

OVERVIEW AND SCRUTINY COMMITTEE – 11 DECEMBER 2023

## **DRAFT MEDIUM TERM FINANCIAL STRATEGY (MTFS) AND GENERAL FUND BUDGET 2024-25**

### **Executive Summary**

Attached at Appendix 1 is the Draft Medium Term Financial Strategy (MtfS) And General Fund Budget 2024-25 as included on the agenda of the Executive meeting 14 December 2023.

### **Recommendations**

The Committee is requested to:

**RESOLVE That** the report be noted.

The Committee has the authority to determine the recommendation(s) set out above.

<b>Background Papers:</b>	None.
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<b>Date Published:</b>	7 December 2023



**DRAFT MEDIUM TERM FINANCIAL STRATEGY (MTFS) AND GENERAL FUND BUDGET  
2024-25**

**Executive Summary**

The Medium-Term Financial Strategy (MTFS) is a key document in the Council's financial planning cycle. This document sets out the strategic financial approach that the Council needs to take to deliver the Improvement and Recovery Plan (IRP) and respond to the Council's serious financial position, as set out in the Section 114 Notice issued in June 2023, whilst continuing to meet its statutory duties. This approach includes the development of a debt reduction plan and asset disposal strategy.

No decisions are required directly by this report but the approach set out here follows on from the s114 earlier this year, the September MTFS update and will form the basis of the final recommendations by the Interim Director of Finance and s151 Officer to the budget setting Council in February.

The paper includes updates on the processes for Equality Impact Assessments (EIAs) and public consultation on proposed changes to Council services. It also sets out the potential impact of the capacity issues in the finance team and related data issues and mitigations being put in place.

At this stage, whilst a significant amount of work has been undertaken a number of the £8.5m savings identified in September have risks attached to them or are being revised in the light of further work and consultation. Further work is therefore in hand to maintain this level of savings and move towards the £12m target where possible. The Council needs to demonstrate to Commissioners and the Government that post intervention it is aiming to maximise the level of savings possible to live within its means.

**Recommendations**

The Executive is requested to:

**RESOLVE That**

- (i) the updated position on the MTFS be noted, including work on public and staff consultation and more detailed work to update the delivery options and costs of the savings proposed in September 2023;
- (ii) whilst significant progress has been made on this work, the scale of the challenges mean that the level of savings is at risk and further options still need to be reviewed and presented to Members of Finance Working Group, Overview and Scrutiny Committee and finally to Executive and Full Council in February 2024;
- (iii) it be noted that following public consultation and further options analysis on Pool in the Park, the option to increase fees and charges is potentially a viable recommendation in the final budget report; and

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- (iv) the continued use of Lloyds banking facilities, as set out in paragraph 11.5 of the report, be approved.

### Reasons for Decision

Reason: The contents of the report is to ensure open and transparent governance in the financial affairs of the Council in balancing the 2024/25 Budget.

The Executive has the authority to determine the recommendation(s) set out above.

**Background Papers:** None.

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**Date Published:** 6 December 2023

### 1.0 Government Intervention

- 1.1 On Thursday 25 May 2023, the Department for Levelling Up, Housing and Communities (DLUHC) published the outcome of its non-statutory external assurance review into Woking Borough Council's (WBC) finances, investments and related governance. The Secretary of State considered the Council was failing to comply with its best value duty under the Local Government Act 1999. In particular, the scale of financial and commercial risk due to the Council's legacy of disproportionate levels of debt at over £2billion. The government's intervention will be in place for five years.

### 2.0 Section 114 Notice June 2023

- 2.1 On 7 June 2023, the then Section 151 Officer issued WBC with a Section 114 Notice. The notice was required because the Council's expenditure was likely to exceed the financial resources available, and therefore it could no longer balance its budget for the remainder of the financial year and subsequent years. The Council faces this extremely serious financial shortfall because of its historic investment strategy that has resulted in unaffordable borrowing, inadequate steps to repay that borrowing and high values of irrecoverable loans. The notice stated that against available core funding of £16m in the 2023/24 financial year, WBC faced a deficit of £1.2bn, which broadly represents the cost of impaired loans and the need to make backdated provision for the repayment of debt. Further work has been undertaken along with Commissioners to develop a debt reduction plan in response to this and an update is provided in this report.
- 2.2 Clearly, the size and scale of the historic debt prevents a legal budget being set for 2024/25 without some form of support from Government. Discussions via the Commissioners on this are taking place. However, to access any support, the Council needs to show that it is 'living within its means' and taking steps to meet a significant part of the deficit from its own resources. This includes developing a disposal strategy for the Council's property portfolio, in a way that delivers the best returns for the public purse, allowing key services to be maintained and reduces the cost of debt servicing.
- 2.3 Work with Commissioners has focussed on separating, as far as possible, how this historic debt is dealt with from the challenge of setting a "business as usual" budget for Woking's services to its residents. This approach will continue through to budget setting.

### 3.0 Council Vision

- 3.1 The scale of the financial problem and the Government intervention are clearly major determinants of what the Council is able to now deliver. However, Council recognises how important it is for Members, residents, staff and partners nevertheless to have a clear and positive vision for the future. This vision needs to be set in the context of Woking facing significant financial challenges. This means becoming a smaller organisation focussed on the core services required of a borough council.
- 3.2 The Council's leadership have been working on what this vision looks like and are now gathering feedback from wider Members and staff. The aim is to present this vision alongside the budget papers in February 2024. The vision then needs to be embedded into how WBC operates. The Council will therefore review the 'Woking for All Strategy' to update its objectives to align to the vision through the spring, ensuring there is a clear thread between vision, strategy, objectives and delivery.

#### **4.0 Benchmarking**

- 4.1 As part of the budget setting process, it is important to understand how WBC's service offer compares to other councils. To aid this work, Local Partnerships have been commissioned to carry out a benchmarking exercise between statistical nearest neighbours. The information includes comparative revenue outturn data, census, and planning data from national sources. Initial research has drawn some conclusions that support known issues. Specifically, in the majority of areas reviewed, the Council has historically spent more than its statistical neighbours. Also, in some service areas there has been increased spend even though the population and household figures have not increased significantly.
- 4.2 The data analysis is being led by officers working with the Executive Member for Finance and will be discussed with the Member Finance Working Group before being used as context for the final budget papers in February 2024. As part of this, the Executive Member has agreed further work being commissioned to 'deep dive' into several statutory services – this will allow direct comparisons to be made with similar sized authorities and identify where opportunities for service improvements might exist. This will likely inform future decisions on service provision in the further years of the MTFS.

#### **5.0 General Fund 2024/25 Budget – Approach Taken**

- 5.1 Earlier reports have highlighted the issues with data quality and the lack of accessible and meaningful financial information. As part of the Finance Recovery Plan a programme of work is underway and improvements have been made, including the improvement of the budget monitoring information. The work has not progressed at the desired pace due to the scale of the work required and the difficulties in finding suitable skilled capacity to carry out the work. This has impacted on the budget process. The officer MTFP Working Group is overseeing the budget process and the steps required to develop and verify the detailed information required to underpin the 2024/25 budget. Commissioners have supported the s151 Officer in sourcing additional capacity to ensure this work, and that on the draft accounts, is delivered within the required timescales.
- 5.2 The September MTFS report identified budget savings of £8.5m against the previously agreed £12m target. This target is a significant challenge, given that the Council's income from Council Tax and Business Rates (its "net budget") is projected to be only £15million next year. However, gross service spending is higher at £45m due to some services being funded by fees and charges, which is why an increase in these charges must be a key part of a sustainable budget.
- 5.3 The MTFS report indicated that even this significant target of £12m was insufficient to meet the pressures on the Council's services (inflation, demand etc) which were estimated in September as £19million. The additional costs over the target relate to Woking's historic investments i.e. the large Commercial Estate and the cost of debt, not its day-to-day services. As it will be difficult to find additional savings above £12m given the size of Woking BC's revenue budget in one year, the focus of financial planning for 2024/25 since September has been to:
- a) Delivering the maximum possible savings against service budgets, as per the previously agreed £12m target. This will demonstrate the Council's commitment to meeting as much of the deficit as possible.
  - b) Review the options for savings above the £12m from asset management and debt reduction options i.e. to target the historic arrangements that are the source of the pressures. This approach is part of the Commercial Strategy and asset rationalisation strategy being developed within the Council's Improvement and Recovery Plan (IRP).

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- 5.4 Work since September is focussed on these two strands and further detail is set out in this report. As the work has progressed from initial options to more detailed proposals risks have been identified in the delivery and costing of the savings proposed in September. More detailed work is being carried out and some options are being reviewed as more detailed information becomes available and costs in the light of public consultation.
- 5.5 Work on service budgets has involved both testing the existing £8.5m savings and identifying additional options and a review of the cost pressures (demand and inflation). This includes working with the Member Finance Working Group on key areas of concern for Members in the budget, such as reviewing key savings proposals like Pool in the Park in more depth and testing options, feeding their work back into Overview and Scrutiny Committee and all Member briefings.
- 5.6 Work on a debt reduction plan linked to an asset rationalisation strategy has commenced and will develop proposals that provide a basis for Commissioners to discuss options with Government. This work is happening alongside that to the delivery of the £12m savings target and together will need to ensure a legal balanced budget for 2024/25 can be set.

### **6.0 Progress Since September £12m Target**

- 6.1 Officers are working on both:
- a) Base budget verification and update of estimates, comprised of work on both service costs and savings (e.g. Pool in the Park) and “corporate” items such as the provision made for inflation or wider commercial issues.
  - b) Potential further options for Members to consider, e.g. further savings options or key Member decisions such as the level of Council Tax increase for 2024/25.
- 6.2 No decisions are brought forward at this point – the purpose of this report is to ensure that all Members are aware of the current position and options, including information shared with the Member Finance Working Group. Key points highlighted below.
- 6.3 The Service savings of £8.5m savings reported in September that formed the basis of consultation are summarised in the attached appendix which is the Annex 6 from the September report. They are a combination of proposed staff savings of circa £2.6m across most services within proposed budget reductions of £2.9m (part of phase 3A of the Fit for the Future Programme) and non-staff service savings in Phase 3B and 3C. The proposals included internal measures such as reducing ‘back-office’ services, management costs and reviewing Civic Office provision. It also includes proposed reductions to public-facing discretionary services including such as the phased closure of Pool in the Park; removal of funding to arts, cultural and sports development; removal of community grant funding and closure of public conveniences all of which are subject to public consultation.
- 6.4 The budget verification work and consultation process will result in updated figures, with some reducing and others potentially increasing. Overall, further work currently suggests that a number of savings are at risk, so the £8.5m is likely to reduce, which puts more emphasis on the need to firm up any further savings options.

#### Base Budget – Staff Savings

- 6.5 There has been both an extensive public consultation exercise and an internal staff consultation process on the impacts of these savings. These exercises, together with work by the Finance team to verify and capture the costs of the savings will provide a comprehensive update on the final numbers for the February report.

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- 6.6 The restructure is Council wide and a significant exercise to deliver £2.6m of savings, including staff consultation and assessing service delivery impacts. This process is timetabled to continue until January 2024 so the final position and savings will be approved in the February budget report.
- 6.7 Provision was made for the potential impact of approximately 60 full time equivalent posts. The work to verify the saving that the staff restructure process will deliver is still ongoing linked to the consultation process and includes tracking the level of redundancies and how this may be mitigated by vacancies that have been on hold during the process. Current modelling suggests that the restructure will deliver the planned savings.

### Base Budget – Service Savings and the Finance Working Group (FWG)

- 6.8 The impact of the savings is significant, so to assist Members with the information required to make the difficult decisions that will be needed in February, there have been fortnightly meetings of the Finance Working Group (FWG), which includes Members of Overview and Scrutiny Committee meeting with senior officers. Further information has been and will continue to be provided for the FWG in the run up to the final budget report.
- 6.9 Options appraisals are being undertaken for review by FWG on the key proposed changes to discretionary services that might deliver significant savings but have the potential to have a high impact on residents and stakeholders. The initial savings proposals are being reviewed and updated in line with the more detailed budget verification work. This will include whether alternative options for the delivering the savings are required taking into account financial performance and usage of facilities, identified opportunities and constraints, emerging information from the budget consultation process, the Equality Impact Assessments and benchmarking data. Updates will be provided as part of the Budget papers in February 2024.

### Pool in the Park

- 6.10 The proposal to review this facility was the most commented on issue in the public consultation exercise. Based on this and discussions with user groups there is a clear preference for the Council to explore increasing fees and charges, including concessionary rates, as an alternative to closure.
- 6.11 Council officers have therefore been working with Members on a detailed options analysis for Pool in the Park, that compares the full and partial closure options to a model that includes a significant change in charges to move towards nil subsidy and make the budget saving this way. There has been an extensive exercise to investigate the costs and issues that would arise if there were a full or phased closure. Benchmarking has shown that Woking's current charges are low in comparison to neighbouring Councils. The options analysis is being finalised, but it is likely that a viable option can be presented to Council to increase charges to keep it open. Clearly if the income drops because of this, the Council will have to consider closure at a later date, but this would also allow time for other options including community ownership to be considered. Work will continue with user groups on this option in the run up to a final decision.

### Base Budget - Corporate Items

- 6.12 The draft budget in the September report included the following that are being reviewed and updated again:
- an allowance for pay and price inflation
  - Council Tax, business rates and New Homes Bonus income
  - new budget pressures including car parking income, commercial rents and capital financing costs



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- 6.13 The Autumn Statement has confirmed that there is no additional funding for public services. This and recent policy statements have confirmed that the Settlement Funding Assessment (SFA) for Councils will be uplifted for the September CPI (6.7%) and the extension of some business rates reliefs to be funded by a S31 grant. The low level of Government grant received means this will not have a substantial impact on the budget. A further policy statement was published on 5 December which confirmed arrangements for continued in year payment of New Homes Bonus, with the Finance Settlement due on 18 or 19 December.
- 6.14 Budget figures for council tax and business rates will be updated in line with the review of the collection performance and key decisions on declaring the Collection Fund surplus and setting the council tax and business rates base required in January.
- 6.15 Other cost and income estimates built into the September report are being updated for February, as follows.
- 6.16 Inflation and pressure assumptions are also be scrutinised and there are other areas of uncertainty in the budget that are being reviewed – in particular capital financing costs, commercial rents and lease premiums.
- 6.17 Executive and Council have separately considered increases to fees and charges in discretionary services as an alternative to cutting services. The estimated impact of these decisions was set out in the report and has been built into the budget. These figures will be updated once the final pieces of work on assessing risks on the impact on demand for services and the budget verification work has been completed.
- 6.18 The savings included a forensic review of Council budgets with the aim of reducing spend by £0.750m – the finance team are reviewing all budget lines with service managers as part of a base budget review. This will allow for budget reductions to be built into the final report.
- 6.19 The outturn report for 2022/23 included an adjustment to the Housing Revenue Account at a cost of £0.7m to the General Fund. This was not included in the September MTFS report but will now have to be built into the budget for next year (the 2022/23 figure is being updated for inflation and other factors). A full review of the HRA position is being carried out, including the recharge methodology to ensure that future recharges to the HRA are correct and any historic issues can be addressed.

### Base Budget - Capital Financing costs including Minimum Revenue Provision (MRP)

- 6.20 As part of the Improvement and Recovery Plan work is underway to produce a detailed cashflow forecast and full reconciliation of the capital financing budget. As part of the budget setting process and in line with discussions with government the following will be addressed:
- An updated capital financing budget taking into account the detailed reconciliation work.
  - An updated forecast for interest costs on borrowing, taking into account the additional borrowing agreed, the requirements to support the Capital Strategy and required refinancing during the year.
  - The approach to Minimum Revenue Provision (MRP).
  - The treatment of principal and interest repayments no longer recoverable from the companies following the suspension of the Revolving Credit Facility.
- 6.21 These issues also form part of the ongoing discussions with Government.

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### Further Options

6.22 As stated earlier in the report, further work is required to identify savings to close the budget gap. This includes:

- A review of options previously identified in the Gateway savings exercise earlier in the year but not built into the budget. This work will assess their deliverability for next or future years. The work will also identify where an Equality Impact Assessment and consultation is required to inform the lead in time to their delivery. A realistic assessment of the capacity to deliver will also be required.
- A thorough review of the provision for inflation and demand pressures built into service budgets is being undertaken with a view to maintaining cash standstill or less where feasible.

6.23 The position on Council Tax is set out in a separate section below.

### **7.0 Prior Year Costs and Impact on Budget Setting**

7.1 Additional challenges arise from the overspends in current year budget 2023/24 of £7.5m (plus £8m of reserves used to set the budget) and also the previous year's 2022/23 outturn £9m above budget, as reported to November Executive.

7.2 The cumulative impact of these costs is likely to still be over £20m at the point when Full Council sets the final budget in February and will be an issue in setting a legal budget.

### **8.0 Debt Reduction Plan**

8.1 A key part of the Improvement and Recovery Plan is the asset rationalisation and debt reduction work. The work is in the context of the strategic aim 'to release the Council from unaffordable commitments whilst protecting the public purse and optimising the value of from existing assets'.

8.2 The development of the Council's overall commercial strategy is being led by the Strategic Director - Corporate Resources with the s151 Officer. They are supported by expert advisors who have provided advice to councils with similar financial and commercial challenges. The strategy will focus on bringing together all council commercial activities under one clear plan.

8.3 This objective is based on having:

- A full understanding of the activities of all council owned companies and joint ventures, and a plan to absolve the council of these arrangements.
- A full understanding of all council owned property interests, whether freehold ownership, leasehold or leased.
- To have a clear plan for the rationalization of property that matches the future needs of the council.
- A review of procurement and contract management arrangements of suppliers, goods and services to ensure best value is maintained throughout the life of contracted out services which includes services provided by council owned companies.

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8.4 The strategy should place the following assets together for consideration. Currently they are being dealt with separately.

- Victoria Place regeneration project and Victoria Square Woking Ltd. (VSWL)
- ThamesWey Group Companies and the Sheerwater Regeneration project.
- WBC Investment and Operational property portfolios rationalisation programme.

8.5 The last three months has seen a breakthrough in the asset rationalisation work. The next period will see the completion of a prioritised plan which will balance the urgent need to reduce the levels of debt with achieving value for money for the assets sold. A programme of asset disposals for the next three years is developing. Poor asset records remain a barrier to more rapid progress and even in the most aggressive scenario, disposals in the next two years are likely to be in the tens not hundreds of millions.

### **9.0 Reserves and Section 25 Report**

9.1 In making decisions in relation to the revenue budget and council tax the Council has various legal and fiduciary duties. The Council is required by the Local Government Finance Act 1992 to make specific estimates of gross revenue expenditure and anticipated income leading to the calculation of the council tax requirement and the setting of the overall budget and council tax. The amount of the council tax requirement must be sufficient to meet the Council's legal and financial commitments, ensure the proper discharge of its statutory duties and lead to a balanced budget.

9.2 In exercising its fiduciary duty, the Council should be satisfied that the proposals put forward are a prudent use of the Authority's resources in both the short and long term; that the proposals strike a fair balance between the interests of Council taxpayers and ratepayers, current and future, on the one hand and the community's interests in adequate and efficient services on the other; and that they are acting in good faith for the benefit of the community whilst complying with all statutory duties. Officers have addressed the duty to strike a fair balance between the different elements of the community and the interests of council tax and business rate payers in developing the proposals which are set out in the Directorate reports.

9.3 Section 25 of the Local Government Act 2003 requires that when a local authority is making its budget calculations, the Chief Finance Officer ('CFO') of the authority must report to the Council on:

- the robustness of the estimates made for the purposes of the calculations; and
- the adequacy of the proposed financial reserves.
- the Council has a statutory duty to have regard to the CFO's report when making decisions about the calculations.

9.4 The ability for the Council to give assurances on the budget position will be dependent on the position reached in the discussions with Government on the amount and nature of support provided. It is unlikely that a long-term support package will be agreed in time for the Council budget setting meeting in February and it is more likely that there will be a provisional offer of support that will give sufficient assurance that a balanced budget for 2024/25 can be set.

9.5 As part of the MTFS in February a full Section 25 Statement will be provided by the s151 Officer and agreed with Commissioners. As required by statute this will set out in full the risks to the budget position, following the format of the new CIPFA guidance and drafted in a way that is relevant to the circumstances the Council are in. It remains of vital importance that the Council plays its part in the delivery of the required budget savings, whilst the government

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support addresses the significant issues arising from the historic debt and commercial activities.

- 9.6 The budget report will also include gross and net control totals for each area of service that take into account all budget changes including changes in fees and charges, to the staffing structure and the savings to be delivered. This is important for a transparent budget setting process and to support effective budget management during the year. This information has been lacking in previous years.
- 9.7 In previous years the Council has sometimes used significant contributions from Reserves to support service delivery. As a result of the Financial Review undertaken to inform the Section 114 Notice, the Council has no reserves. Accordingly, the Council cannot use such reserves as a funding source in forming the 2024/25 Budget and will have limited resilience to any future shocks or budget risks.

### **10.0 Council Tax**

- 10.1 The Council Tax referendum limit will remain unchanged from 2023/24 and is 3% for local authorities without social care responsibilities. This will generate £330k which has already been built into the base budget position. For upper tier authorities there is a further 2% precept for social care. Council tax increases above that level are normally subject to public consultation process but are also usually part of the Government's position via an intervention. In other Councils subject to intervention, tax increases above the cap have been implemented as part of dealing with budget gaps. Thurrock and Slough Councils increased their tax by 10% and Croydon increased theirs by 15%.
- 10.2 In this context and with the legacy debt problem, the final recommendation to Council in February will clearly not be a decision for Councillors alone. Discussions have started with Commissioners and will be followed up before the final decision is made. A Council Tax increase would help close the budget gap – each 1% increase raises £110k. It would not be possible to mitigate existing savings given the remaining budget gap.

### **11.0 Capital Programme and Treasury Management Strategy**

- 11.1 A separate report is being drafted for approval in February on the Council's Capital Programme, which will be a curtailed programme from previous years given the debt position. The Council has previously funded a number of capital investment programmes (such as Sheerwater and Victoria Square) through the setting up of group companies, financed through loans provided by the Council - drawn from the Public Works Loan Board. This practice has now been deemed both unsustainable and not compliant with financial regulations and a new Company Governance process has been put in place as agreed by Executive on 16 November 2023.
- 11.2 For next year and in future, the Council's capital programme will be developed in line with the principles set out in the July 2023 report and reported as part of the budget process. The following *Capital Planning Principles* were adopted by Council in July 2023 to form the Capital Programme which will be presented to Council in February. Proposals that do not fall within these 'Capital Principles' will not be included within the Draft Capital Programme.
- Items of programming that relate to essential health and safety works and deliver compliance to the regulations within in the Council's property estate.
  - Essential investment in Information & Communications Technology to ensure that the Council has fit for purpose and secure tools and infrastructure to support operations generally where there is a suitable business case to support such investment.

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- Items where - following support from Government and from Commissioners - specific resources are provided to the Council by Government to complete or partially complete certain specified schemes that were already in delivery by the various companies owned by the Council when the Section 114 Notice was issued. (this is the basis of the business cases reported elsewhere on this agenda)
- Any schemes that can be shown to be wholly funded from external resources without implying additional cost burdens for the Council.
- Where proposals are estimated to return a measurable revenue saving; for example, leasing of the Council's commercial property portfolio which may require modest upfront capital investment and which then return a beneficial income stream to the revenue budget.
- In addition, the programme will include schemes which can be sustainably funded via the Housing Revenue Account

11.3 Potential capitalisation flexibilities including the use of capital receipts to support revenue expenditure for service transformation are available and the position will be reviewed in the light of the significant changes the Council is expected to deliver.

11.4 The Treasury Management Strategy will set out the Council's borrowing requirements and strategy, the annual investment strategy, the Treasury and Prudential Indicators and the MRP Strategy. The report will follow the CIPFA requirements and be closely aligned to the discussions with government on the nature of the support package likely to be available.

11.5 The Council's bankers, Lloyds have a policy for Councils subject to a s114 notice that the Executive considers the Council's continued use of facilities which it has with Lloyds Bank in light of the issue of the s114 Notice. The Executive is required to consider the restrictions which the issue of the s114 Notice imposes on the Council and its ability to enter into new obligations. The s151 officer can advise Executive that the Banking Facilities are an essential part of the Council's current funding plans, to enable it to continue to provide its statutory services and in view of this the Council has the power to enter into and continue to use the Banking Facilities.

### **12.0 Public Consultation**

12.1 Delivering the proposed savings in the budget will impact the delivery of public services in Woking. Where services cannot be self-funded or delivered by other organisations, there is a significant likelihood they will be reduced or closed. Public and/or service user/stakeholder consultation has been carried out to understand the implications of potential reductions and, where possible, seek to mitigate against complete closures for the most valued services. As explained above the Finance Working Group (reporting to Overview and Scrutiny Committee) will also review business cases and options for the savings in detail.

12.2 The Council has carried out an extensive consultation to understand resident and stakeholder views on its planned service reductions. There were nearly 6,000 respondents to the public consultation survey alongside a number of face-to-face meetings with stakeholders and community groups directly affected by the proposals. The results of the public consultation are being analysed and fed into the development of the Council's Equalities Impact Assessments and detailed options appraisals, which will be considered as part of the budget papers in February 2024.

12.3 As a result of the proposed changes to the service offer, consultation with affected staff and UNISON was launched in November 2023. The consultation continues through to January 2024 and during this time staff have the opportunity to comment on, question and suggest alternatives to the proposed structure, JD's and the selection and assessment process. Staff are supported through training opportunities, one to ones, All Staff briefings and team

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meetings, Frequently Asked Questions which are updated weekly, and a dedicated page on the intranet, alongside Trade Union support for those who are members. The staffing structures have been designed to align to the proposed service changes; therefore, no final decision will be made until the budget has been approved in February.

### 13.0 Implications

#### Finance and Risk

- 13.1 A robust MTFS is a key document in the Council's financial planning cycle. This document sets out the strategic approach that the Council needs to take to deliver the Improvement and Recovery Plan (IRP) and respond to the Section 114 Notice, whilst continuing to meet its statutory duties. The MTFS is designed to acknowledge and structure approaches that mitigate financial risk.

#### Equalities and Human Resources

- 13.2 In considering the budget, the Council must also consider its ongoing duties under the Equality Act 2010 to have due regard to the need to eliminate discrimination and advance equality of opportunity between all irrespective of whether they fall into a protected category such as race, sex, religion, etc. Having due regard to these duties does not mean that the Council has an absolute obligation to eliminate discrimination but that it must consider how its decisions will contribute towards meeting the duties in the light of all other relevant circumstances such as economic and practical considerations.
- 13.3 It is important that the Council seeks to understand the equalities impacts of proposed service changes and any potential mitigations which can be offered. Given the scale and complexity of the proposed change required to balance our budget, the Council's efficiency proposals for 2024/25 have been analysed to understand positive and negative impacts on both residents and staff with protected characteristics, particularly where they may be impacted by multiple efficiency proposals.
- 13.4 The EqlAs have been developed with the support of an organisation called Local Partnerships, as part of our sector support offer from the Local Government Association. Local Partnerships have provided external steer and challenge to ensure these important documents are as robust as possible. In total 18 EqlAs have been produced with an overall report which will consider the cumulative impact of the changes on people with protected characteristics and analyse the potential impacts in totality. As part of the EqlA process, the Council also takes impacts on non-statutory issues (such as socio-economic status) into consideration, to ensure we take a more comprehensive approach to equality.
- 13.5 In early January 2024, the Council will hold a EqlA review meeting where a small panel of Members will review the draft EqlAs and feed into their development. The final versions will be published alongside the budget papers in late January 2024. The information within the EqlA reports is intended to ensure that Members are able to pay due regard to the equality implications of the proposed budget for 2024/25.

#### Legal

- 13.6 The Council is still obliged to meet its statutory duties and continue to make decisions in accordance with public law principles. The setting of a balanced budget in March 2024 is a legal requirement.

REPORT ENDS

List of Proposed Savings  
FFtF Savings 3(A)

Source	Amount 2024/25 £'000	Amount 2025/26 £'000	Amount 2026/27 £'000	Amount 2027/28 £'000	Comments
Removal of Grants to External Bodies	686	686	686	686	The Council has historically allocated funds each year to community groups within the borough via a grant award programme. It is proposed that the community grants programme is removed, whilst in-kind support will continue.
NNDR Discretionary Discounts	30	30	30	30	
Gateway Process / Service review: Community Centres	353	353	353	353	The recent Gateway Process has identified a number of service redesign and organisational restructuring savings across the Council.
Savings proposed through moving to a self-funding model, with more spaces leased out, other community providers running the centres (including cafes) and day care services transferring to extra care settings.					
Gateway Process / Service review: Translation Service and Voluntary Sector Support	105	105	105	105	
Savings proposed through staffing reductions, ceasing to offer a translation service to third party organisations and utilising grant funding.					
Gateway Process / Service review: Family Services	73	73	73	73	
The full cost of the service proposed to be covered by funding from Surrey County Council. SCC to select a new provider of Family Centres from 1 April 2024.					
Gateway Process / Service review: Sports, Arts Development (This specifically relates to the provision of Sport and Arts Development both directly to residents but mainly provision	312	312	312	312	

**Draft Medium Term Financial Strategy (MTFS) and General Fund Budget 2024-25**

for Borough Sports and Culture groups.) The proposal is to remove Council support, co-ordination and funding for arts and culture, including grants to The Lightbox and Dance Woking. Alternative funding to be investigated with partners.				
Gateway Process / Service review: Community Safety Savings proposed through staff reductions, with resources focussed on the provision of the statutory community safety action plan and any associated actions, as well as working with partners to reduce crime.	80	80	80	80
Gateway Process / Service review: Health & Wellbeing  These initial proposed savings are expected to be achieved through staffing reductions, higher fees and charges, consolidation of meal service and other efficiency savings. The service is expected to be self-funding with further savings expected through transfer of social prescribing and hospital discharge teams) to another council and increased funding from Health.	99	99	99	99
Gateway Process / Service review: Housing Options  This is a statutory service. However, a proposed saving of 1 vacant post has been identified.	43	43	43	43
Gateway Process / Service review: Strategic Housing  Savings proposed through staff reductions, with resources focused on the statutory elements of service.	53	53	53	53
Gateway Process / Service review: Neighbourhood Services: removal of vacant post	58	58	58	58
Gateway Process / Service review: Planning / Planning Policy. Review of staffing levels supported by service redesign and process improvement. This is likely to see the loss of 6 FTE in a current establishment of 31 FTE across the Planning service.	228	228	228	228



**Draft Medium Term Financial Strategy (MTFS) and General Fund Budget 2024-25**

<p>Gateway Process / Service review: Building Control. Staff resource review in response to reduction in income, which is forecast to remain at a reduced level in the short to medium term.</p>	66	66	66	66
<p>Gateway Process / Service review: Green Infrastructure. Review of staffing structure in the context of reduction of discretionary services offered, which will include climate change work, play areas and green spaces. This could result in a reduction from 7 to 4 FTE within the service.</p>	171	171	171	171
<p>Gateway Process / Service review: Env Health/Housing Standards</p> <p>The saving identified for this service area and licensing primarily be staffing which could see the reduction of 4 posts in these service areas.</p>	93	93	93	93
<p>Gateway Process / Service review: Licensing.</p>	37	37	37	37
<p>Gateway Process / Service review: Business Liaison</p> <p>The Council is no longer in a position to support the business liaison function, which is a discretionary service. Staff resources are being reviewed accordingly</p>	313	313	313	313
<p>Gateway Process / Service review: Member Services</p> <p>The Team provide support to the Councils Democratic and Civic Event services and administrative support to the Corporate Leadership of the Council.</p> <p>The proposal is to reduce the current staffing by 3 full time equivalent posts through making efficiency savings and some reductions to the level of support provided.</p>	153	153	153	153

**Draft Medium Term Financial Strategy (MTFS) and General Fund Budget 2024-25**

**MTFS FFTF Savings 3A**  
**Continued**

<b>Source</b>	<b>Amount 2024/25 £'000</b>	<b>Amount 2025/26 £'000</b>	<b>Amount 2026/27 £'000</b>	<b>Amount 2027/28 £'000</b>	<b>Comments</b>
<p>Gateway Process / Service review: Marketing Communications</p> <p>The Team provide marketing and communication support to the Council and content management support for the Council's website</p> <p>The proposal is to reduce the current staffing by 2 full time equivalent posts through making efficiency savings and some reductions to the level of support provided.</p>	107	107	107	107	
<p>Gateway Process / Service review: Human Resources (HR)</p> <p>The Team provide HR support to the Council as employer, support for Health and Safety, administer the payroll; pension contribution; lease car and Insurance processes.</p> <p>The proposal is to reduce the current staffing by 3 full time equivalent posts through making efficiency savings and some reductions to the level of support provided.</p>	172	172	172	172	
<p>Gateway Process / Service review: Transformation &amp; Digital</p> <p>The Team provide ICT and Transformation and change support</p> <p>The proposal is to undertake a whole service redesign in order to reflect the development of the Council's IT and Digital strategy</p>	141	141	141	141	
<p>Gateway Process / Service review: Customer Services/Revs &amp; Bens</p> <p>The Team provide first line customer service support and administer Council tax payments and benefits and business rates</p> <p>The proposal is to undertake a redesign of how the Council</p>	291	291	291	291	

**Draft Medium Term Financial Strategy (MTFS) and General Fund Budget 2024-25**

deals with customer enquiries and support and provide a better digital (online) service based on customer needs.					
Debt Management Expenses	250	250	250	250	Savings arising from suspension of Investment Programme on grounds of affordability.
<b>Totals</b>	<b>3,914</b>	<b>3,914</b>	<b>3,914</b>	<b>3,914</b>	

## Draft Medium Term Financial Strategy (MTFS) and General Fund Budget 2024-25

### MTFS FFTF Savings 3B

Source	Amount 2024/25 £'000	Amount 2025/26 £'000	Amount 2026/27 £'000	Amount 2027/28 £'000	Comments
Leisure Services Savings: (This specifically relates to the Leisure Partnership Agreement. For clarity this includes Pool in the Park, Woking Leisure Centre, Sportsbox, Eastwood Leisure Centre and our Sports Pavilions)	900	900	900	900	Savings delivered through removal of Council subsidy, phased closure of Pool in the Park and a move towards a self-funding principle of delivery.
Forensic Review of Council Budgets (Gateway Outcomes)	750	750	750	750	Work is underway to methodically review all Council budgets (supplies and services) to reduce spend. This work is informed by service option assessments as part of the Gateway Review Process.
Organisational Restructure To undertake a review of leadership and roles in the organisation.	0	0	250	250	As part of the move to a 'smaller organisation' that focuses on core services there will be a further need to streamline management and decision making arrangements
Property Services Savings: CCTV Contract Review	72	72	72	72	Saving resulting from reviewing the CCTV maintenance arrangements and moving to a semi-comprehensive contract.
Source	Amount 2024/25 £'000	Amount 2025/26 £'000	Amount 2026/27 £'000	Amount 2027/28 £'000	Comments
Property Services Savings: CCTV Infrastructure Review	40	40	40	40	Delivery of efficiency measures in CCTV operations, including a review of the number and location of cameras.
Property Services Savings: FM Efficiencies	100	100	100	100	Reprovision the Facilities Management contract for the Council's operational properties.
Property Services Savings: Removal of Public Conveniences	203	203	203	203	The savings resulting from the removal of 12 public conveniences across the borough.

**Draft Medium Term Financial Strategy (MTFS) and General Fund Budget 2024-25**

Property Services Savings: Removal of Vacant Posts	174	174	174	174	Savings based around services changes and associated structure redesign.
Property Services Savings: Civic Offices Savings	250	250	250	250	A series of operation changes to deliver savings in the running of the Civic Offices.
Grounds Maintenance Contract – Retender	0	1,250	1,250	1,250	The Grounds Maintenance Contract is due for renewal in 2025/26. The scope of the contract will be reviewed as part of the tender process to deliver savings.
<b>Totals</b>	<b>2,489</b>	<b>3,739</b>	<b>3,989</b>	<b>3,989</b>	

**MTFS FTF Savings 3C**

Source	Amount 2024/25 £'000	Amount 2025/26 £'000	Amount 2026/27 £'000	Amount 2027/28 £'000	Comments
Neighbourhood Services - In-Year	Research underway through Autumn 2023	1,000	1,000	1,000	Discussions are underway with the Neighbourhood Services to identify in-year contract savings.
Micro-Slice Budgets	35	35	35	35	A small adjustment from all budgets within the Council be set aside to establish a small General Reserve. This is funded by taking 0.001 % of every budget in the Council.
Procurement (tail spend) and Contract Savings	200	400	0	0	These savings will be achieved through a review of off-contract spend throughout the Council and implementing cost controls and supplier contracts were beneficial.
Asset/Commercial Rationalisation Exercise	Research underway through Autumn 2023	Research underway through Autumn 2023	Research underway through Autumn 2023	Research underway through Autumn 2023	Savings arising from a full review of Council assets and implementation of an asset disposal / commercial strategy. OR Interim Property Asset Review Approach
Closure of Civic Offices / Move to Smaller Premises	Research underway through Autumn 2023	Research underway through Autumn 2023	Research underway through Autumn 2023	Research underway through Autumn 2023	The relocation and consolidation of Council operations to smaller premises to deliver value for money. Disposal strategy will follow in due-course.
Lease surrender receipts	1,900	1,900	1,900	1,900	Revenue receipts from a former lessee following early surrender of lease
Increase in Commercial Rents	0	0	700	800	This reflects current and expected market operations
Increase in Fees and Charges Beyond 20/10%	Research underway through Autumn 2023	Research underway through Autumn 2023	Research underway through Autumn 2023	Research underway through Autumn 2023	Income achieved through price increases as part of the fees and charges process to ensure that services are self-sustainable.

## Draft Medium Term Financial Strategy (MTFS) and General Fund Budget 2024-25

Shared Services Efficiencies	0	30	30	30	Savings delivered through sharing services with other authorities and partner organisations.
<b>Totals</b>	<b>2,135</b>	<b>3,365</b>	<b>3,665</b>	<b>3,765</b>	

### **Total Proposed Saving: Collection**

Source	Amount 2024/25 £'m	Amount 2025/26 £'m	Amount 2026/27 £'m	Amount 2027/28 £'m
<b>MTFS FFTF Savings 3A</b>	<b>3.914</b>	<b>3.914</b>	<b>3.914</b>	<b>3.914</b>
<b>MTFS FFTF Savings 3B</b>	<b>2.489</b>	<b>3.739</b>	<b>3.989</b>	<b>3.989</b>
<b>MTFS FFTF Savings 3C</b>	<b>2.135</b>	<b>3.365</b>	<b>3.665</b>	<b>3.765</b>
<b>Total</b>	<b>8.538</b>	<b>11.018</b>	<b>11.568</b>	<b>11.668</b>





OVERVIEW AND SCRUTINY COMMITTEE – 11 DECEMBER 2023

## DRAFT HOUSING REVENUE ACCOUNT BUDGET UPDATE 2024-25

### Executive Summary

Attached at Appendix 1 is the Draft Housing Revenue Account Budget Update 2024-25 as included on the agenda of the Executive meeting 14 December 2023.

### Recommendations

The Committee is requested to:

**RESOLVE** That the report be noted.

The Committee has the authority to determine the recommendation(s) set out above.

**Background Papers:** None.

**Reporting Person:** Louise Strongitharm, Strategic Director - Communities  
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**Date Published:** 7 December 2023



## DRAFT HOUSING REVENUE ACCOUNT BUDGET UPDATE 2024-25

### Executive Summary

This report sets out the current position in preparing the draft Housing Revenue Account (HRA) budgets for 2024/25, prior to the final report to Council in February 2024.

Under the Government's current rent setting regime, social rents should increase by up to CPI+1% each year. The budgeted rents have been prepared on this basis and rents have been increased by 7.7% (based on September CPI of 6.7%).

The report also proposes that a consultation commences on the proposed closure of the Brockhill Extra Care Housing scheme. Brockhill requires significant capital expenditure on fire safety remedial works and a full heating system replacement. The anticipated total capital expenditure required on Brockhill over the next 10 years is forecast to be circa £5.8 million. In addition, whilst Brockhill is a much valued and loved facility by residents, the design and layout of the building does not meet the current expectations for extra care housing as set out in Surrey County Council's Accommodation with Care and Support Strategy and national best practice. This level of capital investment is considered unviable for a building of this age and size. Subject to the consultation, officers will work with residents to identify alternative accommodation based on their individual assessed needs and their preferences and support them through the moving process.

There are still a number of uncertainties remaining, including future capital financing requirements and the Government's rent setting approach, that will influence the final budgets. However, early indications are that the HRA will be in balance next year with an estimated surplus of circa £1 million that could be invested back into much needed capital improvements to HRA stock. This would be an important step towards the longer term stability of the HRA.

### Recommendations

The Executive is requested to:

#### RESOLVE That

- (i) progress in preparing the draft Housing Revenue Account budgets for 2024/25 be noted;
- (ii) Managers, Corporate Leadership Team and Portfolio Holders continue detailed budget preparation for consideration by the Executive in February 2024; and
- (iii) the Council commences consultation with residents, their families and other stakeholders on the proposed closure of Brockhill Extra Care Housing scheme.

### Reasons for Decision

Reason: Consideration of these proposals will enable the preparation of the Council's Housing Revenue Account budgets for 2024/25 to proceed.

The Executive has the authority to determine the recommendation(s) set out above.

## Draft Housing Revenue Account Budget Update 2024-25

**Background Papers:** None.

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**Date Published:** 6 December 2023

### 1.0 Introduction

- 1.1 This paper sets out the progress made to date in preparing the Council's draft Housing Revenue Account (HRA) budgets for 2024/25.
- 1.2 Explanations of the changes and pressures within the different elements of the budget are set out in the sections below.
- 1.3 Further to the HRA Recovery Plan report to Council in July 2023, early indications are that the HRA will be in balance next year with an estimated surplus of circa £1 million that could be invested back into much needed capital improvements to HRA stock. This would be an important step towards the longer term stability of the HRA.

### 2.0 Forecast Outturn

- 2.1 Adjustments to the revised estimates for 2023/24 have been made to reflect variations identified during the year to date.
- 2.2 The Quarter 2 Budget monitoring for 2023/24 showed a forecast increase in the HRA deficit for the year, from a budgeted £1,336,000 deficit to a forecast £2,306,000 deficit, a worsening in the deficit (overspend) of £970,000.
- 2.3 Work is almost complete reviewing the charges being made to the HRA for staffing, support services and other costs to ensure that they are fair and reasonable for last year, this year and moving forward. The work to date is highlighting an overcharge to the HRA for staffing and support services which will need rectifying in 2023/24.
- 2.4 However, with the anticipated adjustment to the central recharges to the HRA, the forecast HRA outturn for 2023/24 is expected to be close to the budgeted deficit of £1.3 million.

### 3.0 Approach to Budget Setting 2024/25

#### Assumptions

- 3.1 The draft budgets covered in this paper do not reflect any additional borrowing that may be required to support next year's Investment Programme and in particular the Housing Annual Maintenance Plan.
- 3.2 During the course of 2023/24, a review of recharge allocations has been undertaken to ensure that they are fair and reasonable to the HRA. The assumptions for 2024/25 includes these adjusted recharge assumptions. The allocation will be reviewed for the final budget to ensure the apportionment reflects the current structure. Inflation in staff costs have not been considered while preparing the draft budgets.
- 3.3 Housing and Finance will be updating the 30-year HRA Business Plan as part of the budget setting process. This will involve a review of the current year assumptions on income and expenditure, the development of MTFS budgets using the latest CPI inflation rate, stock condition survey data and latest contractual agreements. This will also involve the development of growth and savings assumptions for updating revenue and capital expenditure budgets for the 30-year period. The exercise will involve completing scenario planning and stress testing of all options considered.

### 4.0 Rents and Other Charges

- 4.1 The rent increase is based on current CPI+1% limit on annual rent increases in line with the Government Rent Standard. The budgeted rents have been prepared on this basis and rents have been increased by 7.7% (based on September CPI of 6.7%).

## Draft Housing Revenue Account Budget Update 2024-25

- 4.2 It should be noted that in light of the cost of living crisis and high inflation rate, the Government imposed a ceiling on rent increases of 7% from 1 April 2023 to 31 March 2024. No announcements have been made on the Government's intended approach to rent setting for 2024/25, but there remains a risk that rent increases may be capped again next year.
- 4.3 In 2024/25, there are fifty-three rent weeks, the extra one week will generate additional rent in the region of £347,000.
- 4.4 Total rental income is forecast to increase by circa £1.6 million in 2024/25 to circa £20,343,000.

### Recovery of Charges

- 4.5 Service charges, including energy charges, are based on the cost of the service being provided. The Section 151 Officer has delegated authority to vary service charges in line with external factors.
- 4.6 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.
- 4.7 The assumption is that any housing-related support charges cover the cost of this service. A number of these were considered in the Fees and Charges report to Council in November 2023.

### Implementation Date

- 4.8 The new rents will be applied from the first Monday in April (i.e. 1 April 2024).

## **5.0 Prudential Borrowing**

- 5.1 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 is £5,612,000 in 2024/25.
- 5.3 The 2024/25 Draft Budget makes no allowance for repayment of the debt taken on for Self-Financing or for the repayment of the borrowing relating to any new build developments or acquisitions completed up to 2023/24. The borrowing relates to long life assets which are fully maintained.
- 5.4 Work is ongoing to understand the required capital budgets for the Council's Housing Annual Maintenance Plan in 2024/25 given the known issues regarding the poor state of our existing housing stock. This may require additional HRA borrowing, which is not currently factored in to the draft HRA budget for 2024/25.

## **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.

### HRA New Build Developments

- 6.2 The draft HRA budget assumes there are no HRA new build developments during 2024/25.

### Repairs, Maintenance, and Management and Contractual Inflation

- 6.3 Housing Services were brought in house from 1 April 2022. The Council has recently commenced a new contract for the provision of gas servicing and repairs and is currently procuring a new responsive repairs contractor to commence 28 March 2024. Therefore, the cost forecasts for 2024/25 are based on assumptions.
- 6.4 The total budget for repairs and compliance for 2024/25 is forecast at £3,823,000.

### Major Repairs Contribution

- 6.5 As per the 1 April 2017 Item 8 Determination, depreciation is to be charged to the HRA with effect from 1 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 31 March 2023 asset value, the depreciation amount is estimated to be £4,196,000 in 2024/25. The depreciation will contribute towards the Annual Maintenance Plan for 2024-25, including capitalised staff costs.

### Sheerwater Regeneration

- 6.6 Under the Sheerwater Regeneration project, approximately 426 HRA dwellings were due to be demolished. This placed considerable pressure on the HRA due to the loss of income and ongoing costs of maintaining empty homes.
- 6.7 In October 2023, the Council agreed to retain and refurbish circa 100 HRA homes. These will generate extra income of around £650,000 to the HRA once they are all occupied. As the timescales for bringing homes back into use are still unknown, rental income for 2024/25 assumes that occupancy will remain at 56 for 2024/25.

### Reserves and Balances

- 6.8 With the adjustments to previous budgets for recharges, the balance on the HIP Reserve is forecast to be £830,000 on 31 March 2024 and £1,940,000 on 31 March 2025. Rebuilding reserves is an important step towards the longer term stability of the HRA.

## **7.0 Brockhill Extra Care**

- 7.1 Brockhill Extra Care Housing is a purpose-built two-storey scheme, constructed during the late 1980s. The scheme provides 48 extra care apartments over 2 floors, along with a communal lounge, dining room, kitchen and reception/staff/office areas. The Council provides a dedicated support team at Brockhill, whilst Surrey County Council commissions a care provider to provide individual care packages to residents who need it. The scheme is very popular with older residents in the Borough for its homely setting and operates with a waiting list.
- 7.2 Over the years, the structure of the building appears to have had limited investment with only minor investment internally. As a result of its age and lack of ongoing investment, the building needs major capital works over the next 2 years and beyond.
- 7.3 The communal boiler serving the scheme failed last December causing considerable inconvenience and discomfort to residents and staff. The communal boiler was found to be beyond repair. Furthermore, the heating infrastructure throughout the building is aged and in poor condition and the whole heating system requires upgrading and renewing. The scheme is currently being served by a temporary boiler, which is not a long-term solution.

- 7.4 In February 2023, the Council received an updated Fire Risk Assessment for the building that identified that significant improvements were needed, including replacing fire doors and frames and compartmentation works. The combination of the building defects and the vulnerability of the residents means there are high risks around the fire safety of the scheme. In order to mitigate these risks, the Council has implemented a number of interim measures, including introducing a Waking Watch, switching from a Stay Put to an Evacuation Policy, freezing new lettings and upgrading the fire detection system. Where possible, the Council has sought to relocate residents from the first floor to the ground floor to aid evacuation. As a result of the decision to freeze any new lettings, the occupancy level at Brockhill has dropped to 68%.
- 7.5 The urgent heating upgrade and Fire Safety Works have been tendered with the combined cost being circa £2.75 million over the next year. The building is expected to require other planned works over the next 5 years, forecast at a further circa £600,000.
- 7.6 Many other building elements are original and are deteriorating consistent with their anticipated lifecycle expectancy. Over the next 5 -10 years, building components, such as, rainwater fittings, roofing, external joinery, paths/hardstanding, common electrical elements, and floor coverings, are expected to need investment. The anticipated total capital expenditure required on Brockhill over the next 10 years is forecast to be circa £5.8 million, including design and professional fees, inflation, preliminaries and contingency.
- 7.7 In July 2019, Surrey County Council (SCC) approved an Accommodation with Care and Support Strategy and committed to a major programme within the strategy to deliver 725 units of affordable Extra Care Housing for older people by 2030. Any decision around Brockhill will have implications for the delivery of this strategy, along with potentially placing additional cost pressures on adult social care budgets. Accordingly, the Council initiated discussions with officers at SCC in the summer regarding the future of Brockhill, which included a site inspection.
- 7.8 The engagement with SCC officers has been productive and positive, including validating the extent of the capital works required at Brockhill. In addition, whilst Brockhill is a much valued and loved facility by residents, the discussions concluded that the design and layout of the building does not meet the current expectations for extra care housing as set out in SCC's strategy and national best practice.
- 7.9 Sadly, all of the discussions and investigations point to the conclusion that the building is becoming obsolete with the level of capital investment required over the next 10 years being unviable (in the context of the age and size of the scheme).
- 7.10 This report seeks approval to commence consultation on the proposed closure of Brockhill. Under Section 105 of the Housing Act 1985 the Council has a legal obligation to consult its secure tenants on 'matters of housing management' such as changes to the management, maintenance, improvement or demolition of houses let by them, or changes in the provision of amenities. Given the current building condition and the associated risks, it is proposed that the consultation commences as soon as possible and runs for a minimum of 30 days.
- 7.11 The Council acknowledges that this will be difficult and upsetting for people living and working Brockhill, as well as the families of residents living there. However, this consultation is necessary because of the issues with the building, which is no longer fit for purpose. If closure is agreed, the identification of alternative accommodation for individuals currently living at Brockhill would be based on their individual assessed needs and their preferences. This will be done in close dialogue with colleagues in SCC Adult Social Care.
- 7.12 We have already begun moving some residents, who in the event of a fire, could not evacuate safely without assistance, as it is becoming apparent that Brockhill is no longer a safe and suitable place for residents to live.



## **8.0 Conclusion**

- 8.1 As detailed in the report, it is estimated that the Council will be able to set a balanced HRA budget for 2024/25 with an estimated amount in the region of £1 million being transferred from the HRA into reserves. This could be invested back into much needed capital improvements to HRA stock and is an important step towards the longer term stability of the HRA.
- 8.2 There are still a number of uncertainties remaining, including future capital financing requirements and the Government's rent setting approach, that will influence the final budgets.
- 8.3 The next steps required to set the 2024/25 HRA budget include:
- Continuing to refine the budget assumptions, particularly around the capital programme funding requirements.
  - Monitoring Government announcements in terms of rent setting.
  - Commissioning the 30-year HRA Business Plan.
  - Completing the procurement for a new repairs contractor and making any adjustments to budget assumptions.

## **9.0 Corporate Strategy**

- 9.1 The report sets out the draft budgets for managing and maintaining the Council's housing stock during 2024/25. Provision of housing is a key priority within the Council's Corporate Plan.

## **10.0 Implications**

### Finance and Risk

- 10.1 The financial implications are explicit in the report.
- 10.2 Specific risks have also been set out in the report.

### Equalities and Human Resources

- 10.3 An Equalities Impact Assessment will be completed prior to any decisions being taken on the future of Brockhill.

### Legal

- 10.4 None identified at this time.

## **11.0 Engagement and Consultation**

- 11.1 Under Section 105 of the Housing Act 1985 the Council has a legal obligation to consult its secure tenants on 'matters of housing management' such as changes to the management, maintenance, improvement or demolition of houses let by them, or changes in the provision of amenities.
- 11.2 It is proposed that a consultation commences as soon as possible on the future of Brockhill and runs for a minimum of 30 days.

REPORT ENDS

