm hospitals in early 2022. What we now know is that this mutation is very fast spreading with the potential for total case numbers to double every two to three days, although it possibly may not cause so much severe illness as previous mutations. Rather than go for full lockdowns which heavily damage the economy, the government strategy this time is focusing on getting as many people as possible to have a third (booster) vaccination after three months from the previous last injection, as a booster has been shown to restore a high percentage of immunity to Omicron to those who have had two vaccinations. There is now a race on between how quickly boosters can be given to limit the spread of Omicron, and how quickly will hospitals fill up and potentially be unable to cope. In the meantime, workers have been requested to work from home and restrictions have been placed on large indoor gatherings and hospitality venues. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in sectors like restaurants, travel, tourism and hotels which had been hit hard during 2021, but could now be hit hard again by either, or both, of government restrictions and/or consumer reluctance to leave home. Growth will also be lower due to people being ill and not working, similar to the pingdemic in July. The economy, therefore, faces significant headwinds although some sectors have learned how to cope well with Covid. However, the biggest impact on growth would come from another lockdown if that happened. The big question still remains as to whether any further mutations of this virus could develop which render all current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread until tweaked vaccines become widely available.

A SUMMARY OVERVIEW OF THE FUTURE PATH OF BANK RATE

- In December, the Bank of England became the first major western central bank to put interest rates up in this upswing in the current business cycle in western economies as recovery progresses from the Covid recession of 2020.
- The next increase in Bank Rate could be in February or May, dependent on how severe an impact there is from Omicron.
- If there are lockdowns in January, this could pose a barrier for the MPC to putting Bank Rate up again as early as 3rd February.
- With inflation expected to peak at around 6% in April, the MPC may want to be seen to be active in taking action to counter inflation on 5th May, the release date for its Quarterly Monetary Policy Report.

- The December 2021 MPC meeting was more concerned with combating inflation over the medium term than supporting economic growth in the short term.
- Bank Rate increases beyond May are difficult to forecast as inflation is likely to drop sharply in the second half of 2022.
- However, the MPC will want to normalise Bank Rate over the next three years so that it has its main monetary policy tool ready to use in time for the next down-turn; all rates under 2% are providing stimulus to economic growth.
- We have put year end 0.25% increases into Q1 of each financial year from 2023 to recognise this upward bias in Bank Rate - but the actual timing in each year is difficult to predict.
- Covid remains a major potential downside threat in all three years as we ARE likely to get further mutations.
- How quickly can science come up with a mutation proof vaccine, or other treatment, – and for them to be widely administered around the world?
- Purchases of gilts under QE ended in December. Note that when Bank Rate reaches 0.50%, the MPC has said it will start running down its stock of QE.

MPC MEETING 16H DECEMBER 2021

- The Monetary Policy Committee (MPC) voted 8-1 to raise Bank Rate by 0.15% from 0.10% to 0.25% and unanimously decided to make no changes to its programme of quantitative easing purchases due to finish in December 2021 at a total of £895bn.

- The MPC disappointed financial markets by not raising Bank Rate at its November meeting. Until Omicron burst on the scene, most forecasters, therefore, viewed a Bank Rate increase as being near certain at this December meeting due to the way that inflationary pressures have been comprehensively building in both producer and consumer prices, and in wage rates. However, at the November meeting, the MPC decided it wanted to have assurance that the labour market would get over the end of the furlough scheme on 30th September without unemployment increasing sharply; their decision was, therefore, to wait until statistics were available to show how the economy had fared at this time.

- **On 10th December we learnt of the disappointing 0.1% m/m rise in GDP** in October which suggested that economic growth had already slowed to a crawl even before the Omicron variant was discovered in late November. Early evidence suggests growth in November might have been marginally better. Nonetheless, at such low rates of growth, the government's "Plan B" COVID-19 restrictions could cause the economy to contract in December.

- **On 14th December, the labour market statistics** for the three months to October and the single month of October were released. The fallout after the furlough scheme was smaller and shorter than the Bank of England had feared. The single-month data were more informative and showed that LFS employment fell by 240,000, unemployment increased by 75,000 and the unemployment rate rose from 3.9% in September to 4.2%. However, the weekly data suggested this didn't last long as unemployment was falling again by the end of October. What's more, the 49,700 fall in the claimant count and the 257,000 rise in the PAYE measure of company payrolls

suggests that the labour market strengthened again in November. The other side of the coin was a further rise in the number of vacancies from 1.182m to a record 1.219m in the three months to November which suggests that the supply of labour is struggling to keep up with demand, although the single-month figure for November fell for the first time since February, from 1.307m to 1.227m.

- These figures by themselves, would probably have been enough to give the MPC the assurance that it could press ahead to raise Bank Rate at this December meeting. However, the advent of Omicron potentially threw a spanner into the works as it poses a major headwind to the economy which, of itself, will help to cool the economy. The financial markets, therefore, swung round to expecting no change in Bank Rate.

- **On 15th December we had the CPI inflation** figure for November which spiked up further from 4.2% to 5.1%, confirming again how inflationary pressures have been building sharply. However, Omicron also caused a sharp fall in world oil and other commodity prices; (gas and electricity inflation has generally accounted on average for about 60% of the increase in inflation in advanced western economies).

- **Other elements of inflation are also transitory** e.g., prices of goods being forced up by supply shortages, and shortages of shipping containers due to ports being clogged have caused huge increases in shipping costs. But these issues are likely to clear during 2022, and then prices will subside back to more normal levels. Gas prices and electricity prices will also fall back once winter is passed and demand for these falls away.

- Although it is possible that the Government could step in with some **fiscal support for the economy**, the huge cost of such support to date is likely to pose a barrier to incurring further major economy wide expenditure unless it is very limited and targeted on narrow sectors like hospitality, (as announced just before Christmas). The Government may well, therefore, effectively leave it to the MPC, and to monetary policy, to support economic growth – but at a time when the threat posed by rising inflation is near to peaking!

- This is the adverse set of factors against which the MPC had to decide on Bank Rate. For the second month in a row, the MPC blind-sided financial markets, this time with a **surprise increase in Bank Rate from 0.10% to 0.25%.** What's more, the hawkish tone of comments indicated that the MPC is now concerned that inflationary pressures are indeed building and need concerted action by the MPC to counter. This indicates that there will be more increases to come with financial markets predicting 1% by the end of 2022. The 8-1 vote to raise the rate shows that there is firm agreement that inflation now poses a threat, especially after the CPI figure hit a 10-year high this week. The MPC commented that "there has been significant upside news" and that "there were some signs of greater persistence in domestic costs and price pressures".

- On the other hand, it did also comment that **"the Omicron variant is likely to weigh on near-term activity".** But it stressed that at the November meeting it had said it would raise rates if the economy evolved as it expected and that now "these conditions had been met". It also appeared more worried about the possible boost to inflation form Omicron itself. It said that "the current position of the global and UK economies was materially different compared with prior to the onset of the pandemic, including elevated levels of consumer price inflation". It also noted the possibility that renewed social distancing would boost demand for goods again, (as demand for services would fall), meaning "global price pressures might persist for longer". (Recent news is that the largest port in the world in China has come down with an Omicron outbreak which is not only affecting the port but also factories in the region.)

- On top of that, there were no references this month to inflation being expected to be below the **2% target in two years' time,** which at November's meeting the MPC referenced to suggest the markets had gone too far in expecting interest rates to rise to over 1.00% by the end of the year.

- These comments indicate that there has been a material reappraisal by the MPC of the inflationary pressures since their last meeting and the Bank also increased its forecast for inflation to peak at 6% next April, rather than at 5% as of a month ago. However, as the Bank retained its guidance that only **a "modest tightening"** in policy will be required, it cannot be thinking that it will need to increase interest rates that much more. A typical policy tightening cycle has usually involved rates rising by 0.25% four times in a year. "Modest" seems slower than that. As such, the Bank could be thinking about raising interest rates two or three times next year to 0.75% or 1.00%.

- In as much as a considerable part of the inflationary pressures at the current time are indeed **transitory,** and will naturally subside, and since economic growth is likely to be weak over the next few months, this would appear to indicate that this tightening cycle is likely to be comparatively short.

- As for the timing of the next increase in Bank Rate, the MPC dropped the comment from November's statement that Bank Rate would be raised "in the coming months". That may imply another rise is unlikely at the next meeting in February and that May is more likely. However, much could depend on how adversely, or not, the economy is affected by Omicron in the run up to the next meeting on 3rd February. Once 0.50% is reached, the Bank would act to start shrinking its stock of QE, (gilts purchased by the Bank would not be replaced when they mature).

- **The MPC's forward guidance on its intended monetary policy** on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -
    - Raising Bank Rate as "the active instrument in most circumstances".
    - Raising Bank Rate to 0.50% before starting on reducing its holdings.
    - Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
    - Once Bank Rate had risen to at least 1%, it would start selling its holdings.

- **US.** Shortages of goods and intermediate goods like semi-conductors, have been fuelling increases in prices and reducing economic growth potential. In November, **CPI inflation hit a near 40-year record level of 6.8%** but with energy prices then falling sharply, this is probably the peak. The biggest problem for the Fed is the mounting evidence of a strong pick-up in cyclical price pressures e.g., in rent which has hit a decades high.
- **Shortages of labour** have also been driving up wage rates sharply; this also poses a considerable threat to feeding back into producer prices and then into consumer prices inflation. It now also appears that there has been a sustained drop in the labour force which suggests the pandemic has had a longer-term scarring effect in reducing potential GDP. Economic growth may therefore be reduced to between 2 and 3% in 2022 and 2023 while core inflation is likely to remain elevated at around 3% in both years instead of declining back to the Fed's 2% central target.
- Inflation hitting 6.8% and the feed through into second round effects, meant that it was near certain that the **Fed's meeting of 15th December** would take aggressive action against inflation. Accordingly, the rate of tapering of monthly $120bn QE purchases announced at its November 3rd meeting. was doubled so that all purchases would now finish in February 2022. In addition, Fed officials had started discussions on running down the stock of QE held by the Fed. Fed officials also expected three rate rises in 2022 of 0.25% from near zero currently, followed by three in 2023 and two in 2024, taking rates back above 2% to a neutral level for monetary policy. The first increase could come as soon as March 2022 as the chairman of the Fed stated his view that the economy had made rapid progress to achieving the other goal of the Fed – "maximum employment". The Fed forecast that inflation would fall from an average of 5.3% in 2021 to 2.6% in 2023, still above its target of 2% and both figures significantly up from previous forecasts. What was also significant was that this month the Fed dropped its description of the current level of inflation as being "transitory" and instead referred to "elevated levels" of inflation: the statement also dropped most of the language around the flexible average inflation target, with inflation now described as having exceeded 2 percent "for some time". It did not see Omicron as being a major impediment to the need to take action now to curtail the level of inflationary pressures that have built up, although Fed officials did note that it has the potential to exacerbate supply chain problems and add to price pressures.
  See also comments in paragraph 3.3 under PWLB rates and gilt yields.

- **EU.** The slow role out of vaccines initially delayed **economic recovery** in early 2021 but the vaccination rate then picked up sharply. After a contraction of -0.3% in Q1, Q2 came in with strong growth of 2%. With Q3 at 2.2%, the EU recovery was then within 0.5% of its pre Covid size. However, the arrival of Omicron is now a major headwind to growth in quarter 4 and the expected downturn into weak growth could well turn negative, with the outlook for the first two months of 2022 expected to continue to be very weak.
- **November's inflation figures** breakdown shows that the increase in price pressures is not just due to high energy costs and global demand-supply imbalances for durable goods as services inflation also rose. Headline inflation reached 4.9% in November, with over half of that due to energy. However, oil and gas prices are expected to fall after the winter and so energy inflation is expected to plummet in 2022. Core goods inflation rose to 2.4% in November, its second highest ever level, and is likely to remain high for some time as it will take a long time for the inflationary impact of global imbalances in the demand and supply of durable goods to disappear. Price pressures also increased in the services sector, but wage growth remains subdued and there are no signs of a trend of faster wage growth

which might lead to *persistently* higher services inflation - which would get the ECB concerned. The upshot is that the euro-zone is set for a prolonged period of inflation being above the ECB's target of 2% and it is likely to average 3% in 2022, in line with the ECB's latest projection.

- **ECB tapering.** The ECB has joined with the Fed by also announcing at its meeting on 16th December that it will be reducing its QE purchases - by half from October 2022, i.e., it will still be providing significant stimulus via QE purchases for over half of next year. However, as inflation will fall back sharply during 2022, it is likely that it will leave its central rate below zero, (currently -0.50%), over the next two years. The main struggle that the ECB has had in recent years is that inflation has been doggedly anaemic in sticking below the ECB's target rate despite all its major programmes of monetary easing by cutting rates into negative territory and providing QE support.
- The ECB will now also need to consider the impact of **Omicron** on the economy, and it stated at its December meeting that it is prepared to provide further QE support if the pandemic causes bond yield spreads of peripheral countries, (compared to the yields of northern EU countries), to rise. However, that is the only reason it will support peripheral yields, so this support is limited in its scope.
- The EU has entered into a **period of political uncertainty** where a new German government formed of a coalition of three parties with Olaf Scholz replacing Angela Merkel as Chancellor in December 2021, will need to find its feet both within the EU and in the three parties successfully working together. In France there is a presidential election coming up in April 2022 followed by the legislative election in June. In addition, Italy needs to elect a new president in January with Prime Minister Draghi being a favourite due to having suitable gravitas for this post. However, if he switched office, there is a significant risk that the current government coalition could collapse. That could then cause differentials between Italian and German bonds to widen when 2022 will also see a gradual running down of ECB support for the bonds of weaker countries within the EU. These political uncertainties could have repercussions on economies and on Brexit issues.

- **CHINA.** After a concerted effort to get on top of the virus outbreak in Q1 2020, economic recovery was strong in the rest of **2020**; this enabled China to recover all the initial contraction. During 2020, policy makers both quashed the virus and implemented a programme of monetary and fiscal support that was particularly effective at stimulating short-term growth. At the same time, China's economy benefited from the shift towards online spending by consumers in developed markets. These factors helped to explain its comparative outperformance compared to western economies during 2020 and earlier in 2021.
- However, the pace of economic growth has now fallen back in **2021** after this initial surge of recovery from the pandemic and looks likely to be particularly weak in 2022. China has been struggling to contain the spread of the Delta variant through using sharp local lockdowns - which depress economic growth. Chinese consumers are also being very wary about leaving home and so spending money on services. However, with Omicron having now spread to China, and being much more easily transmissible, this strategy of sharp local lockdowns to stop the virus may not prove so successful in future. In addition, the current pace of providing boosters at 100 billion per month will leave much of the 1.4 billion population exposed to Omicron, and any further mutations, for a considerable time. The **People's Bank of China** made a start in December 2021 on cutting its key interest rate marginally so as to stimulate economic growth. However, after credit has already expanded by around 25% in just the last two years, it will probably leave the heavy lifting in supporting growth to fiscal stimulus by central and local government.

- Supply shortages, especially of coal for power generation, were causing widespread power cuts to industry during the second half of 2021 and so a sharp disruptive impact on some sectors of the economy. In addition, recent regulatory actions motivated by a political agenda to channel activities into officially approved directions, are also likely to reduce the dynamism and long-term growth of the Chinese economy.

- **JAPAN.** 2021 has been a patchy year in combating Covid. However, recent business surveys indicate that the economy has been rebounding rapidly in 2021 once the bulk of the population had been double vaccinated and new virus cases had plunged. However, Omicron could reverse this initial success in combating Covid.
- The Bank of Japan is continuing its **very loose monetary policy** but with little prospect of getting inflation back above 1% towards its target of 2%, any time soon: indeed, inflation was actually negative in July. New Prime Minister Kishida, having won the November general election, brought in a supplementary budget to boost growth, but it is unlikely to have a major effect.

- **WORLD GROWTH.** World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum in the second half of the year, though overall growth for the year is expected to be about 6% and to be around 4-5% in 2022. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. While headline inflation will fall sharply, core inflation will probably not fall as quickly as central bankers would hope. It is likely that we are heading into a period where there will be a **reversal of world globalisation** and a decoupling of western countries from dependence on China to supply products, and vice versa. This is likely to reduce world growth rates from those in prior decades.

SUPPLY SHORTAGES. The pandemic and extreme weather events, followed by a major surge in demand after lockdowns ended, have been highly disruptive of extended worldwide supply chains. Major queues of ships unable to unload their goods at ports in New York, California and China built up rapidly during quarters 2 and 3 of 2021 but then halved during quarter 4. Such issues have led to a misdistribution of shipping containers around the world and have contributed to a huge increase in the cost of shipping. Combined with a shortage of semi-conductors, these issues have had a disruptive impact on production in many countries. The latest additional disruption has been a shortage of coal in China leading to power cuts focused primarily on producers (rather than consumers), i.e., this will further aggravate shortages in meeting demand for goods. Many western countries are also hitting up against a difficulty in filling job vacancies. It is expected that these issues will be gradually sorted out, but they are currently contributing to a spike upwards in inflation and shortages of materials and goods available to purchase.

Specified Investments

All specified investments will be sterling denominated, with maturities up to a maximum of 1 year, meeting the minimum 'high' rating criteria where applicable.

	Minimum 'High' Credit Criteria	Use
Debt Management Agency Deposit Facility	N/a	In-house and fund managers
Term deposits – UK government	N/a	In-house and fund managers
Term deposits – other LAs	N/a	In-house and fund managers
Funds on deposit with the Council's main banker – Lloyds Bank – no limit	N/a	In-house
Term deposits to 4m– banks *	AAA or Aaa	In-house and fund managers
Term deposits to 2m– banks *	AA- or Aa3	In-house and fund managers
Term deposits up to 4m– building societies *	with gross assets in excess of £1,000m	In-house and fund managers
Term deposits up to 2m – building societies *	with gross assets between £500m and £1,000m	In-house and fund managers
Callable deposits	As above	In-house and fund managers
Certificates of deposits issued by banks and building societies	As above	In-house and fund managers
Money Market Funds – Constant Net Asset Value	AAA	In-house
Money Market Funds – Low Volatility Net Asset Value	AAA	In-house
UK Government Gilts	AAA	Fund Managers
Gilt Funds and Bond Funds	AAA	Fund Managers
Treasury Bills	N/a	Fund Managers

* If forward deposits are made by in-house managers, the forward period plus the deal period should not exceed one year in aggregate.

Changes to investment rules were came into force on 3rd January 2018 with the introduction of the MIFID (Markets in Financial Instruments Directive) II regulations. Under the new rules, all local authorities are classified as retail counterparties, and authorities have to consider whether to opt up to professional status and for which types of investments. Some investment options are not available to retail counterparties, and as a result Woking Borough Council has opted up to professional status for three out of four of its existing money market funds (Federated, Standard Life and Deutsche). This has not been necessary for the remaining money market fund (LGIM), which would countinue to deal with retail counterparties. A view will be taken going forward on any new investments on a case by case basis and the arrangements will be regularly reviewed as appropriate.

Non-Specified Investments

At the time of placing an investment, a maximum of 35% will be held in aggregate in non-specified investments (including in-house and externally managed funds).

	Minimum Credit Criteria	Use	Max % of total investments	Max. maturity period
Term deposits – UK government (with maturities in excess of 1 year)	N/a	In-house and fund managers	35%	5 years
Term deposits – other LAs (with maturities in excess of 1 year)	N/a	In-house and fund managers	35%	5 years
Term deposits – banks and building societies (with maturities in excess of 1 year)	As for specified investments	In-house and fund managers	35%	5 years

Callable deposits (with maturities in excess of 1 year)	As above	In-house and fund managers	35%	5 years
Certificates of deposits issued by banks and building societies	As above	In-house and fund managers	35%	5 years
UK Government Gilts with maturities in excess of 1 year	AAA	Fund Managers	35%	5 years
Bonds issued by multilateral development banks	AAA	In-house on a 'buy-and-hold' basis. Also for use by fund managers	35%	5 years
Bonds issued by a financial institution which is guaranteed by the UK government	N/a	In-house on a 'buy-and-hold' basis. Also for use by fund managers	35%	5 years
Sovereign bond issues (i.e. other than the UK govt)	AAA	Fund Managers	35%	5 years
Corporate Bonds : ***the use of these investments would constitute capital expenditure***	N/a	N/a	Nil	N/a
Floating Rate Notes : ***the use of these investments would constitute capital expenditure***	N/a	N/a	Nil	N/a

Guide to Ratings

Fitch	Moodys	Standard and Poor's
Rating Levels to be used in Treasury Management		
AAA AA+ AA	Aaa Aa1 Aa2	AAA AA+ AA
Fitch's individual ratings measure an institution's intrinsic safety and soundness on a stand-alone basis, and provide an assessment of the strength of the institution's financial structure, its performance and its credit (and therefore, risk) profile. The laws and accounting practices that govern the operations, reporting and disclosure of financial information in the country in which the institution operates, would have a bearing on the assessment. These ratings are divorced entirely from considerations of external support, from either parent or the government, and are, therefore, useful indicators of credit. At present, Fitch is the only agency which explicitly states its view of the likely presence of a lender of last resort, either government or parent, with the willingness and the resources to aid a failing financial institution.	Moody's Bank Financial Strength Ratings (BFSRs) represent Moody's opinion of a bank's intrinsic safety and soundness and, as such, exclude certain external credit risks and credit support elements that are addressed by Moody's Bank Deposit Ratings. In addition to commercial banks, Moody's BFSRs may also be assigned to other types of financial institutions such as multilateral development banks, government-sponsored financial institutions and national development financial institutions. BFSR's are a measure of the likelihood that a bank will require assistance from third parties such as its owners, its industry group, or official institutions. BFSR's do not take into account the probability that the bank will receive such external support, nor do they address risks arising from sovereign actions that may interfere with a bank's ability to honour its domestic or foreign currency obligations. Factors considered in the assignment of BFSR's include bank specific elements such as financial fundamentals, franchise value, and business and asset diversification. Although BFSR's exclude the external factors specified above, they do take into account other risk factors in the bank's operating environment, including the strength and prospective performance of the economy, as well as the structure and relative fragility of the financial system, and the quality of banking regulation and supervision.	Long Term credit ratings are based, in varying degrees, on the following considerations: • Likelihood of payment—capacity and willingness of the obligor to meet its financial commitment on an obligation in accordance with the terms of the obligation; • Nature of and provisions of the obligation; • Protection afforded by, and relative position of, the obligation in the event of bankruptcy, reorganization, or other arrangement under the laws of bankruptcy and other laws affecting creditors' rights. Issue ratings are an assessment of default risk, but may incorporate an assessment of relative seniority or ultimate recovery in the event of default

Approved countries for investments

AAA

- Australia
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Canada
- Finland
- U.S.A.

Approved countries for investment are based on the lowest rating from Fitch, Moody's and S&P.

Note: The UK is excluded from the minimum sovereign rating criteria (report paragraph 12.20 refers.

Treasury Management Policy Statement

1. This organisation defines its treasury management activities as: “The management of the authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.

2. This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.

3. This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

Treasury management scheme of delegation

(i) Executive

- receiving and reviewing reports on treasury management policies, practices and activities
- approval of annual strategy
- approval of/amendments to the organisation's adopted clauses and treasury management policy statement
- budget consideration and approval
- approval of the division of responsibilities
- receiving and reviewing regular monitoring reports and acting on recommendations

(ii) Overview and Scrutiny Committee

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

(iii) Treasury Management Panel

- consideration of proposals to reschedule borrowing.

The treasury management role of the Section 151 officer

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- submitting regular treasury management policy reports
- submitting budgets and budget variations
- receiving and reviewing management information reports
- reviewing the performance of the treasury management function
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- ensuring the adequacy of internal audit, and liaising with external audit
- appointment of external service providers
- preparation of a capital strategy to include capital expenditure, capital financing and treasury management
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all investments and is in accordance with the risk appetite of the authority.

LONG TERM BORROWING MATURITY PROFILE AS AT 27 JANUARY 2022

	PWLB	LOBO	OTHER	ALL
2021 /2022	4			4
2022 /2023	16			16
2023 /2024	16			16
2024 /2025	25			25
2025 /2026	25			25
2026 /2027	20			20
2027 /2028	17			17
2028 /2029	18			18
2029 /2030	18			18
2030 /2031	24			24
2031 /2032	24			24
2032 /2033	20			20
2033 /2034	25			25
2034 /2035	30			30
2035 /2036	26			26
2036 /2037	26			26
2037 /2038	25			25
2038 /2039	27			27
2039 /2040	26			26
2040 /2041	28			28
2041 /2042	24			24
2042 /2043	27			27
2043 /2044	25			25
2044 /2045	26			26
2045 /2046	26			26
2046 /2047	27			27
2047 /2048	27			27
2048 /2049	28			28
2049 /2050	32			32
2050 /2051	29			29

	PWLB	LOBO	OTHER	ALL
2051 /2052	30			30
2052 /2053	35			35
2053 /2054	45			45
2054 /2055	47			47
2055 /2056	36	5		41
2056 /2057	50			50
2057 /2058	51			51
2058 /2059	70			70
2059 /2060	77			77
2060 /2061	62			62
2061 /2062	76			76
2062 /2063	47			47
2063 /2064	48			48
2064 /2065	69			69
2065 /2066	60			60
2066 /2067	92			92
2067 /2068	51			51
2068 /2069	48			48
2069 /2070	19			19
2070 /2071	15			15
2071 /2072	6			6
2072 /2073				
2073 /2074				
2074 /2075				
2075 /2076				
2076 /2077		10	10	20
2077 /2078			5	5
2078 /2079				
2079 /2080				
2080 /2081				
	1745	15	15	1775

Annuity repayments of principal are included as they are made in the relevant financial year.

EXECUTIVE – 3 FEBRUARY 2022

MONITORING REPORTS - PROJECTS

Executive Summary

The Executive receives regular reports on the progress of projects in the interests of financial prudence and to ensure open and transparent corporate governance.

This report provides an update of progress on developments to the Council's project management methodology, assurance, processes, and reporting.

A report detailing the status of projects as at the end of December 2021, incorporating capital and revenue projects is presented to the meeting of the Executive on 3 February 2022. The report incorporates developments highlighted in this progress report.

There are no specific areas for concern or action by the Executive.

Recommendations

The Executive is requested to:

RESOLVE That

the report be received and project changes recorded in Appendix 1 to the report be approved.

Reasons for Decision

Reason: To monitor progress on development to the Council's project management approach.

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

Background Papers: None.

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Date Published: 28 January 2022

1.0 Introduction

1.1 The undertaking of projects is an integral part of Woking Borough Council (WBC) business delivery, and a significant amount of Council resources are allocated to their successful completion. Project management processes have therefore been developed and maintained to bring consistency to how projects are managed, and to aid the project manager in delivering projects on time, to budget and to the desired standard.

1.2 The process has been structured to be flexible and user friendly so it can meet the specific needs of the Council. It has been designed to add value to officers who are leading on projects and support the development of a common standard and capability; its primary objective is to complement the WBC can do culture, not compromise it.

1.3 Every WBC project, regardless of size or type, is required to follow the WBC project management method which is based on the principles of PRINCE2 project management methodology, which is regarded as the best practice approach when implementing projects.

1.4 In response to the Corporate Plan priority Effective Use of Resources, the developing Medium Term Financial Strategy and in response to peer reports and learning from best practice, we are developing our project management practices so that we continually improve, use resources wisely and drive out benefits from our investment into project activity.

2.0 Progress Update

2.1 The key activity since the last report to the Executive of 18th November 2021 has been:

- The Project Support Office has met with every project manager to discuss project progress and assess performance.
- Project portfolio reports have been produced and presented to CLT as part of the quarterly Corporate Programme Board meetings.
- Initial development is underway to move the SharePoint project monitoring system from on-premises to cloud hosted as part of the Microsoft Office 365 project.
- Investment Programme items have been scrutinised against current active WBC projects.

2.2 The detailed project status is contained within the project monitoring report at Appendix 1. The key points to note from this schedule are:

- There are 49 projects in delivery and at practical completion, of which:
    - 71% (34) projects are green.
    - 21% (10) projects are amber.
    - 8% (4) projects are red (2) of these include forecasted budget overspends which are reported as exception items in point 3 below.
- There are 4 projects that have been closed in the period. Projects that have been closed during the period are not RAG (Red: Amber: Green) rated as this rating relates to projects in delivery. For projects that have been closed the report highlights with a blue shading where the project has exceeded the end date and / or where actual project costs exceeded planned project costs.

3.0 Exception items

3.1 In accordance with Financial Regulations, the following projects are being reported to the Executive because project costs exceed the original or approved revised budget by the greater of £10k or 5%.

3.2 Project No. 20124. Woking Integrated Transport. First time on the exception report at 21/01/22 Executive. (15.8%, £30,851,000). A detailed explanation as to why this project is red is as follows:

The WITP project was initiated to deliver significant highway network improvements including enhanced traffic flows in the town centre area making it safer for pedestrians and cyclists and stimulating economic growth in Woking town centre. Funding of £11m was secured from the Enterprise M3 LEP and further additional income was secured from the County Council. A range of benefits and enhancements have been secured which has delivered on the objectives of the project including the extensive resurfacing of the town centre road network, public art and other environmental improvements.

A full reconciliation of the project commissioned by the Director of Planning has now been completed and confirms the expenditure and financing for the project. The reconciliation has also identified additional works which were beyond the original scope of the project.

The budget required to deliver the revised scope for the project is £30.851m. This represents an additional £4.199m over the original budget of £26.651m. £2.189m of this additional spend is attributable to additional roads and footpaths being repaved –these works, undertaken during the covid lockdown, were achieved with excellent value for money. £2m is attributable to other costs including un-foreseen business disruption compensation events of (£898k) and upgraded street lighting to ensure the scheme integrated with the surrounding area (£634k).

Further to the reconciled position reported in this note, an additional £172k is required to complete the highway works including the installation of rising bollards an access control mechanisms.

The Executive will be aware from previous project reporting in 2021/22, that CLT established itself as the Corporate Programme Board in order to gain visibility and oversight of all key change activity including project management. It is through this Corporate Programme Board oversight that the need for a detailed reconciliation of the budget was commissioned and delivered.

The mechanisms and oversight established through the Corporate Programme Board ensure appropriate controls are in place to authorise changes to project scope and budget for all project and programmes.

All of the spend, apart from the £172k required to complete the highways works (reported above), is spent and committed. The Executive are therefore requested to recognise and approve the enhanced scope and revised budget as reported in the attached Appendix 1 for this scheme.

3.3 Project No. 20209. Duke's Court Plaza. First time on the exception report at 21/01/22 Executive. (8.7%, £4,916,756)

4.0 Corporate Strategy

4.1 The review of project management is in support of the corporate plan priority of Effective Use of Resources.

5.0 Implications

Finance and Risk

5.1 There are no financial implications arising from this report.

Equalities and Human Resources

5.2 No specific Human Resource or Training and Development implications arising from this report. Additional project management training is being scoped and assessed and will be considered subject to costs and budget provision.

5.3 There are no equalities implications.

Legal

5.4 There are no legal implications arising from this report.

6.0 Engagement and Consultation

6.1 None.

REPORT ENDS

Project Report (as at end of December 2021)

Ref	Project Name	Overview	Status	Status	Overview Reason	Risks	Issues	Budget	Schedule	Project Manager	Project Sponsor	Start Date	End Date	Revised End Date	Costs Planned (£)	Costs Actual (£)
10206	Playground Improvements Phase 4	Amber	Active	➔	The Play Strategy has been agreed and priorities for improvements and refurbishments of play areas have been determined. Loop Road play area refurbishment now complete, invoice recently received. Funding to progress the remaining three play area refurbishments is currently under review. Project is amber as there is a risk that there will be further delays due to changes in priorities and funding being identified.	Amber	Amber	Green	Green	Arran Henderson	Geoff McManus	01/08/2007	30/04/2009	31/07/2022	£ 603,155	£ 475,720
10297	Local Development Framework	Green	Active	➔	The Development Management Policies (DPD) has been adopted and is now part of the Development Plan for the area. The Site Allocations DPD was submitted to the Secretary of State by July 2019 and the examination hearing completed in December 2019. The inspectors report has now been issued to the Council. The DPD has been found sound and adopted by the Council.	Green	Green	Green	Green	Ernest Amoako	Giorgio Framalicco	01/04/2010	01/12/2014	31/12/2021	£ 689,550	£ 626,893
10916	Hoe Valley Flood Alleviation and Enhancement Appraisal	Green	Active	➔	A contractor has been appointed and outline design work has been completed. The consultation began on the 18th September 2017, and closed on 30th October 2017. The scheme is being developed further but due to the current COVID-19 situation this will be delayed until further notice. Alternative funding streams are still being explored.	Green	Green	Green	Green	Katherine Waters	Geoff McManus	01/04/2016	31/10/2017	31/07/2023	£ 1,103,205	£ 772,835
20000	Queerwater Regeneration Project	Green	Active	➔	The leisure and recreational facilities in the grounds of Bishop David Brown were completed in Sept 2021. Eastwood Leisure Centre was officially opened 16 Oct 2021. The purple phase was completed in Sept with its first occupant on 25 Sept 2021. Work has started on site on both the red and the copper phases. Yellow phase is still in detailed design stage with continuing planning condition discharge, and negotiations with LPA. To achieve vacant possession for the yellow phase, a further eight secure tenants need to be relocated. Confirmation of the CPO (Compulsory Purchase Order) made on 22 Oct 2020, was confirmed on 16 Dec 2021 by the Secretary of State.	Green	Green	Green	Green	Paola Capel-Williams	Louise Strongitharm	22/07/2018	30/09/2027	N/a	£ 491,657,023	£ 120,066,899
20019	Heather Farm SANG	Green	Active	➔	Land has been leased to the Council and leased back to Horsell Common Preservation Society to manage site as a Suitable Alternative Natural Green Space (SANG). All the financial and legal requirements have been completed. The SANG opened in Jan 2016, but the delivery of the SANG proposals will continue for the next five years. The council has recently provided funding for the expansion of car parking spaces to support the increasing use of SANG. Planning permission has already been granted for an additional 54 parking spaces, which the funding will be used to deliver. About £6,500 has been provided to widen the existing bridge to improve disabled access.	Green	Green	Green	Green	Ernest Amoako	Giorgio Framalicco	31/10/2014	31/10/2019	31/03/2022	£ 1,749,856	£ 1,707,071

Project Report (as at end of December 2021)

Ref	Project Name	Overview	Status	Status	Overview Reason	Risks	Issues	Budget	Schedule	Project Manager	Project Sponsor	Start Date	End Date	Revised End Date	Costs Planned (£)	Costs Actual (£)
20035	Personalisation and Prevention Partnership Fund	Green	Active	→	The Personalisation and Prevention Partnership Fund (PPPF) project is working to keep local residents over 50 independent and living in their own homes as long as possible as well as enhancing their general wellbeing. In partnership with the Clinical Commissioning Group we are now offering a social prescribing referral service with all GP practices in the Borough. Work has been completed at Brockhill displaying adaptations to enable people to stay in their homes. Community Centres and Brockhill will be offering courses and activities and suppliers are now being approached to arrange new activities and encourage residents back into the centres as lockdown restrictions ease. The project is also exploring avenues to support community meals to be more environmentally friendly.	Green	Green	Green	Green	Jade Buckingham	Julie Meme	31/12/2012	31/12/2017	31/03/2023	£ 690,000	£ 641,688
20067	Developing a Favourable Conservation Status Licence	Amber	Active	→	The project was established working closely with Natural England (NE). The Council's Strategic Organisational Licence from NE was renewed in Sept 2020 and will require renewal again in Sept 2022. Habitat improvement works were completed in 2020. Surveys are undertaken annually each spring. Joint working with NE to share best practise and learning between the Woking pilot and the national district level licensing rollout by NE. Lessons learnt article published in a national ecology journal (Sept 2021). Stakeholder meeting (Oct 2021). Scoping in progress to inform future steps (to be determined, hence amber risk level).	Amber	Green	Green	Amber	Tracey Haskins	Geoff McManus	31/08/2015	31/03/2021	30/11/2021	£ 181,000	£ 138,956
20120	Rainwater Gardens	Green	Active	→	First pilot rain garden completed successfully in Blackdown Close, Sheerwater, in February 2019. Alpha Road rain garden close to completion pending snagging issues to be resolved with contractor, this has impacted with the project schedule. In principle, funding has been allocated to the project from SCC over the next three years; this is to deliver further rain gardens within the Rive catchment.	Green	Green	Green	Green	Katherine Waters	Geoff McManus	01/06/2018	31/03/2019	31/03/2022	£ 50,000	£ 44,711
20122	CCTV Upgrade and New Control Room	Green	Active	→	The Control Room has been constructed. The next phase of migrating each individual control room has commenced. Surrey Police are now operating from within the new control room. The delivery of the second control room (Woking Car Parks) has been put on hold due to other WBC project priorities and staffing.	Green	Green	Green	Green	Trevor Kimber	David Loveless	24/06/2019	31/03/2020	31/03/2022	£ 2,175,000	£ 1,213,632
20124	Woking Integrated Transport	Red	Active	↓	In the Sept 2021 report, we highlighted that the project is to be closed once the budget has been reconciled. There remains additional minor works within the town centre area that are still required, however the projects has been reconciled up to the point of completing these minor additional works. The Project has moved to red following the reconciliation, the detail of which features in the covering report at Section 3.2.1. The reconciliation takes into account the expenditure and financing of the project including external funding sources (LEP grant, County Council).	Red	Red	Red	Red	Louisa Calam	Giorgio Framalicco	01/06/2016	31/12/2020	31/03/2022	£ 26,651,000	£ 30,851,000

Project Report (as at end of December 2021)

Appendix 1

Ref	Project Name	Overview	Status	Status	Overview Reason	Risks	Issues	Budget	Schedule	Project Manager	Project Sponsor	Start Date	End Date	Revised End Date	Costs Planned (£)	Costs Actual (£)
20159	Turf and Drainage Improvements at St Johns Lye Cricket Pitch	Amber	Active	↓	Initial drainage work and cricket outfield improvements completed. Project status is amber due to schedule as this project has now been identified for closure with outstanding works to the pond and ditch to be considered as a new project.	Green	Green	Green	Amber	Arran Henderson	Geoff McManus	25/03/2018	31/10/2018	30/09/2021	£ 21,225	£ 9,275
20172	Open Housing Implementation	Amber	Active	→	Project is amber due to uncertainty around phase 2 scope and timescale caused by lack of supplier and partner resources is also reflected in the RAG flag status. Alternative options are being investigated and a different approach is being proposed.	Amber	Amber	Green	Green	Alison Cornacchia/ Adele Devon	Louise Strongitharm	01/08/2018	31/03/2020	30/04/2022	£ 910,000	£ 879,572
20209	Duke's Court Plaza	Red	Active	↓	The green wall was installed Dec 2020. The restaurant building is complete, open and trading. Covid has impacted with the progression of this project and access to Elizabeth House was also delayed. A time extension has been approved. Whilst the budget is currently under final reconciliation there will be an overspend that is currently estimated in the region of £400k. Hence the red RAG status.	Green	Green	Red	Green	Vanessa Tabner	David Loveless	01/06/2019	30/04/2020	30/04/2022	£ 4,525,000	£ 4,916,756
20221	Microsoft Office 365 Implementation	Amber	Active	→	Implementation is progressing. SharePoint proof of concept and laptop build identified issues that need to be resolved. Due to the impact on users and the different user experience, training will be essential - this will have an impact on both original resource and budget. These are being managed; hence the amber status.	Amber	Green	Green	Green	Alison Cornacchia	Adele Devon	01/10/2020	31/05/2021	30/09/2022	£ 403,000	£ 149,527
20223	New Temporary Accommodation	Green	Active	→	The project is now delivered. The project board is due to meet within the next three months to review how service delivery is progressing. The majority of units are occupied and full occupancy is anticipated for 121 Chertsey Road. Waterman House is now complete and occupancy is underway.	Green	Green	Green	Green	Jon Herbert	Louise Strongitharm	01/08/2019	31/12/2020	31/01/2022	£ 5,752,063	£ 5,359,857
20226	HIF A320 Woking Town Centre	Amber	Active	→	Project has identified some major issues and risks which we are mitigating through the agreed programme rescheduling. Multi-utility contractor is on-board looking at utility diversions under the bridge. Majority of the triangle has now been demolished and the CPO for remaining elements will be submitted early in 2022. Work is ongoing with Network Rail, and the construction method for the bridge has been refined. Project is amber due to issues associated with Day Aggregates access relocation, and Goldsworth Road crescent site acquisitions and the recent Victoria Square cladding issues, which has delayed works on Victoria Way. There is also project risk associated with the development sites coming forward.	Amber	Amber	Green	Green	Louisa Calam	Giorgio Framalicco	21/03/2020	15/03/2024	28/02/2026	£ 115,000,000	£ 36,815,796

Project Report (as at end of December 2021)

Ref	Project Name	Overview	Status	Status	Overview Reason	Risks	Issues	Budget	Schedule	Project Manager	Project Sponsor	Start Date	End Date	Revised End Date	Costs Planned (£)	Costs Actual (£)
20229	Car Park management systems	Green	Active	➔	Supplier appointed and contract signed. Implementation of Victoria Way is near completion. Equipment installation for the new Red and Green Car Parks begins on the 10th Jan 2022.	Green	Green	Green	Green	Ian Reynolds	Geoff McManus	01/11/2020	30/11/2021	30/09/2022	£ 1,980,000	£ 644,045
20233	Play Area Surfacing Repairs	Green	Active	➔	Play equipment repair works completed. Invoices recently received. Contract for surfacing repairs works has been issued, awaiting proposed dates for works to commence.	Green	Green	Green	Green	Arran Henderson	Geoff McManus	01/09/2021	30/09/2022	N/a	£ 100,000	£0
20234	Planet Woking	Green	Active	➔	Planet Woking launched on 24 Sept 2020. The standalone website - www.planetwoking.co.uk - has a range of resources and case studies and is managed and updated by the Green Infrastructure team. Promotion of local climate change activities by the Council and it's partners is actively undertaken through social media channels with the help of Air Social. Three online talks have been held so far. On 17 Jun 2021, the Executive resolved to identify funding in this financial year and then through the next available investment programme to continue the programme over the two year period Jul 2021 - Jul 2023 at a total cost of £66,000 excl. VAT.	Green	Green	Green	Green	Lara Beattie	Geoff McManus	01/09/2020	30/07/2021	31/07/2023	£ 175,218	£ 124,278
20242	ABOX Building Control Public Access & Planning Portal Connector	Green	Active	➔	This project has now been delivered to testing stage. Whilst the system is working well on a day to day basis, there are outstanding questions about ICT integrity which need to be resolved.	Green	Green	Green	Green	David Edwards/Jimi Ogunsola	Giorgio Framalicco	01/10/2020	16/11/2020	31/07/2022	£ 15,800	£ 7,125
20246	Woking Youth Hub	Green	Active	➔	Funding application has been approved by DWP, following a tender exercise a provider (Surrey Care Trust) has been appointed. The target support group are 18-25 year olds on benefits. This project is now underway.	Green	Green	Green	Green	Adam Thomas	Louise Strongitharm	01/05/2021	31/05/2024	N/a	£0	£0
20251	Goldworth Park Cycle Park Upgrade - Sport England	Green	Active	NEW	The refurbishment of the Goldsworth Park cycling track is on budget and due to be completed in advance of the Easter holidays. We are planning a launch event during the school holiday period.	Green	Green	Green	Green	Steve May	David Loveless	01/03/2021	31/03/2022	N/a	£ 120,500	£0
20254	Demolition of 2 Monument Way West	Green	Active	➔	Completed. A time extension has been submitted to allow for final reconciliation of costs. Once remedied, the project will be closed.	Green	Green	Green	Green	Ian Tomes	David Loveless	12/04/2021	30/06/2021	31/01/2022	£ 97,626	£ 73,041
20255	Call Secure Plus	Green	Active	➔	Due to savings; the solution that was to be implemented is being reviewed and this project maybe replaced.	Green	Green	Green	Green	Nabeela Akhter	Adele Devon	01/06/2021	31/12/2021	N/a	£ 22,540	£0
20256	E-commerce platform for independent retailers in Woking	Green	Active	➔	The biggest challenge was to change consumer behaviour, even though initial market research indicated that there was an appetite to support this platform which in turn will support our independent shops.	Green	Green	Green	Green	Chris Norrington	Giorgio Framalicco	01/06/2021	31/01/2022	N/a	£ 29,950	£ 29,950
20259	New Town Centre Signage - Wayfinding	Green	Active	➔	Project is on course. Contract has been awarded.	Green	Green	Green	Green	George Chisenga	Geoff McManus	01/10/2021	31/12/2021	31/05/2023	£ 250,000	£0

Project Report (as at end of December 2021)

Appendix 1

Ref	Project Name	Overview	Status	Status	Overview Reason	Risks	Issues	Budget	Schedule	Project Manager	Project Sponsor	Start Date	End Date	Revised End Date	Costs Planned (£)	Costs Actual (£)
20263	2023 Grounds Maintenance and Street Cleaning Contract	Green	Active	➔	This project is to retender the Grounds Maintenance and Street Cleaning Contract. Project commenced and is on schedule.	Green	Green	Green	Green	Mark Tabner	Geoff McManus	16/08/2021	31/03/2023	N/a	£ 80,000	£ 10,125
20264	The Old Woking Community Centre Project	Amber	Active	➔	Project is amber until the tenders are reviewed against available budget.	Green	Amber	Green	Green	Sam O'Neill	Giorgio Framalicco	01/05/2021	31/12/2022	N/a	£ 225,000	£ 104,070
20265	Housing Maintenance Procurement 2022	Green	Active	➔	The overarching aim of the project is to oversee, plan and implement the smooth transition back to the Council of the management and maintenance of its social housing stock. The current contractual arrangements with New Vision Homes will end on 31 Mar 2022. The project is at an advanced stage with the core milestones achieved. The remaining milestones are on time, on budget and progressing well.	Green	Green	Green	Green	Adam Browne	Louise Strongitharm	22/03/2021	01/04/2022	N/a	£ 80,000	£ 32,488
20266	Goldsworth Park Retail Centre, Car Park Works	Green	Active	NEW	This project is for repairs, surfacing works and white lining to the areas of the Goldsworth Park Retail Centre car park, which are in most need.	Green	Green	Green	Green	Vanessa Tabner	David Loveless	01/01/2022	30/04/2022	N/a	£ 65,505	£0
20268	Railway Underpass Refurbishment	Amber	Active	➔	Network Rail have now approved the application with conditions, one relating to fire safety. Project is amber as these conditions will incur additional costs and the budget implications are being considered.	Amber	Green	Green	Green	Richard Smith	Geoff McManus	01/05/2021	31/08/2021	31/03/2022	£ 28,000	£0
20269	Community Meals Relocation to Monument Way	Green	Active	NEW	Project is progressing well. Initial meeting has been had with the contractor and it has been confirmed that work will begin on site on 10 Jan 2022. At this stage project completion date remains on track.	Green	Green	Green	Green	Pino Mastromarco	Louise Strongitharm	01/11/2021	29/04/2022	N/a	£ 361,000	£ 5,491
20270	Woking Town Centre Masterplan	Green	Active	➔	The first phase of resident panel consultations has completed. The one to one consulations is nearly complete. The project is on track, within schedule and budget. Work being done by consultants on absorbsion rate and townscape strategy are also on track.	Green	Green	Green	Green	Ernest Amoako	Giorgio Framalicco	01/08/2021	31/08/2023	N/a	£ 100,000	£ 17,582
20274	Woking Palace Repairs and Essential Works	Green	Active	NEW	A retender exercise will take place in Mar 2022 for works starting in the Summer of 2022.	Green	Green	Green	Green	Richard Smith	David Loveless	01/11/2021	30/05/2023	N/a	£ 47,500	£0
20275	Victoria Way Central Reservation	Red	Active	➔	Project status is red for schedule as the tender is out for pricing and the start date would be subject to SCC street works consent; which is related to Victoria Way (A320) being free from obstructions.	Green	Green	Green	Red	Faouzi Saffar	Giorgio Framalicco	20/08/2021	30/11/2021	N/a	£ 750,000	£0
20278	Redeployable CCTV	Green	Active	NEW	Deployable CCTV cameras have been recognised as a viable tool which can be used to reduce fly-tipping. However, progression of this project has been delayed until investment programme funding is made available.	Green	Green	Green	Green	Seanne Hunter Hill	Geoff McManus	04/01/2022	31/03/2022	N/a	£ 10,020	£0

Project Report (as at end of December 2021)

Ref	Project Name	Overview	Status	Status	Overview Reason	Risks	Issues	Budget	Schedule	Project Manager	Project Sponsor	Start Date	End Date	Revised End Date	Costs Planned (£)	Costs Actual (£)
20280	Midas House / Export House District Heat and Cooling	Green	Active	➔	This project relates to connecting Midas House and Export House to the new Poole Road Energy Station. The majority of this work is being funded by a government grant, Council have had to submit a change request to the funding body to slightly vary the scheme to suit our buildings. A positive response was received on the 30 Sept 2021. Due to recent Covid lockdowns in Europe, deliveries of heat pump/equipment will be impacted. This point has been recognised by the Grant Body who are working with Officers and suppliers to mitigate this risk.	Green	Green	Green	Green	Mark Ferguson	David Loveless	01/03/2021	31/03/2023	N/a	£ 4,627,689	£ 39,651
20281	Victoria Square	Red	Active	➔	The retail and residential elements of the Victoria Square development are now due to open in the Spring 2022. The developers, SRM, continue to inform the Council of the implications of Covid along with labour and material shortages on the programme. It is recognised that works will continue beyond the project end date recorded in this schedule and beyond the opening date. Regular meetings with senior SRM officers continue with the CX, Project Director and the Victoria Square Woking Limited Board. SRM are fully engaged with its contractor to resolve both a short term fix to the hotel cladding and a long term solution. The financial implications of a delay to the opening of the hotel and the delayed opening of the centre from Nov 2021 are the subject of ongoing contract discussions and are being fully assessed. Given these circumstances the risk rating appropriate for this project remains as red status.	Red	Red	Amber	Red	Tim Wells	Julie Fisher	01/12/2016	30/04/2021	31/03/2022	£ 700,000,000	£ 627,744,691
20283	Rydens Way Phase 3 Sundridge Rd	Green	Active	➔	Project is underway and developers have been preparing the site for development.	Green	Green	Green	Green	Jon Herbert	Louise Strongitharm	01/11/2021	07/08/2022	30/09/2022	£ 928,046	£0
20286	Celebrate Woking 2022	Green	Active	NEW	It is proposed to deliver a Celebrate Woking 2022 programme with the focus on celebrating the Queen's Platinum Jubilee Celebrations. The intention is to inspire residents, community groups, visitors, local businesses, and other stakeholders to be part of the celebrations in Jun 2022 and create a community spirit similar to the Queen's Diamond Jubilee and the London 2012 Olympic Games. All other community events will also be promoted under the Celebrate Woking Programme. Key events include: Queen's Platinum Jubilee Celebrations (2 to 5 Jun 2022) and supporting the Summer Zone in Jubilee Square.	Green	Green	Green	Green	Riette Thomas	Chris Norrington	01/01/2022	31/12/2022	N/a	£ 100,000	£0
20291	Redevelopment of Garages 1 to 12 Bonsey Lane Westfield	Green	Active	NEW	Project approved upto and including tendering process and subject to review upon receipt of tenders and costs involved. Thameswey have been instructed to proceed with the project and conduct the tendering process for the works, develop detailed designs and appoint consultants.	Green	Green	Green	Green	Jon Herbert	Louise Strongitharm	01/12/2021	31/12/2023	N/a	£ 2,655,000	£0

Ref	Project Name	Overview	Status	Status	Overview Reason	Risks	Issues	Budget	Schedule	Project Manager	Project Sponsor	Start Date	End Date	Revised End Date	Costs Planned (£)	Costs Actual (£)
Projects at Practical Completion																
10221	Private Finance Initiative	Amber	Retention	➔	All of the 224 PFI houses are now occupied by families nominated from the Council's housing register. 147 private sale homes were completed in August 2018 . There are open spaces that are still to be handed over. Although construction is complete, advisors may be required for outstanding issues as the handover of the open space has not yet been achieved, and the standards specified by the tender documents have not been met. Project is amber due to the outstanding adoption of open spaces.	Green	Amber	Green	Green	Paola Capel-Williams	Louise Strongitharm	02/01/2005	31/12/2010	30/06/2022	£ 4,490,307	£ 4,490,307
10621	Ditch Restoration Smarts Heath	Green	Retention	➔	The ditch restoration work is complete and all associated works were finished by Dec 2010. The final monitoring report has been submitted to Natural England. Subseqent conditions survey undertaken by Natural England and a report received from them during winter 2021. Recommendations to be discussed with Natural England prior to final sign off.	Green	Green	Green	Green	Arran Henderson	Geoff McManus	24/05/2010	30/11/2010	31/12/2010	£ 35,000	£ 34,621
20040	Cope Valley School	Green	Retention	➔	The school has been handed over and is now operating. Sportsbox commenced operation with our contractor Freedom Leisure in early Jul 2018. There has been some additional costs to compensate Freedom Leisure for grass pitches not being available due to dry summer. There was a safety audit on the crossing outside the school and additional works have been completed. Surrey County Highways have now agreed under a Section 278 agreement to adopt the completed area of highway. Project will be closed once final payments have been received from the ESFA.	Green	Green	Green	Green	Ian Tomes	Giorgio Framalicco	01/06/2015	31/05/2018	N/a	£ 45,107,300	£ 44,896,121
20146	Leisure Lagoon Modernisation	Green	Retention	↑	Works are complete, and the project will be closed.	Green	Green	Green	Green	David Loveless	Giorgio Framalicco	01/06/2017	30/04/2018	30/06/2020	£ 1,855,000	£ 1,797,746
20186	Woking Park-CCTV Installation	Amber	Retention	➔	Project is now complete. Project is amber due to issues with the fibre network which prevented a signal being sent back to Export House. This has now been resolved. This project will only be closed once the full scale of the CCTV control room connections are known and if any additional works are required.	Green	Green	Green	Amber	David Loveless	Giorgio Framalicco	01/12/2017	31/05/2018	N/a	£ 235,000	£ 191,728
20191	Old Woking Independent Living	Green	Retention	➔	Project completed Oct 2021 and now in defects period. Final account will be agreed Jan 2022.	Green	Green	Green	Green	Ian Tomes/ Sam O'Neill	Louise Strongitharm	17/12/2017	21/09/2021	12/10/2021	£ 16,700,000	£ 16,031,334
20219	Pool in the Park Structural Works-Phase 1	Green	Retention	➔	The works are all complete. The project is now in retention.	Green	Green	Green	Green	David Loveless	Giorgio Framalicco	01/06/2019	31/03/2020	28/02/2021	£ 1,150,000	£ 1,115,828

Project Report (as at end of December 2021)

Ref	Project Name	Overview	Status	Status	Overview Reason	Risks	Issues	Budget	Schedule	Project Manager	Project Sponsor	Start Date	End Date	Revised End Date	Costs Planned (£)	Costs Actual (£)
Projects Closed During Reporting Period																
10634	Hoe Valley Main Scheme Construction Phases	N/a	Closed	N/a	The defect and maintenance period has now expired on the Hoe Valley and the project has now entered the 12 year liability period and the Environment Agency has taken over the liability for the flood defence maintenance. The general park area is now included within the Council's public realm contracts.	N/a	N/a	N/a	N/a	Mark Rolt	Giorgio Framalicco	06/07/2010	31/12/2015	N/a	£ 27,700,000	£ 24,003,349
20188	Community Matters Partnership Project	N/a	Closed	N/a	There was a successful launch event in January 2018 and there are now 11 partners involved in the Community Matters Partnership (CMP). A steering group has been set up and is being chaired by a local business. The website launched in February 2019. The CMPs first Give and Gain day took place in July 2019 at Brockhill. CMPP is now a recognised charity managing the project with financial assistance from Woking Borough Council. Project was amber whilst the budget was reconcilled. Project is now closed.	N/a	N/a	N/a	N/a	Elspeth Andrews	Adam Thomas	01/05/2017	31/03/2021	31/10/2021	£ 16,700	£ 23,460
20248	Sutton Green Flood Alleviation Scheme	N/a	Closed	N/a	All the construction work is complete and the snagging has been addressed. This project is now closed.	N/a	N/a	N/a	N/a	Katherine Waters	Geoff McManus	01/07/2020	30/09/2020	30/09/2021	£ 195,000	£ 195,159
20262	Leisure centre and 3G car park in Parking Park alterations	N/a	Closed	N/a	Design complete and consultation with local residents - Royal Air Force Cadet School, Leisure Centre, Parking Service - is also complete. Quotes have been returned and the contractor selected. Construction is complete. Contractors final invoice received so this project has now been closed.	N/a	N/a	N/a	N/a	George Chisenga	Geoff McManus	01/08/2021	31/08/2021	31/10/2021	£ 12,500	£ 12,271

KEY	
Green	Project is progressing according to agreed plans and targets and is within all tolerances.
Amber	Project contains areas of concern which are impacting on delivery and may need remedial action.
Red	Project is failing in one or more areas and is in need of immediate attention.
Blue	Project on closure, had variations previously highlighted.
↑	Overview RAG Flag has improved since the last Project Monitoring Report.
→	Overview RAG Flag is the same as the last Project Monitoring Report.
↓	Overview RAG Flag is worse than the last Project Monitoring Report.
Revised End	Indicates that CMG has authorised an extension to the schedule of a project. If a project exceeds its budget/timescale and a formal request for an extension to either is agreed, the rag flags will be baselined against the revised budget/timescale.