

OVERVIEW AND SCRUTINY COMMITTEE – 29 JANUARY 2024

## CAPITAL PROGRAMME 2023-24 TO 2027-28

### Executive Summary

Attached is the Capital Programme 2023-24 to 2027-2028 along with appendices as included on the agenda of the Executive meeting 1 February 2024.

### 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.
<b>Reporting Person:</b>	Eugene Walker, Interim Finance Director & Section 151 Officer Email: eugene.walker@woking.gov.uk, Extn: 3070
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<b>Date Published:</b>	25 January 2024



## CAPITAL PROGRAMME 2023-24 TO 2027-28

### Executive Summary

The Capital Programme sets out the investments required to deliver the Council's key strategies and objectives. This was formerly known as the Investment Programme as it included revenue projects funded from reserves. The option of reserves funding is not currently available, and any transformation projects will have to be funded by the use of capital receipts, as agreed by Government. All revenue expenditure will now therefore be captured in the base revenue service budgets.

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

As discussed in the Section 114 Notice issued in June 2023, the Council's previous Capital and Investment strategies have resulted in unaffordable borrowing, inadequate steps to repay that borrowing, and high values of irrecoverable loan investments. The Capital Programme has therefore been largely suspended with provisions only for items such as urgent health and safety and regulatory works, Housing Asset Management Programmes funded by the Housing Revenue Account, and payments only being made to companies and joint ventures to cover business cases agreed with the Commissioners\DLUHC. As detailed in this report, only projects complying with the Council's capital principles have been included in the Capital Programme.

The Council's Improvement and Recovery Programme is ongoing and Officers continue to work constructively with the Department of Levelling Up Housing and Communities (DLUHC) in their review of the Council's borrowing.

The above factors have been key considerations in the preparation and review of the 2024/25 Capital Programme.

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

### Recommendations

The Executive is requested to:

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

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

### Reasons for Decision

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

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

**Background Papers:** None.

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**Date Published:** 24 January 2024

## **1.0 Introduction**

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

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

- 2.1 The Section 114 Notice issued in June 2023, stated that the Council's previous Capital and Investment strategies have resulted in unaffordable borrowing, inadequate steps to repay that borrowing, and high values of irrecoverable loan investments. The General Fund Budget Report elsewhere on the agenda provides an update on the Council's financial position. Due to the issues detailed in the s114 Notice and the budget report, the Capital Programme has been largely suspended with provisions only for items meeting the Capital Principles outlined below.
- 2.2 In July 2023 the following Capital Planning Principles were adopted by Council for the General Fund Capital Programme year 2024/25 and the period of this MTFS. Proposals that do not fall within these 'Capital Principles' will not be included within the Capital Programme.
  - Items of programming that relate to essential health and safety works and deliver compliance to the regulations within in the Council's property estate.
  - Essential investment in Information & Communications Technology to ensure that the Council has fit for purpose and secure tools and infrastructure to support operations generally where there is a suitable business case to support such investment.
  - Items where - following support from Government and from Commissioners - specific resources are provided to the Council by Government to complete or partially complete certain specified schemes that were already in delivery by the various companies owned by the Council when the Section 114 Notice was issued.
  - Any schemes that can be shown to be wholly funded from external resources without implying additional cost burdens for the Council.
  - Where proposals are estimated to return a measurable revenue saving; for example, leasing of the Council's commercial property portfolio which may require modest upfront capital investment and which then return a beneficial income stream to the revenue budget.
  - In addition, proposals funded by the Housing Revenue Account will be developed alongside these General Fund principles with the aim of supporting a sustainable HRA 30 year business plan.
- 2.3 The attached programme has been collated on this basis including only expenditure meeting the above principles. If a project is externally funded consideration needs to be given as to whether the project will generate additional maintenance costs in the future.
- 2.4 Officers are also continuing to work constructively with the Department of Levelling Up Housing and Communities (DLUHC) in their review of the Council's borrowing.
- 2.5 This report was formerly known as the Investment Programme as it included revenue projects funded from reserves. The option of reserves funding is not currently available and therefore all revenue projects have been incorporated into the service revenue budget reports and not part of this programme from 2024/25 onwards. The 2023/24 expenditure on the programme does include some revenue items as this reflects the approach taken when the 2023/24 budgets were set in February 2023.

### 3.0 Overview of the Capital Programme

- 3.1 The Capital Programme lists all the Council’s projects, the summary costs of which are shown in total in Appendix 1 and in more detail in Appendices 3 and 4.
- 3.2 For each project a proposed source of funding is identified (for example capital receipts, grant, development contributions, or borrowing). Actual funding decisions will be taken at the end of the year to optimise use of resources. The Capital Programme in itself is not a source of funding; it is the list of projects together with a summary of the implications on the resources available. Projects also need to go through the project approval process.
- 3.3 The following appendices are attached to this report:

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

### 4.0 General Fund Capital Programme

- 4.1 The current and committed project details are set out in Appendix 4.
- 4.2 Where external funding is expected towards the cost of a project this is indicated against each project in the programme. If the external funding is specific to a project, or type of project, those external resources cannot be made available to fund other Capital Programme projects.

### 5.0 Housing Capital Programme

- 5.1 The total Asset Management Plan budget for investment in the Council’s housing stock is usually funded by a depreciation contribution to the Major Repairs Reserve which is the value of depreciation charged on Council Dwellings. This contribution is estimated to be £4,272,000 in 2024/25. As detailed in the paragraphs below, and the Housing Revenue Account (HRA) budget report elsewhere on the agenda, significantly more capital expenditure is required in order to ensure the HRA meets its statutory obligations.
- 5.2 The breakdown of the Woking Borough Council Homes Section of the Housing Capital Programme (Appendix 3) is illustrative, and priorities will be agreed during the year. The Asset Management Plan is based on stock condition surveys which will be reviewed to develop the Asset Management Strategy through the financial year and ensuring the most urgent catch up works are prioritised.
- 5.3 The Mandatory Disabled Facilities Grants (DFG) item on the Housing Capital Programme is funded by a £1,338,000 grant provided as part of the Department of Health’s Better Care Fund. This funding level has been confirmed up until 2025/26. There is no provision in the capital programme for the Council to provide additional discretionary grants.

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

### Sheerwater Refurbishments

- 5.8 Following the issue of the S114 notice, the Council agreed that the existing Development Agreement between the Council and ThamesWey for the delivery of the Sheerwater regeneration project be brought to an end and no new phases would commence following those currently under construction. In October 2023, it was agreed that the Council would retain and progress the refurbishment of around 100 homes within the Housing Revenue Account (HRA), which is forecast to generate additional net income to the HRA of circa £650,000 per annum. The cost of these refurbishments is estimated at £2.9 million and this will need to be met from capital receipts from disposal of empty HRA homes within the Sheerwater regeneration area.

### Provision of New Housing

- 5.9 Local Authorities can retain an element of Right to Buy receipts locally to be used on one for one replacement housing. Currently these receipts can be used to fund up to 40% of the cost of the replacement housing and must be used within 5 years or passed to the Government. These funds have all been committed to new affordable housing schemes in recent years. Due to the position of both the General Fund and the HRA consideration needs to be given on whether these receipts should be retained going forward.

### Sheerwater Regeneration

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

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

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

## **6.0 Priorities**

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

- schemes that are essential to comply with Health and Safety or security obligations;
- schemes that are essential to enable the Council to carry on its business with economy, efficiency and effectiveness, including electronic service delivery;
- schemes that are for essential maintenance of assets;
- schemes that enable the Council to further the objectives of the Corporate Strategy;
- schemes that secure or enhance the income base; and
- schemes that secure reductions in the cost base.

## **7.0 Reporting of Project Progress**

7.1 The Executive receives a quarterly report of progress on projects. The report focuses on active projects and shows the project progress and assesses overall project risk as well as the total cost of projects (including costs incurred in previous years).

7.2 When a project is planned, a project mandate is prepared and these mandates are used to update the Capital Programme. Spending should only commence on a project once it has been through an authorisation process and the budget released.

7.3 Further detail on active projects is reported to the Executive through the project monitoring process.

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

8.1 The Capital Programme includes the following new schemes which have been added since the Investment Programme was approved in February 2023. The items added to the programme are indicated below and further details can be found in Appendices 3 and 4.

- Play Area Works (Funded by UKSPF Grant\Borrowing )
- Parks and Other Green Space Works (UKSPG Grant Funded)
- West Byfleet Recreation Ground tennis courts
- Pool in the Park Urgent and Essential Works



Project Updates

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

ICT Capital Programme

- 8.3 ICT Capital Spend requirement; To ensure that Woking has a robust, resilient, and flexible core technology foundation we require investment in our wide area network and internet, Wi-Fi offering, virtual server estate, data storage, security, and backup solutions. In addition, ongoing and improved functionality within Finance and Housing requires two major application upgrades, and moving our cash receipting software to a hosted solution ensures ongoing PCIDSS (payment card industry data security standard) compliance.
- 8.4 Channel shift return on investment; This is a proposal to invest £700k in Customer Relationship management; telephony and contact centre; and web publishing and forms infrastructure over the coming two years. Around 50% is core infrastructural investment (maintaining a secure website, basic online services, maintaining phone lines). Around 50% (£350k) is related to 'channel shift' efforts – upgrading from the minimum technical provision, to supporting better, cheaper services. The modelling show that this additional £350k investment will result in returns of £350k in year three from the revenue budget. The main source of savings will occur through the reduction of staffing. Primarily through greater self serve by residents and customers, and greater efficiencies in back office processes. A further report on the Channel Shift Project will be received by the Executive at its meeting on 21 March 2024.

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

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

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

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

Housing Infrastructure Fund (HIF)

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

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

- 8.10 The AMP complies with the capital principles outlined above and only includes essential works. The s114 notice issued in 2023 referred to the repairs and maintenance budgets being insufficient to maintain the Council's property portfolio. Catch up works are required to ensure the Council's properties are maintained to an acceptable standard. £20m over the Medium Term Financial Plan (MTFP) period (at £5m p.a. from 2024/25) has been added to the capital programme for these additional works. Stock Condition surveys will need to be carried to establish the full scope of works required and the estimated cost.
- 8.11 The 2023/24 AMP budget has been held at £1m while these stock condition surveys are scheduled. Any slippage due to under spends in previous years has not been brought forward.
- 8.12 The General Fund 2024/25 Budget assumes that the Pool in the Park will remain open and the Pool in the Park budgets are based on a Options Appraisal that will be recommended to Council on 8<sup>th</sup> February. A stock condition survey was carried out to inform the Options Appraisal and identified £2,593,000 in capital repairs and maintenance costs. These costs have been included in the Capital Programme over the MTFP period.

### Purchase of Winston Lodge

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

### Group Loan Facilities

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

### Playgrounds Improvements

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

### Parks and Other Green Space Works

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

Tennis Courts

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

Westfield Avenue Compound & Egley Road

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

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

- 8.19 External support will continue to be required to help achieve savings and drive transformation under the Improvement and Recovery Programme (formerly known as the Fit for the Future Programme). This expenditure will be revenue and not capital. Usually revenue expenditure cannot be financed by capital resources such as borrowing or capital receipts.
- 8.20 On 6 February 2018 the Secretary of State issued a direction under Section 16(2)(b) of the Local Government Act 2003 and guidance under section 15(1)(a) of the Local Government Act 2003 to allow local authorities to spend capital receipts on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs/produce savings. The Improvement and Recovery Programme fits this criteria and therefore this item is financed by capital receipts on the Capital Programme.
- 8.21 The Council has a capital receipt available through the sale of Cleary Court, agreed during 2022/23. This receipt has been earmarked to be used to fund the Improvement and Recovery Programme.
- 8.22 The detailed proposals of the Improvement and Recovery Programme were set out in the March Medium Term Financial Strategy (MTFS) paper. On the 30<sup>th</sup> March 2023 the Council resolved that approval of the proposed Flexible Use of Capital Receipts in 2023/24 and submission of a plan to DLUHC be delegated to the Strategic Director – Corporate Resources, in consultation with the Finance Portfolio Holder. This plan was submitted to DLUHC in April 2023. The amount in the Capital Programme is the updated estimated expenditure under the scheme.

River Wey Flood Prevention

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

## **9.0 Schemes in excess of £1m**

9.1 In accordance with the Notice of Motion agreed by Council on 12 July 2007 the following schemes have costs exceeding £1m, not all of which have been contractually committed:

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

9.2 Other items in excess of £1 million include the Asset Management Plan, ICT Programme and Housing Repairs and Improvements programme which are each made up of a number of projects which vary in size.

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

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

## **10.0 Schemes Removed**

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

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

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

11.1 Due to the financial position of the Council there is very limited scope in what schemes it can deliver. Where possible schemes have been suspended and only items complying with the Council's capital principles have been included.

## 12.0 Release of funding

12.1 The Council's Capital Strategy sets out the arrangements for managing the initiation and approval of projects and includes a delegated arrangement for the Executive to agree new schemes which fall within the following parameters:

"Where the scheme is a new scheme the proposal will be scheduled for consideration by the Executive. The Executive will be granted delegated authority to agree schemes which can be contained within the following parameters set by the Council:

- the capital cost of each individual project does not exceed £5m;
- the aggregate capital cost of schemes approved by the Executive under this delegation does not exceed £10 million in any one financial year; and
- the cost can be contained within the authorised borrowing limits.

The setting of the Authorised and Operational borrowing limits is reserved to the Council. Where the scheme is expected to be outside of the above parameters the scheme will need the approval of the Council."

12.2 The use of this delegated authority is reported in the Financial Monitoring Reporting (formerly known as the Green Book).

## 13.0 Implications

### Finance and Risk

13.1 The financial implications of the Capital Programmes have been incorporated in the draft General Fund and Housing Revenue Account estimates. The Prudential Borrowing implications have been built into the Treasury Management Estimates.

13.2 Later phases of the General Fund programme, and the progression of any projects being developed, rely on the identification and receipt of other new resources to enable projects to proceed.

13.3 The project management arrangements provide for risk analysis as part of the improved control of Capital Programme projects; this seeks to minimise and manage risk.

### Equalities and Human Resources

13.4 The Council has some core resources to manage the Capital Programme but relies upon third party consultants to implement a number of its major projects. This is considered the most cost effective way of managing a varied programme. Greater corporate capacity is being developed through the Shareholder Advisory Group (SAG) and the Fit for the Future programme resource.

### Sustainability

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

### Legal

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

**14.0 Engagement and Consultation**

14.1 No general public consultations have been undertaken in connection with this report. The Capital Programme has been reviewed by Managers, Corporate Leadership Team and Portfolio Holders.

REPORT ENDS

**CAPITAL PROGRAMME SUMMARY  
2023/24 - 2027/28**

**APPENDIX 1**

	APPENDIX & PAGE REFERENCE	PLANNED EXPENDITURE				
		23/24	24/25	25/26	26/27	27/28
		£'000	£'000	£'000	£'000	£'000
<b>General Fund</b>	Appendix 4	33,866	8,774	6,465	5,574	5,534
<b>Housing Capital Programme</b>	Appendix 3	60,905	44,221	19,887	18,173	5,534
<b>Total Capital Programme</b>		94,771	52,995	26,352	23,747	11,068





**CAPITAL PROGRAMME SUMMARY  
2023/24 - 2027/28**

**APPENDIX 2**

	FINANCING SUMMARY																TOTAL
	CHARGE TO GEN. FUND (Revenue) £'000	BORROWING			HOUSING GENERAL				RESERVES					GRANTS & PFI			
		GENERAL FUND £'000	HRA £'000	TO FUND EXTERNAL LOANS £'000	REGIONAL BOARD £'000	CAPITAL RECEIPTS £'000	GENERAL CAPITAL RECEIPTS £'000	CAPITAL RECEIPTS £'000	IT RESERVE £'000	HIP RESERVE £'000	GENERAL RESERVE £'000	MAJOR REPAIRS £'000	SECTION 106 £'000	COMMUNITY FUND £'000	CONTRIBS £'000	PF £'000	
<b>2023/2024</b>	48	3,200	0	80,050	0	0	0	2,370	0	348	385	3,956	2,694	51	1,669	0	94,771
<b>2024/2025</b>	0	6,848	2,434	24,598	0	0	0	12,728	0	0	0	4,196	482	0	1,709	0	52,995
<b>2025/2026</b>	0	6,415	12,639	264	0	1,450	0	1,450	0	0	0	4,196	50	0	1,338		26,352
<b>2026/2027</b>	0	5,524	12,639	0	0	0	0	0	0	0	0	4,196	50	0	1,338		23,747
<b>2027/2028</b>	0	5,484	0	0	3,406	0	0	0	0	0	0	790	50	0	1,338		11,068



**HOUSING CAPITAL PROGRAMME  
2023/24 - 2027/28**

**APPENDIX 3**

DETAILS OF PROJECT	Expenditure £'000					Total	Financing £'000		
	23/24	24/25	25/26	26/27	27/28		Borrowing	Contribution Grant	Revenue
	£'000	£'000	£'000	£'000	£'000			Other	
<b>Sheerwater Implementation Costs</b>									
<u>Capital Expenditure Funded By WBC Borrowing:</u>									
Sheerwater Regeneration - Loan to TDL (During Construction)	54,878	24,598	264			79,740	79,740	0	0
						0	0	0	0
<u>Project Management/Revenue Expenditure Originally Financed From The Sheerwater Regen Reserve:</u>						0	0	0	0
Sheerwater Regen Staff Costs	232					232	0	0	232
Removal Costs	18	0				18	0	0	18
Equalities Survey	18	0				18	0	0	18
Miscellaneous Costs Including Subsidy to the Doctor's Surgery & 3rd Party Legal Fees	117	0				117	0	0	117
						0	0	0	0
<u>Other Regeneration Expenditure/Additional Housing Purchases:</u>						0	0	0	0
Home Loss and Disturbance Payments	348	0				348	0	0	348
<b>Total</b>	<b>55,611</b>	<b>24,598</b>	<b>264</b>	<b>0</b>	<b>0</b>	<b>80,473</b>	<b>79,740</b>	<b>0</b>	<b>733</b>
<b>Regeneration &amp; Improvements</b>									
<b>Woking Borough Council Homes</b>									
<u>Council Homes AMP (Illustrative breakdown)</u>									
Communal Works	953	300	300	300	300	2,153	0	2,153	0
Lifecycle Dwelling Investment	1,204	5,280	5,280	5,280	1,874	18,918	10,218	8,700	0
Disabled Adaptations/Extensions	197	534	534	534	534	2,333	0	2,333	0
Works Arising From Cyclical Inspections	1,068	766	766	766	766	4,132	0	4,132	0
Capitalised Responsive Enhancements	44	304	304	304	304	1,260	0	1,260	0
Energy Reduction Programme	295	0	0	0	0	295	0	295	0
Development Projects	29	0	0	0	0	29	0	29	0
Fees & Consultancy	167	418	418	418	418	1,839	0	1,839	0
Statutory Inspections	0	0	0	0	0	0	0	0	0
Additional Capital Maintenance; Fire Safety Works, Major Projects, and Contingency		9,233	9,233	9,233		27,699	20,900	6,799	0
Sheerwater Void Refurbishments		1,450	1,450			2,900	0	2,900	0
<b>Sub Total - Woking Borough Council Homes</b>	<b>3,956</b>	<b>18,285</b>	<b>18,285</b>	<b>16,835</b>	<b>4,196</b>	<b>61,557</b>	<b>31,118</b>	<b>30,439</b>	<b>0</b>

**HOUSING CAPITAL PROGRAMME  
2023/24 - 2027/28**

**APPENDIX 3**

DETAILS OF PROJECT	Expenditure £'000						Total	Financing £'000		
	23/24	24/25	25/26	26/27	27/28	Borrowing		Contribution Grant	Revenue	
	£'000	£'000	£'000	£'000	£'000			Other		
<b>Private Sector Homes</b>										
Mandatory Grants										
Mandatory Disabled Facilities	1,338	1,338	1,338	1,338	1,338	6,690	0	6,690	0	
<b>Sub Total - Private Sector Homes</b>	<b>1,338</b>	<b>1,338</b>	<b>1,338</b>	<b>1,338</b>	<b>1,338</b>	<b>6,690</b>	<b>0</b>	<b>6,690</b>	<b>0</b>	
<b>Total Renovation &amp; Improvement</b>	<b>5,294</b>	<b>19,623</b>	<b>19,623</b>	<b>18,173</b>	<b>5,534</b>	<b>68,247</b>	<b>31,118</b>	<b>37,129</b>	<b>0</b>	
<b>TOTAL HOUSING CAPITAL PROGRAMME</b>	<b>60,905</b>	<b>44,221</b>	<b>19,887</b>	<b>18,173</b>	<b>5,534</b>	<b>148,720</b>	<b>110,858</b>	<b>37,129</b>	<b>733</b>	

**CAPITAL PROGRAMME 2023/24 - 2027/28  
GENERAL FUND PROJECTS**

PROJECT REFERENCE	DETAILS OF PROJECT	Expenditure £'000						Financing £'000		
		23/24	24/25	25/26	26/27	27/28	Total	Borrowing	Contribution Grant Other	Revenue
		£000	£000	£000	£000	£000	£000			
	<u>Group/External Loans and Share Capital</u>									
n/a	Victoria Square Phase 2 - Loan to Victoria Square Woking Ltd	25,172	0	0	0		25,172	25,172		
		25,172	0	0	0	0	25,172	25,172	0	0
	<u>Woking Borough Council</u>									
	<b>Place</b>									
n/a	Purchase of Winston Lodge (funded by borrowing)	512					512	512	0	0
20357	Local Development Framework and Local Plan (funded by revenue)	30	0				30	0	0	30
20343	Suitable Alternative Natural Green Space (SANG) Maintenance (S106 funded)	154	140	50	50	50	444	0	444	0
20226	HIF Victoria Arch and Integrated South Side Works (funded from grant \ CIL \ Interim Borrowing)	110	0				110	110	0	0
20229	Car Park Management System (funded by borrowing)	350					350	350	0	0
20280	Decarbonisation for Export House and Midas House (funded by Grant/Service Charges)	278					278	278	0	0
n/a	St Johns Lye Road Repairs (funded by revenue)	15					15	0	0	15
20327	Westfield Avenue Compound - Residential Planning Application (Funded by borrowing)	42					42	42	0	0
20319	Egley Road Development (Funded by Borrowing)	128					128	0	128	0
	Road Safety Audit works to complete the WITP project (funded by Borrowing)	50	258				308	308	0	0
20233	Play Area Works (Funded by UKSPF Grant\Borrowing )	148	180				328	153	175	0
10206	Parks and Other Green Space Works (UKSPG Grant Funded)		140				140	0	140	0
	<b>Communities</b>									
TMP15	Syrian Refugee Resettlement Programme combined with Ukraine Refugee Programme (funded by grant)	331	0	0	0		331	0	331	0
n/a	Eastwood Leisure Centre (funded by borrowing)		0	100			100	100	0	0
20264	Old Woking Community Centre Project (Woking College) (funded from grant/contribution)	2,540	270				2,810	0	2,810	0
20000	Sheerwater Social Support (funded by revenue)	3	0	0	0		3	0	0	3
20324	West Byfleet Recreation Ground Tennis courts (Grant Funded/Neighbourhood CIL)		128				128	0	128	0
20328	Pool in the Park Urgent and Essential Works (Funded by Borrowing)		1,164	1,000	372	57	2,593	2,593	0	0
N/A	Community Fund Committed Grant Awards (Linkable and New Life Church) (funded by Reserve\Revenue)	51					51	0	0	51
	<b>Corporate Resources</b>									
20321	Asset Management Plan (funded by borrowing)	1,000	3,836	4,000	4,628	4,943	18,407	18,407	0	0
Various	IT Programme (funded by borrowing)	435	1,510	1,240	449	409	4,043	4,043	0	0
20122	CCTV Infrastructure Upgrade and Formation of Town Centre Control Room (funded by borrowing/grant)	200					200	200	0	0
TMP23	Capitalised salary costs for projects (funded by borrowing)	75	75	75	75	75	375	375	0	0
20300	Improvement and Recovery Programme (formerly Fit for the Future External Support) (funded by capital receipts)	2,242	1,073				3,315	0	3,315	0
		8,694	8,774	6,465	5,574	5,534	35,041	27,471	7,471	99
	<b>Total</b>	<b>33,866</b>	<b>8,774</b>	<b>6,465</b>	<b>5,574</b>	<b>5,534</b>	<b>60,213</b>	<b>52,643</b>	<b>7,471</b>	<b>99</b>

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**CAPITAL PROGRAMME 2023/24 - 2027/28  
GENERAL FUND IT PROJECTS**

**APPENDIX 4a**

DETAILS OF PROJECT	23/24	24/25	25/26	26/27	27/28
	£000	£000	£000	£000	£000
<b>IT Programme</b>					
VMWare	25	25	25	30	30
Resilient Wifi	15	15	15	17	17
Pay 360 move to cloud	80	80	0	0	0
Finance application upgrade	0	150	150	0	0
Housing management and repairs upgrade	0	270	0	0	0
SAN / Server Replacement	0	110	500	50	50
WAN and Internet	0	70	70	70	80
Cyber security backup	0	15	15	17	17
Customer Services Rvs and Bens Case Management System (Civica)	0	50	50	50	0
Customer Relationship Management	0	150	100	0	0
Telephony and contact centre	40	100	50	0	0
Web publishing and Forms	0	200	100	50	50
SIEM (Security Information & Event Management) Implementation	20	10	0	0	0
SOC (Security Operations Centre) Implementation	20	10	0	0	0
PSN Replacement	20	0	0	0	0
Palo Alto Firewall Replacement	15	15	15	15	15
Exchange Hybrid Migration to Exchange Online	10	0	0	0	0
OneXafe Backup Solution	40	0	0	0	0
General Replacement	50	50	50	50	50
Alternative Premises Plan	0	90	0	0	0
Contingency	100	100	100	100	100
<b>Total</b>	<b>435</b>	<b>1,510</b>	<b>1,240</b>	<b>449</b>	<b>409</b>





**CAPITAL PROGRAMME - GLOSSARY OF TERMS**

<b>CAPITAL PROGRAMME</b>	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.
<b>CAPITAL EXPENDITURE</b>	Expenditure that has a benefit exceeding a year (as opposed to revenue expenditure where the benefit is used up in the year).
<b>FUNDS</b>	Money resources needed to finance the Capital 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.
<b>REVENUE IMPLICATIONS</b>	The ongoing costs such as maintenance and loan charges arising from capital investment.
<b>HOUSING CAPITAL PROGRAMME</b>	Planned spending on housing projects .
<b>GENERAL FUND CAPITAL PROGRAMME</b>	All other projects.
<b>CURRENT AND COMMITTED SCHEMES</b>	Schemes which are currently underway, for which funds have been released or for which it is imperative that they proceed to achieve key objectives.
<b>NEW PROPOSALS</b>	Schemes for which resources have not been released and, probably, have yet to be fully scoped.
<b>RESERVES</b>	Money set aside to cover expenditure in the future (excluding provisions for future liabilities or losses).
<b>IT IP RESERVE</b>	Money set aside specifically for Information Technology schemes.
<b>HCP RESERVE</b>	Money set aside specifically for Housing Capital Programme schemes.
<b>CAPITAL STRATEGY RESERVE</b>	Money set aside for schemes not covered by other reserves, mainly General Fund Capital Programme schemes.
<b>MAJOR REPAIRS RESERVE</b>	Money set aside mainly from the Major Repairs Allowance paid annually by the Government to finance work on Council houses.
<b>SECTION 106</b>	Contributions received from developers as part of the Town Planning process to finance projects in the community.
<b>BORROWING</b>	Borrowing money from external sources in accordance approved borrowing limits and tests of affordability.
<b>HOUSING CAPITAL RECEIPTS</b>	Proceeds from the sale of housing assets, such as sales under Right to Buy.

**APPENDIX 5**

<b>GF CAPITAL RECEIPTS</b>	Proceeds from the sale of assets other than Housing assets. No pooling is required.
<b>GF REVENUE</b>	Funding provided by the General Fund budget to finance one off revenue type Investment Programme projects.
<b>COMM FUND</b>	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.
<b>GROUP COMPANY</b>	Funding by Group Company.
<b>PFI</b>	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.
<b>OTHER</b>	Funding from National Lottery, Government departments and other organisations.

OVERVIEW AND SCRUTINY COMMITTEE – 29 JANUARY 2024

## General Fund Budgets Update 2024-25

### Executive Summary

Attached is the General Fund Budgets Update 2024-25 and Proposed Savings along with appendices as included on the agenda of the Executive meeting 1 February 2024.

### 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.
<b>Reporting Person:</b>	Eugene Walker, Interim Finance Director & Section 151 Officer Email: eugene.walker@woking.gov.uk, Extn: 3070
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<b>Date Published:</b>	25 January 2024



## GENERAL FUND BUDGET 2024-25 AND PROPOSED SAVINGS

### Executive Summary

This report brings forward the decisions required to maximise the savings that can be made by the Council in 2024/25, year one of its five-year Medium-Term Financial Strategy (MTFS). The Council had identified a potential £8.5m of savings in the September 2023 MTFS report. At that stage the savings were still broad proposals and further work has been undertaken through the autumn on the detailed options and deliverability of these proposals, linked to public consultation and equality impact assessments. This has resulted in a revised savings figure of broadly the same figure i.e. £8.4m, but this is now a more robust and deliverable plan.

Despite these savings, the Council still has a deficit on its business-as-usual services, even before the debt issue is taken into account. The deficit in 2024/25 is £12.4m, although most of this can be attributed to interest on debt and the deficit on the commercial estate: both issues are a legacy of historic investments. Further savings will have to be identified for the rest of the five-year MTFS period.

Significant work has also been undertaken with Government on how the Council can set a legal budget given the scale of its debt problem. Without that support the Council's budget deficit next year could be up to £785million. Much of this is a one-off, including restating the debt repayment provision (Minimum Revenue Provision) that should have previously been made. A summary of the point reached with this work is included in this report at Section 3, but the size and complexity of dealing with the debt means that the timescale to finalise the approach requires the Council to push back its final decisions on setting the budget and Council Tax to an Extraordinary meeting of Council on 4 March 2024. This report will include a five-year Medium Term Financial Strategy, including the ongoing costs of debt repayment.

The savings decisions are included in this report for approval and implementation, before the debt arrangement is confirmed, to ensure that full year savings can be delivered. This paper therefore includes updates on the processes for Equality Impact Assessments (EIAs) and public consultation on proposed changes to Council services, which are part of the decision-making process on the savings recommended in this report.

Discussions with Government on the level of Council Tax increase have led to a proposal for a 10% increase, in line with that of other Council's in intervention that require Government support packages. Woking household Council Tax bills will only increase by 1% because of the 10% increase. This is because most of the tax income (around 90%) relates to services provided by Surrey County Council.

**Recommendations**

The Executive is requested to:

**RECOMMEND TO COUNCIL That**

- (i) the £8.4m of savings set out in Appendix 3b to the report be agreed;
- (ii) the Equality Impact Assessment and public consultation processes on the savings proposals that are summarised in Appendix 5 to the report, with detailed reports on each resident facing saving proposal, be noted as part of the decision-making process; and
- (iii) it be noted a further report to Full Council on 4 March 2024 will receive a final report from the Director of Finance to finalise the treatment of the Council’s debt and Council Tax in 2024/25.

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

**Background Papers:** [Public consultation report](#)  
[Equality impact assessments \(EIAs\) supporting the Medium-Term Financial Strategy \(MTFS\)](#)

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**Date Published:** 24 January 2024

## General Fund Budget 2024-25 and Proposed Savings

### 1.0 Introduction

- 1.1 This report on the 2024/25 budget incorporates reviews and updates to the proposals previously reported in the September Medium Term Financial Strategy. The approach to the budget has been to deal separately, insofar as possible, with the historic debt issue and the Council's core (or business as usual) budget for services to residents.
- 1.2 This report focuses on the latter core service part of the process, with a further report to an Extraordinary meeting of Council on 4 March 2024 to finalise the debt position and set the level of Council Tax. That report will also include a five-year, medium-term view of the budget.
- 1.3 This report does however include a summary of the likely support package from Government on the Council's debt position for information, which is essential to allow the Council to set a legal budget in March. However, further work is needed on this before the meeting of Council in March, and therefore this report is not seeking for that approach at this stage.
- 1.4 The report then sets out:
  - the draft Vision within which the Council is working on its budget;
  - the approach taken to the budget, including the identification of savings options; and
  - the further detailed work undertaken on those savings options, in terms of financial analysis, public consultation and equality impact assessments.
- 1.5 The key purpose of the report is therefore to recommend the savings for approval by Full Council on 8 February 2024 so that implementation can commence, ensuring that full year savings can be delivered.

### 2.0 Government Intervention

- 2.1 On 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, it highlighted 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.

### 3.0 The Council's Debt Position

- 3.1 On 7 June 2023, the then Section 151 Officer issued the Council 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 includes two key elements: the cost of impaired loans (£614m) which is a balance sheet adjustment and the need to make backdated provision for the repayment of debt and write-off of some loans. The latter part of the s114 is now assessed as the £785m, as outlined later in this report.
- 3.2 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. Detailed discussions on a solution to this for 2024/25 have been ongoing via the Commissioners and s151 Officer. However, to access any support, the Council needs to show that it is 'living within its means' and taking steps to meet

## General Fund Budget 2024-25 and Proposed Savings

a significant part of the deficit from its own resources. This includes both making savings on its service budgets and 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 reducing the cost of debt servicing.

- 3.3 Work with Commissioners has focussed on separating, as far as possible, how the historic debt is dealt with from the challenge of setting a "business as usual" budget for the Council's services to its residents. This approach continues with this report, which sets out the recommended service savings of £8.4m for 2024/25 to Council on 8 February 2024. The report to the Extraordinary meeting of Council on 4 March 2024 will finalise the treatment of the debt in 2024/25 and the level of Council Tax.

### Capital Financing costs including corrected Minimum Revenue Provision (MRP)

- 3.4 Given the significance of the costs of the debt, the Improvement and Recovery Plan work has included a detailed cashflow forecast and full reconciliation of the capital financing budget in accordance with proper accounting practice. As part of the budget setting process and in line with discussions with government the following have been addressed:

- The approach to Minimum Revenue Provision (MRP) i.e. the proper provision for the repayment of debt not previously followed by the Council.
- The treatment of principal and interest repayments no longer fully recoverable from the companies following the suspension of the Revolving Credit Facility.
- 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.

- 3.5 These issues also form part of the ongoing discussions with Government, because correctly accounting for the Council's debt would require a budget of around £170m to cover the interest and debt repayment (Minimum Revenue Provision or MRP) next year. Backdated debt repayment provision and the write off of loans would in total form a major part of the budget deficit of up to £785million next year. A legal budget could not be set with this level of costs. Hence, the Government will provide interim support to allow the Council to set a legal budget for next year.

- 3.6 This support involves two mechanisms. The first is to provide a Capitalisation Directive that allows costs in the budget to be capitalised and spread over several years, until funds from the debt reduction plan are available to meet them. This approach is the standard one at all Councils in intervention with financial difficulties. The Minister for Local Government wrote to the Leader and Chief Executive on 18 December 2023 asking for confirmation of the amount of capitalisation support required with a response date of week commencing 8 January 2024. The response is set out below.

- 3.7 The Minister's letter also recognised the unprecedented scale of the Council's challenge and the number of years it will take to resolve:

*"You will also recognise that due to the scale and unprecedented nature of the Council's financial liabilities, Woking will need ongoing support from Government for several years to come. This will of course include support to set a balanced budget for 2024/25. Work overseen by Commissioners has confirmed that the Council cannot reasonably meet the cost of its Minimum Revenue Provision (MRP) and that this is a contributing factor to the Council's ongoing deficit position"*



## General Fund Budget 2024-25 and Proposed Savings

- 3.8 The Leader wrote back to the Minister on 12 January 2024 requesting a Capitalisation Directive of £331m. The detail of the approach will be set out in the report to Council on 4 March 2024 but the main elements of the budget to be capitalised are:
- the interest previously recharged to companies under the Revolving Credit Facilities that cannot now be covered (£44m in 2023/24 and £46m in 2024/25).
  - loans of £155m previously provided to the companies for revenue purposes that should have been charged to the revenue budget.
  - the interest costs of the business cases agreed with Government to finish the Victoria Square and Sheerwater schemes (£2m in 2023/24 and £5m in 2024/25).
  - cumulative reserves deficit including budget overspends in 2022/23 and 2023/24 (approx. £29m including the re-instatement of £10m ringfenced reserves).
  - a deficit in 2024/25 (assessed at the time the submission was made) after savings of £11.6m, plus backdated HRA recharge adjustments of up to £5m.
  - in order to create more resilience to risk, provision asset maintenance of £20m; for grant clawback and project risks of £7m and the re-creation of a General Fund reserve of £5m.
  - the capitalisation also ensures that earmarked reserves (e.g. HS2 monies for Brookwood Park and the PFI reserve are maintained).
- 3.9 The above figures will continue to be reviewed in the run up to 4 March Council, but the request, if approved will provide capitalisation of up to £331m. The 4 March report will include further analysis of the one off and ongoing debt costs.
- 3.10 In addition, as the Minister's letter noted, the Council cannot afford to make proper provision for debt repayment (MRP) due to the level of its debt compared to its budget. The additional provision required relates to the loans made to companies that the Council made through Revolving Credit Facilities and on which no debt repayment was provided for. The amount that would be required for next year's budget is an additional of £97m provision for debt repayment relating to 2024/25, in addition to the existing £8m provision. The need for a backdated MRP provision of £356m creates a total additional requirement of £454m that is not affordable.
- 3.11 It is worth noting that the level of MRP required in 2024/25, even without the backdated element, at £97m on top of the existing £8m, plus the interest cost on loans of approx. £70m, means that debt servicing costs for the Council should total over £170m next year. This sum is nearly ten times the size of Woking's net revenue budget in 2024/25 of £19m, which demonstrates the scale of the problem.
- 3.12 The Government recently finalised its approach to tightening up guidance on the provision of MRP – it originally consulted in 2021-22 on strengthening the duty to make provision for the repayment of debt. The final proposed amendments to statutory guidance were recently published with a deadline for response of 16 February 2024:
- <https://consult.leveellingup.gov.uk/local-government-finance/consultation-on-changes-to-statutory-guidance-and>
- 3.13 The guidance makes it clear that the Council's previous approach was not compliant with the duty to provide for MRP and seeks to prevent that approach in future. Despite this tightening of the rules, the Government has also provided for the guidance to be set aside in cases of serious financial failure intervention:

## General Fund Budget 2024-25 and Proposed Savings

*“In very exceptional cases, where the government has made arrangements to intervene in a local authority and has, or is in the process of, put in place financial support arrangements for that authority, it may be appropriate to reflect the nature of any such financial support in the determination of a prudent amount. Where this is the case the local authority must seek agreement from the government on how any assumptions with respect to support are reflected in the determination of MRP.” (para 46 of the draft statutory guidance)”*

- 3.14 The exceptional circumstances are intended to apply to Woking Borough Council. Backdated MRP amounts to £356m and will have to be charged to the 2023/24 (or prior year). This creates a deficit that would have to be carried forward to the 2024/25 budget. Added to this is MRP in 2024/25 of £97m, which would create a deficit of £454m if it were charged in full. The guidance will allow the Council not to charge this full amount, with Government permission. The debt repayments that would be carried forward to be dealt with by the longer-term debt reduction plan.
- 3.15 This exceptional support (£454m) and the capitalisation (£331m) would amount to a total budget deficit next year of up to £785m without that support. The approach taken by Government therefore allows the Council to set a legal budget for and continue to provide services in 2024/25. The report to Full Council will set this out in more detail along with financial and legal advice on the reliance to be placed on these mechanisms.

### 4.0 Debt Reduction Plan

- 4.1 On 7<sup>th</sup> December 2023 the Woking Commissioners provided the Secretary of State with their second report relating to the Council’s Improvement and Recovery Plan, which was passed by the Council on 30<sup>th</sup> November 2023.
- 4.2 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.’ This is the longer-term work that the interim support from Government to set a legal budget (capitalisation and MRP) explained above, will facilitate.
- 4.3 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.
- 4.4 This objective is based on having:
- A full understanding of the activities of all council owned companies and joint ventures, and a plan for the council to exit these arrangements.
  - A full understanding of all council owned property interests, whether freehold ownership, leasehold or leased.
  - To have a clear plan for the rationalisation 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.
- 4.5 The Woking Commissioners recognised progress in the asset rationalisation work and the plan over the next 4 months to produce a prioritised plan which will need to balance the need to reduce the levels of debt with achieving value for money from the assets sold. This will take the form of an asset disposal strategy covering the Council’s assets and those Council owned

## General Fund Budget 2024-25 and Proposed Savings

companies that have significant asset holding, primarily the ThamesWey Group and Victoria Square Woking Limited. The strategy is planned to cover a 3-to-5-year period.

- 4.6 Within the asset disposals strategy all assets are under review irrespective of which portfolio they sit within although it is accepted that there are considerations such as the continuing provision of services, social needs and contribution to revenue that will need to be considered for both Council services and the companies.
- 4.7 The next quarters performance management report will incorporate both progress on adopting an assets disposal strategy and a profile of capital receipts that this will be targeted to deliver.
- 4.8 Council Vision

Vision Statement:

*A financially and environmentally sustainable Council, delivering services that residents value in every part of the borough.*

Mission Statement:

*A trusted and transparent Council that:*

- *Lives within its means*
- *Is focused on services that make a difference to people in the Borough*
- *Works in partnership with the community to deliver positive outcomes*
- *Continually engages with residents to design more efficient and effective services*
- *Invests in talent to deliver for Woking's future*

- 4.9 The Woking for All Strategy, published in 2022, sets out a number of priorities for the Council. However, the context the Council is operating in has now changed, with the announcement of Government intervention in May 2023 and the issuing of a Section 114 Notice in June 2023. This clearly impacts what and how the Council is able to deliver. Therefore, the Council needs to set out how it will operate in the future and the priorities of the Woking for All Strategy need to be reviewed.
- 4.10 The development of a new Council vision is the start of this work. The vision will provide staff, residents, and partners with a clear understanding of the Council's direction of travel. The Council will then work to develop a 'golden thread', where the vision and updated Woking for All Strategy drive service planning and staff Performance Development Reviews. The Council will also develop tools to support the delivery of the vision by staff, for example, through a new Organisation Development Strategy.
- 4.11 A draft vision (the aspiration for the Council) and mission (how the Council will achieve the vision) have been developed to sit alongside the budget. The vision was developed through a series of workshops with the Executive, wider Members, Corporate Leadership Team, Commissioners, and staff.
- 4.12 The vision and mission, alongside the Council budget, will now help inform a review of the Council's objectives, set out in the Woking for All Strategy. This work will take place in Spring/Summer 2024, with a revised Woking for All Strategy coming to Council in early Autumn.

## 5.0 Benchmarking

- 5.1 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 were commissioned to carry out a benchmarking exercise between statistical nearest neighbours. The information includes

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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.

- 5.2 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. 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 and savings opportunities in the further years of the MTFS.

### 6.0 General Fund 2024/25 Budget – Approach Taken

- 6.1 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 and the information provided to Members on key savings, through the development of business cases and option analysis, for example on Pool in the Park. A considerable amount of work has been carried out since the last detailed report in September to review all savings, budget pressures and fees and charges, alongside the implementation of a new staffing structure and the Improvement and Recovery Plan work.
- 6.2 The September MTFS report identified £8.5m of potential budget savings. 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 £19million next year. However, gross service spending is higher at £41m (excluding housing benefits and financing costs) due to some services being funded by fees and charges, which is why an increase in these charges for discretionary services, that might otherwise have to be cut, has been a key part of developing a more sustainable budget.
- 6.3 The September MTFS report indicated that even this level of savings was insufficient to meet the pressures on the Council's services (inflation, demand etc) which were estimated in September as £19million. The revised budget deficit is now estimated at £12.4m after £8.4m of savings i.e. total pressures were £20.8m
- 6.4 The additional costs over the target largely related to the Council's historic investments i.e. the large Commercial Estate and the cost of debt, not its day-to-day services. Given the size of the Council revenue budget, it will be difficult to find savings above the target £8.5m in one year. Therefore, the focus of financial planning for 2024/25 since September has been to:
- a) Delivering the maximum possible savings against service budgets from the £8.5m potential identified. This will demonstrate the Council's commitment to meeting as much of the deficit as possible.
  - b) Review the options for savings 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).
- 6.5 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, but this has led to more robust proposals, now totalling £8.4m. Options have also been reviewed in the light of public consultation.

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- 6.6 The review of savings options has included working with the Member Finance Working Group on key areas of concern for Members and the public in the budget, reviewing key savings proposals such as Pool in the Park and Community Centres in more depth and testing options, and feeding this work back into Overview and Scrutiny Committee and all Member briefings.
- 6.7 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 that deliver both a longer-term strategy and a short-term solution to setting a budget for next year. The debt issues are so complex and significant that they cannot be resolved in one year, so the interim solution to setting a legal budget explained above is needed for next year.

### 7.0 Service Savings Narrative

#### Savings Identification

- 7.1 The MTFS report in June 2023, alongside the s114 notice established a comprehensive “gateway” process across all services to identify potential savings.
- 7.2 The MTFS reports and the gateway savings process also identified costs and proposals over a 5-year MTFS period as well as for the 2024/25 budget. Year one will not be the only year in which the Council has to deliver savings to be able to contain its spending within the resources available. The programme of identified savings will need to be an ongoing exercise.
- 7.3 The savings targeted “business as usual” service budgets so that the Council can focus its available resources on core services. The significant debt legacy and large commercial estate need to be looked at alongside this as part of the Improvement and Recovery Plan work on a commercial strategy, asset rationalisation and a debt reduction plan.
- 7.4 Work through the autumn to now has focussed on ensuring that the identified savings are robust: that the options are viable, deliverable; have identified equality impact assessments and been through open and inclusive public consultation.
- 7.5 A significant proportion of the savings are in areas of discretionary spending where the Council has generally provided a wider range of services and to higher standards than similar councils. The Council’s approach to investment and its commercial estate led to an approach that gave a false sense of what was affordable for a small district Council. Benchmarking, undertaken by Local Partnerships with the support of the Local Government Association, is being used to ensure that the areas targeted for savings focus the Council on spending in line with comparable authorities.
- 7.6 Savings being proposed for 2024/25 are therefore the kind of savings other councils have already made e.g.
- Closing public toilets and seeking to enlist business or other partners in alternative provision.
  - Transferring sports pavilions and community centres to community ownership.
  - Increasing fees and charges for discretionary services in line with those made by other councils and to more fully recover costs.
  - Reductions to the cycle for street cleaning and ground maintenance services.
- 7.7 In other areas, the savings are on services that are not normally provided, or to the same extent, by other district councils, for example:

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- A wide range of community services, such as social prescribing and involved service provision that overlapped with or could be provided by the County or other partners.
- Significant spending on arts and cultural facilities.
- A business liaison team that overlaps with the County's economic role.

7.8 The savings also included significant increases (10 to 20%) in many fees and charges to improve cost recovery as a way of maintaining discretionary services, rather than ceasing them. The policy for setting fees and charges in future years will be built on the Commercial Strategy developed as part of the Improvement and Recovery Plan. It will also need to be based on a continued improvement in the financial information on the costs of services.

7.9 In addition, Members have been considering the likely level of Council Tax increase in the context of the Government intervention over its level of debt and the extent to which central government support and local contributions to re-balancing the Council's finances are needed.

### Capacity to Deliver

7.10 The savings programme is a significant one: because:

- it involved a staff restructure programme and job reductions of up to 20% across all services (except finance and legal teams).
- at a potential £8.5m the savings represented a reduction of around half the total net spending of the Council of £15m in 2023/24 (£19m in 2024/25).
- delivering savings that are half the net budget is not something many councils would be able to deliver in one year, but the Council is also a small district Council with limited corporate capacity and a legacy of poor financial and management information. Whilst the Improvement and Recovery Plan devised with Commissioners has brought in new resources, the basic lack of capacity and good information continues to limit delivery capacity.
- whilst many of the savings being considered have been done elsewhere, other councils have had several years to implement some of the changes, particularly complex ones involving community asset transfers. the Council is having to deliver a large programme at a faster pace, increasing risks.

### Delivering the Savings

7.11 Given the scale and risks of the savings programme, it is important that this risk is mitigated with robust assessment of savings delivery options and improved financial and management information.

7.12 During the autumn a business case format was developed firstly for the Pool in the Park proposal and then extended to other key savings such as Community Centres and the Lightbox to ensure a consistent and robust approach to savings delivery. The key elements of the business cases are:

- full costs, including life cycle maintenance, clarifying variable and fixed costs
- options analysis, based on benchmarking and user group consultation
- service usage and demand
- public consultation and equality impact assessment

- risk assessments

- 7.13 The business cases have ensured that a much more robust approach to savings delivery has been developed. For example, on Pool in the Park the original proposal for a phased closure had limited information on fixed costs and the costs of closure versus repair and maintenance. Benchmarking showed that charges for use of the facility were some of the lowest in Surrey and that information, combined with close work with user groups allowed an option of keeping the pool fully open with increased charges. Having developed this approach, the Council will be able to use the same approach to keep an ongoing review e.g. if demand drops off from increased fees or maintenance costs escalate, the Council will be able to consider an exit strategy based on sound information.
- 7.14 The business case approach also involved working with the Member Finance Working Group on the key areas of Member concern in the budget savings.
- 7.15 The Council will also be able to use the information to develop a robust process to monitor savings implementation. There will be a RAG rating on delivery that can be linked to both the improved monthly budget monitoring now in place and the new quarterly Performance Framework.

### **8.0 Updated Revenue Budget Position and Savings Target**

- 8.1 Officers have worked on an update of estimates, reviewing 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. This leads to an updated position summary revenue budget position (gross and net spending figures behind this are shown in Appendix 1) The deficit on the revenue accounts, after savings and pressures is £12.4million, which would normally be a draw on reserves. However, in the Council’s exceptional circumstances this deficit is covered by the Capitalisation Directive (along with the 2022/23 and 2023/24 deficits).
- 8.2 The 2023/24 MTFs was set with a deficit, using a planned one off £8.3m use of reserves that would need to be met by additional savings in 2024/25. Whilst the 2024/25 MTFs has identified further savings of £8.4m, further pressures and budget reconciliations mean that the deficit on the revenue accounts has significantly increased and even allowing for the further savings the deficit has increased by a further £4m from £8.3m to £12.4m.
- 8.3 What this means is that WBC is still spending above its resources, despite the significant level of savings in the budget for next year. The increase in the deficit is analysed below and links to the chart shown in Appendix 2. Much of the issue remains firstly, increased interest costs of circa £5m on the debt and secondly, the cost of the Commercial Estate and increased costs of maintaining the commercial estate and income generated from the estate when compared to the budgeted assumptions. The latter is a mixture of over optimistic budgeting and challenging economic climate that retail and office estates are operating in with increased voids and reduced yields from commercial lease agreements.
- 8.4 The summary revenue for the Council is shown below. It shows the business-as-usual costs for the Council, ignoring the debt adjustments detailed earlier in the report. The report to 4 March Council will have further analysis showing the debt adjustments and their impact on the Council’s revenue account.

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<b>TABLE ONE: SUMMARY REVENUE ACCOUNT</b>	<b>2023/24</b>	<b>2024/25</b>
	<b>£million</b>	<b>£million</b>
Communities	9.7	6.7
Place	7.4	7.1
Resources/Corporate	-12.2	-5.6
<b>Total Service Directorates</b>	<b>4.9</b>	<b>8.2</b>
Lease Surrender	0	-1.9
Pay Provision	0	0.1
Hardship Scheme	0	0.1
HRA recharge adjustment	0	0.3
PFI scheme charge	0.2	0.2
Other	0.6	0
<b>Net cost of Services</b>	<b>5.7</b>	<b>7.0</b>
Minimum Revenue Provision	7.5	8.1
Interest Payable	54.5	64.0
Interest Receivable*	-43.3	-47.7
<b>Net Financing Costs</b>	<b>18.8</b>	<b>24.4</b>
<b>Amount to be met from Taxation, Grant and Reserves</b>	<b>24.5</b>	<b>31.4</b>
Business Rates	-2.2	-4.4
Business Rates Pool	-1.1	-0.3
Collection Fund Surplus (-)/Deficit	-0.2	-0.5
Revenue Support Grant/New Homes Bonus/Other Grants	-1.4	-1.6
<b>Total External Finance</b>	<b>-4.9</b>	<b>-6.8</b>
Council Tax Income	-11.2	-12.2
<b>DEFICIT</b>	<b>8.3</b>	<b>12.4</b>

\* Note that most of the interest receivable (£46m of the £47m) is due from ThamesWey and Victoria Square companies and the interest is currently suspended. The cost of this suspension is included in the Capitalisation Directive.

8.5 The above table shows the net spend in each Directorate and net revenue expenditure. Net expenditure for Councils is usually defined as spending financed by Grants and Council Tax i.e. £19m in 2024/25, but there is a £12m deficit, making a total of £31m. Gross spending and income is shown at an overall Council level in Appendix 1 and by service in Appendix 4.

8.6 The key changes to the September position are explained below, broken down into:

- a) changes to the service savings following detailed work on options and costs and public consultation (shown in Appendix 3);
- b) changes to cost pressures e.g. inflation or demand for services (Table 2 below and Appendix 2); and
- c) additional measures and review of corporate items (outlined below).



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- 8.7 The Service savings reported in September have been updated and summarised in the attached Appendix 3. Appendix 3a shows the changes from September and Appendix 3b shows a short narrative for each saving. The revised total of savings recommended for approval is £8.4million. The further work since September means that this total is much more robust and capable of delivering the estimated level of savings.

### Base Budget – Staff Savings

- 8.8 Work to map and implement an organisational restructure is being implemented following an extensive review of Council services and delivery models. The restructure reflects the Council's objective of moving towards a smaller organisation which is focused on delivering core services. This approach was intended to deliver significant budget savings (target £2.4m) on staffing budget in 2024/25. There has been both an extensive public consultation exercise and an internal staff consultation process on the impacts of these savings.
- 8.9 The final position is that the restructure will deliver over £3m of savings, of which £2.2m can be taken as a saving compared to the 2023/24 base budget and £0.8m is cost avoidance. No provision has been made for a staff pay award in 2024/25, except for the maintenance of the Real Living Wage at the bottom of the pay scales at £82k.
- 8.10 The maximum cost of redundancies is £1.1m, but this will be mitigated down because in the restructure process vacancies were held. The final costs are covered by a capital receipt that DLUHC could be used to cover revenue transformation costs. The costs are half of the annual saving, which is a good payback period (up to 2 years is a normal benchmark).

### Base Budget – Service Savings

- 8.11 The remainder of the proposals were non-staffing savings, the impact of which on services to residents is also significant. To assist Members with the information required to make the difficult decisions, there have been fortnightly meetings of the Finance Working Group (FWG), which includes Members of Overview and Scrutiny Committee meeting with senior officers.
- 8.12 Options appraisals have been undertaken for review by officers 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 have been reviewed and updated in line with the more detailed budget verification work. This included whether alternative options for delivering the savings were possible and needed, 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.
- 8.13 **Leisure Services (Pool in the Park):** 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.
- 8.14 Other than price increases (the impact of which would need to be monitored) this option will not have a significant impact in relation to the EQIA as specialist groups, sports clubs, local schools, and over one hundred staff would not be displaced or made redundant.
- 8.15 Council officers worked 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 for next year this way whilst longer-term options are kept under review. There has been an extensive exercise to investigate the costs and issues that would arise if there were a full or phased closure, including lifecycle maintenance versus costs of closure. Benchmarking has shown that the Council's current

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charges are low in comparison to neighbouring councils and work with user groups demonstrated that fee increases were preferred to closure.

- 8.16 The options analysis has shown that the most viable option over both 5 years and for the 2024/25 budget is to increase charges to keep it open. The revised saving in 2024/25 is £445k on running costs and £388k on the energy service charge. 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 an exit strategy to be considered including possible community ownership. Investment will be made in life cycle costs (the Capital Programme report to 1 February Executive includes essential maintenance costs) and there will be more certainty of income streams after the increase in charges, so there should be a much stronger basis of assessing viable options.
- 8.17 Work will continue with user groups on possible community ownership as well as Woking BC considering the other options for the facility. The decision put forward in this report therefore provides a basis for keeping the facility open in 2024/25 and time and a firmer foundation for considering the longer-term future of the facility.
- 8.18 **Community Centres:** Work has been undertaken to develop an Options Appraisal for each of the Council owned Community Centres – St Mary’s, The Vyne, and Parkview. Note that Moorcroft is out of scope as this centre is already cost neutral. The preferred option for each centre is to retain ownership but transfer the asset to a third party (community group, charity, or other organisation) on a long-lease basis. Any transfer would include all associated capital replacement costs, thereby removing all Council subsidy. This approach will have the dual benefit of ensuring the Centres remain in the heart of the community, whilst moving to an operating model is self-financing and sustainable in the long-term. Community Asset Transfers can take time to implement but discussions with a number of potential providers are progressing and transfers are expected to complete in 2024/25.
- 8.19 **The Lightbox:** Officers have been working closely with the Lightbox to explore options that enable the Lightbox to move to a community-based business model that does not rely on Council funding. External funding has been secured for 2024/25 which will enable the Lightbox to review its operating model with the objective of moving towards a self-funding arrangement from 2025/26 onwards.
- 8.20 **Pavilions:** Following a successful public consultation, several community groups and organisations have highlighted interest in taking control of the pavilions (and associated running/capital costs) as part of an asset transfer scheme. A Community Asset Transfer Policy has been developed and work to implement the process is underway. Asset transfers are complex and can take time, however external funding has been secured for 2024/25 which will offset the majority of Council subsidy.
- 8.21 **Public Toilets:** The closure of public toilets (excluding toilet provision within Victoria Place including Wolsey Place shopping centre) has been identified as a potential saving given that this is a discretionary service the Council is not legally obligated to provide. The implications of closing the public WC facilities have been explored, and a robust public consultation exercise and an Equalities Impact Assessment has been undertaken. Work is underway to explore mitigation measures that can be put in place if public toilets are closed; potential alternative facilities within reasonable proximity of all WCs proposed for closure have been identified (although no consultations with business / other service providers of these facilities has yet taken place). A key focus is around developing mitigation measures for the facilities with the highest percentages of total use (as per public consultation) which are confirmed as Woking Park and Goldsworth Park Recreation Ground.
- 8.22 **Neighbourhood Services (cleansing contract):** Serco have supported the Council by developing a cost reduction proposal for the remaining year of the contract. This proposal reduces the current service standards to statutory levels and will be considered by Council. If approved, Officers will work with Serco to implement the changes. The current contract runs

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until March 2025, and work to re-tender the contract to a new specification is underway, based on achieving statutory service standards.

- 8.23 The Council has made significant in-year savings from the current Serco Grounds Maintenance Contract. The curtailing of certain functions and service levels will result in reductions in street cleaning and grounds maintenance; however, the revised offer will bring the contract more in line with other comparable District and Boroughs. The current contract runs until March 2025, and work to re-tender the contract to a new specification is underway.
- 8.24 **Community Grants:** As part of the removal of Community Grants, Officers have been working with community organisations, supporting them to find alternative funding streams and transition away from WBC funding. Positive discussions have been held with Citizens Advice Woking (CAW), and external funding has been identified to support the service in 2024/25 which will allow CAW to transform their business operations to a more sustainable model moving forward. In addition, a new, fixed term 'debt coordinator' post will be established in the Council, which will be externally funded, and will work with CAW and other voluntary groups to help develop capacity.
- 8.25 **Community Transport:** discussions are continuing with Woking Community Transport on options for next year after their grant has ended.
- 8.26 **Business Liaison:** The removal of the Business Liaison function from the Council will be mitigated through closer working with Surrey County Council (SCC) which is a key driver of economic development across Surrey. The recent County Deal has given SCC additional functions and funding to support local businesses, and has recently developed a new careers skills hub, covering the whole of the county. Officers are working closely with colleagues at County to enable a smooth transition. The Council has also allocated £50K funding from the Shared Prosperity Fund to support economic growth across Woking to bring together businesses to work collaboratively as a "Place Board". This funding would facilitate that collaboration, driving a programme of work that supports growth, attracts new business, promotes our strong cultural offer and seeks to retain business as well as talent and skills.
- 8.27 **Car parking:** is subject to a strategic review of the significant level of and demand for space. This budget report does not therefore include proposals for car park fees, which will be the subject of a separate future report.

### Base Budget – Changes in Cost Pressures

- 8.28 The draft budget in the September report included the following that have reviewed and updated:
- an allowance for pay and price inflation
  - Council Tax, business rates and New Homes Bonus income
  - budget pressures including car parking income, commercial rents and capital financing costs
- 8.29 Inflation and pressure assumptions have been scrutinised and a summary of the key changes on the budget are shown in the chart in Appendix 2 and summarised below.

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**TABLE TWO: Summary of Budget Movements**

Item	£m
2023/24 Budget DEFICIT per <b>TABLE ONE 1</b>	<b>8.3</b>
Staff savings	-2.3
Other savings ( <b>£8.4m</b> in total including staffing)	-6.1
Inflation ( <b>£2m</b> ):	
• Business rates	0.8
• Energy	0.5
• Waste contract	0.2
• Other	0.5
Budget pressures ( <b>£8.9m</b> ):	
• Commercial estate	5.3
• Procurement savings not achieved	0.5
• Bed and breakfast/homeless costs	0.5
• Womens Support Centre budget Adjustment	0.3
• Local Plan budget	0.5
• Other	1.8
Other ( <b>net £4.4m</b> ):	
Increase in MRP (base budget: amount properly provided for)	0.6
Increased interest payable	9.4
Increased interest receivable	-4.4
Fees and charges – price increase	-1.4
Fees and charges – volume change	1.0
	<b>4.4</b>
External Finance (Business Rates/Grants)	-1.8
Council Tax	-1.0
<b>Deficit (Use of Reserves) PER TABLE ONE</b>	<b>12.4</b>

8.30 No provision has been made for a staff pay award in 2024/25, except £82k for the maintenance of the Real Living Wage at the bottom of the pay scales.

8.31 A review of recharges to the Housing Revenue Account has been undertaken back to 2019/20 (the last year of accounts that are not yet fully audited). This was not included in the September MTFS report but has now been built into the budget for next year at an additional cost of £344k to the General Fund. The overall adjustment of £2.1m will be built into the relevant years (and are covered by the capitalisation):

Year	£'000
2019/20	292
2020/21	283
2021/22	286
2022/23	518
2023/24	380
2024/25	344
<b>TOTAL</b>	<b>2,102</b>

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- 8.32 A potential cost pressure of £1.4m arising from the arrangements for the Victoria Square car parks ownership has been reviewed as part of the wider work on Victoria Square assets and debt. This cost is being picked up as part of the overall asset process for VS and does not now have to be included in the 2024/25 budget. Work is being undertaken on the management agreement under which the Council will operate the car park and the aim will be to contain this cost within existing budgets along with any changes to car park tariffs in year.
- 8.33 The September report included a £1.9m saving from a potential lease surrender by the tenant of one of the Council's office buildings (Victoria Gate). This surrender has now been agreed and the tenant is moving to another Council owned office. In addition, the sale of the property to Surrey County Council has been agreed at Executive on 18 January 2024, making a significant start on the asset rationalisation and debt reduction process of the Commercial Estate.

### Government Grant Settlement, Council Tax and Business Rate Income

- 8.34 The table below sets out Woking Borough Council's 2024/25 provisional settlement in comparison to 2023/24 final settlement:

	<b>2023/24 Settlement - Final</b>	<b>2024/25 Settlement - Provisional</b>	<b>Variance</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>%</b>
<b>Core Spending Power</b>	<b>15.200</b>	<b>16.000</b>	<b>0.800</b>	<b>5.26</b>
Grants				
- Revenue Support Grant	0.093	0.099	0.006	6.45
- New Homes Bonus Grant	1.221	0.025	(1.196)	(97.95)
- Services Grant	0.086	0.014	(0.072)	83.72
- Minimum Funding Guarantee Grant	0	1.466	1.466	100.00
<b>Total Grants</b>	<b>1.400</b>	<b>1.604</b>	<b>0.204</b>	<b>14.57</b>

- 8.35 The Core Spending Power ("CSP") is government's measure of resources available to Woking Council to fund general fund revenue service delivery. It sets out the money that has been made available through the local government finance settlement. The CSP does not reflect the total actual resources the Council receive as the CSP includes government's estimates [i.e. notional amounts] for Council Tax, and business rates, but it does include actual settlement grants [i.e. revenue support grant, new homes bonus, service grants and minimum funding guarantee].
- 8.36 In effect the CSP is a mechanism for Government to ensure local authorities receive at least 3% increase compared to the previous year's CSP. The mechanism for ensuring the 3% threshold is met is through the minimum funding guarantee grant. In the Council's case for 2024/25 a minimum funding guarantee grant of £1.466 million is to be paid.
- 8.37 Budget figures for council tax and business rates have been updated in line with a review of the collection performance and delegated decisions on declaring the Collection Fund surplus and setting the council tax base in time for Council Tax setting at Full Council on 4 March.

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However, further work is needed to verify some details before the final council tax setting on 4 March.

### 9.0 Summary of Service Budgets

9.1 Appendix 4a to 4c to this report includes 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. Prior year (2023/24) figures are shown for comparison. 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.

9.2 [this Appendix is subject to further work and will follow]

### 10.0 Prior Year Costs and Impact on Budget Setting

10.1 Additional challenges arise from the overspends in current year budget 2023/24 of £3.3m as at Quarter 3 (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.

10.2 Normally prior year overspends have to be added to the following year's budget if they cannot be covered by reserves. However, due to the lack of reserves these deficits have been added to the Capitalisation Directive, along with the £12.4m deficit on the 2024/25 budget.

10.3 A full analysis of the level of Reserves will be included in the 4 March report, once the Capitalisation Directive has been confirmed.

### 11.0 Reserves and Section 25 Report

11.1 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.

11.2 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.

11.3 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;
- the adequacy of the proposed financial reserves; and
- the Council has a statutory duty to have regard to the CFO's report when making decisions about the calculations.

## General Fund Budget 2024-25 and Proposed Savings

- 11.4 As part of the MTFs report to 4 March 2024 Council 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 set out in this report, whilst the government support addresses the significant issues arising from the historic debt and commercial activities.
- 11.5 A key part of the s25 judgment will therefore be the reliance to be placed on the support offered by Government in setting a legal budget i.e. the capitalisation directive and the approach taken to Minimum Revenue Provision (MRP). The measures being used by Government to support the Council's budget are explained earlier in this report. The scale and complexity of them requires significant additional work by the s151 officer and Finance Commissioner with Government leading up to the final budget setting Council on 4 March. The report to that meeting will include a detailed analysis and advice on finalising the budget and council tax.
- 11.6 In previous years the Council has sometimes used significant contributions from Reserves to support service delivery. Recent work has clarified that reserves were used up in 2022/23, prior to the s114 notice. However, the Capitalisation Directive request submitted to Government on 12 January made a case to reinstate key reserves:
- a General Fund Balance of £5m
  - Earmarked Reserves of £10m
  - A risk reserve for grant clawback and abortive project costs of £7m
- 11.7 These reserves would provide a basis for managing financial risks during the year and thereby improving financial stability. Further detail on the reserves position will be included in the 4 March report once the capitalisation has been confirmed with Government.

### 12.0 Council Tax

- 12.1 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 had 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%.
- 12.2 The Minister for Local Government's letter of 18 December made it clear that the severity of the Council's financial position makes a Council Tax increase of 10% "appropriate and proportionate" The Government has therefore made bespoke provision for the Council to be exempted from the normal referendum limit of 3%. In the context of the Government's support for the legacy debt problem, the final recommendation to Council on 4 March on the level of the tax will have to take cognisance of this view from the Minister.
- 12.3 Finance Working Group had previously discussed a potential inflationary increase but the recent downward trend in the CPI Index meant that this would not meet Government expectations. The Leader met the Minister on 11 January to discuss Council Tax and put forward a case for an 8% increase that would benchmark with other Surrey districts. However, it was clear from the meeting the Government's view is that a 10% increase is "appropriate and proportionate". Therefore, in the Leader's response to the Minister's letter on 12 January to request capitalisation support of £331million, the Leader accepted that a recommendation

## General Fund Budget 2024-25 and Proposed Savings

of a 10% Council Tax would be made, raising a further 770k, raising £1.1m of income to support services in total.

- 12.4 The Minister also asked the Council to consider mitigation measures for any hardship created by the tax increase and a proposal is being developed. However, because the majority of every household's Council Tax bill goes to Surrey County Council, an increase of 10% for Woking BC will only increase bills by 1%. The mitigation proposal, costing up to £100k will therefore consider wider hardship issues and links with debt advice partners in the Borough. A full proposal and Equality Impact Assessment will be proposed as part of the 4 March report.

### 13.0 Capital Programme and Treasury Management Strategy

- 13.1 A separate report is being drafted for approval at the 8 February Council on the 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.

- 13.2 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.
- 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

- 13.3 The Treasury Management Strategy to be included in the 4 March report will set out the Council's borrowing requirements and strategy, the annual investment strategy, the Treasury and Prudential Indicators and the Council's revised Minimum Revenue Provision (MRP) Policy. 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.



### 14.0 Public and Staff Consultation

- 14.1 A six-week public consultation on the proposed service reduction ran from October to November which gave residents and community stakeholders the opportunity to have their say on the proposed changes to services. In total, 5,792 responses were received.
- 14.2 The consultation included three proposals: the closure of public toilets; transferring the management and maintenance of sports pavilions (excluding pitches) to alternative organisations; and the phased closure of Pool in the Park. Residents also had the chance to comment on the Medium-Term Financial Strategy.
- 14.3 A stakeholder consultation concentrated on learning what impact the proposed removal of funding would have on affected organisations and their users. It also posed the question of if any group was willing and able to take on the full running costs for a service.
- 14.4 The consultation was publicised through media releases and corporate e-newsletters. In addition, 206 organisations or affected groups were directly contacted. Day care users were interviewed directly.
- 14.5 The full consultation report can be found on the website [Service Reduction Consultation Results | Woking Community Forum](#). Key headlines from the consultation include:-
- Pool in the Park consultation: Residents preferred the option of increasing prices rather than closure of Pool complex (57%).
  - Pavilion consultation: Goldworth Park Pavilion, Woking Park Pavilion, Brookwood Country Park and West Byfleet pavilions were the most frequently used pavilions.
  - A number of community groups (12) expressed interest in the management of pavilions (based on a Community Asset Transfer Scheme) subject to conditioning surveys of the pavilions.
  - Closure of public toilets consultation: 33% of respondents don't use public toilets.
  - Respondents indicated that closure would impact vulnerable groups as well as those who participate in activities.
  - MTFS consultation: 63% of respondents had concerns about The Lightbox closing due to potential loss of funding from the Council.
- 14.6 The consultation results and analysis have been fed into the Equality Impact Assessments (EIA) for each proposed change and informed possible mitigations. The analysis has also been incorporated into the business cases and in some cases the proposal has changed. The Council is engaging groups who have come forward for potential transferring of an asset.
- 14.7 As a result of the proposed changes to the service offer, consultation with affected staff and UNISON was launched in November 2023. The consultation closed in January 2024 and during this time staff had the opportunity to comment on, question and suggest alternatives to the proposed structure, Job Descriptions and the selection and assessment process.
- 14.8 Staff are supported through training opportunities, one to ones, and regular briefings, 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.

### 15.0 Implications

#### Finance and Risk

- 15.1 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

- 15.2 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.
- 15.3 The Council has sought 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 its 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.
- 15.4 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 17 EqlAs have been produced with a cover 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.
- 15.5 In early January 2024, the Council held an EqlA review meeting where a small panel of Members reviewed the draft EqlAs and fed into their development. A cover report is included in Appendix 5 and the detailed equality impact assessments are published on the [Council's website](#). The information within the detailed EqlA report for each resident facing saving proposal is intended to ensure that Members can pay due regard to the equality implications of the proposed budget for 2024/25.

#### Legal

- 15.6 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

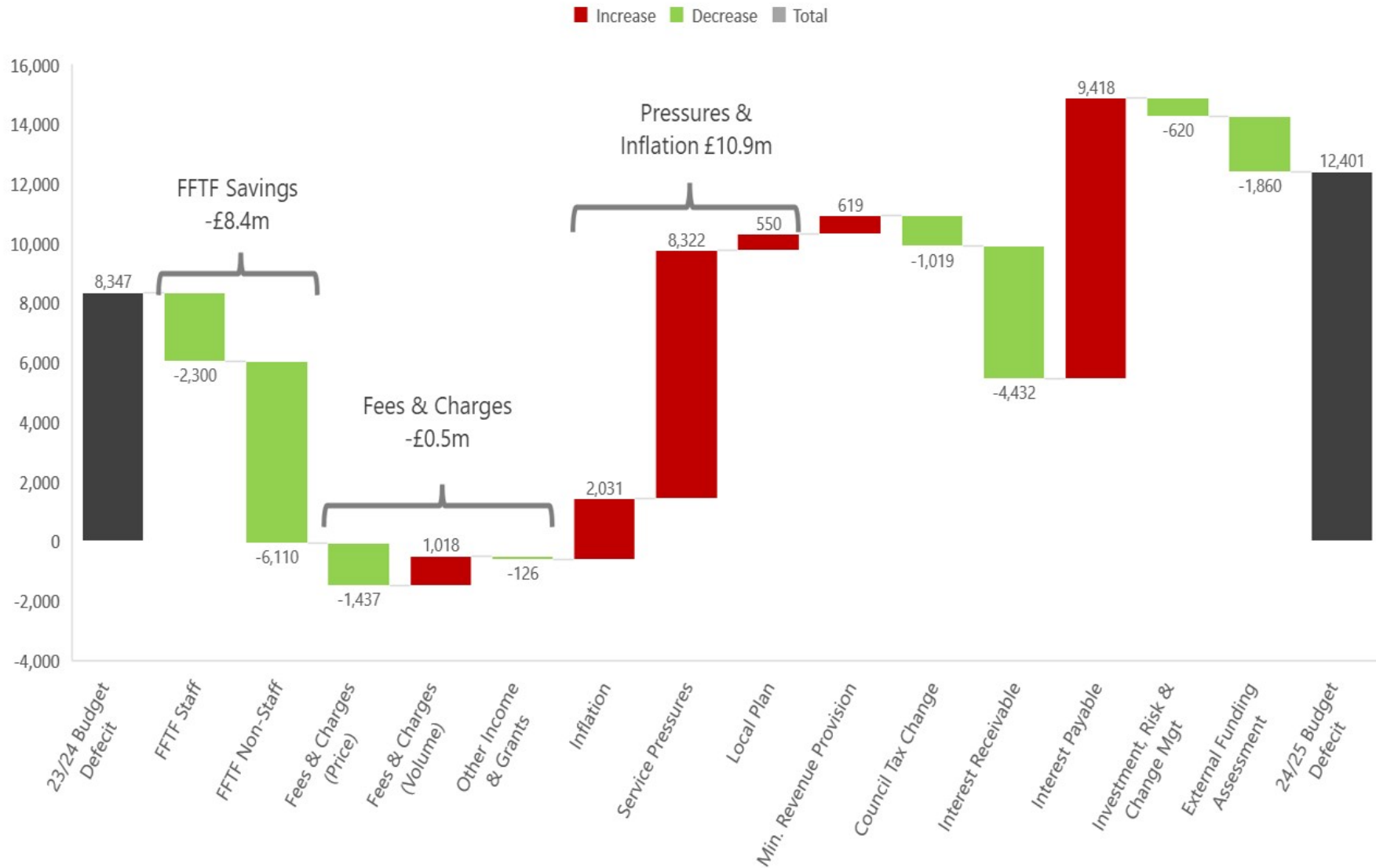
## 2024/25 Budget 'v' 2023/24 Budget - Gross Expenditure and Gross Income

	2023/24 Budget	2024/25 Budget	Budget Change
	£'000	£'000	£'000
<b>Gross Expenditure</b>			
Employee Costs	20.914	18.614	(2.300)
Benefits payments	20.743	20.945	0.202
Other Non-Employee Costs	21.505	22.069	0.564
<b>Gross Service Spend*</b>	<b>63.162</b>	<b>61.627</b>	<b>(1.535)</b>
Management of Change	0.250	0.000	(0.250)
Risk Contingency	0.250	0.000	(0.250)
Pay Provision	0.000	0.082	0.082
Mid-point Vacancies	0.000	(0.100)	(0.100)
HRA Recharge Adjustment	0.000	0.344	0.344
PFI Unitary Charge Equalisation	0.175	0.175	0.000
Investment Programme items funded from revenue	0.120	0.000	(0.120)
Minimum Revenue Provision	7.503	8.122	0.619
Interest payable	54.533	62.977	8.444
<b>Total Gross Expenditure</b>	<b>125.993</b>	<b>133.227</b>	<b>7.234</b>
<b>Gross Income</b>			
Fees and Charges	(12.092)	(12.337)	(0.245)
Commercial Rents	(19.977)	(15.482)	4.495
Service Specific Grants	(21.125)	(21.182)	(0.057)
Other Income	(5.043)	(5.108)	(0.065)
Interest and investment income	(43.281)	(47.713)	(4.432)
Business Rates	(2.215)	(4.377)	(2.162)
Business Rates Surrey Pool	(1.065)	(0.300)	0.765
Business Rates (Surplus)/Deficit	0.000	(0.258)	(0.258)
Council Tax	(11.212)	(12.230)	(1.018)
Council Tax (Surplus)/Deficit	(0.236)	(0.236)	0.000
Revenue Support Grant	(0.093)	(0.099)	(0.006)
New Homes Bonus Grant	(1.221)	(0.025)	1.196
Services Grant	(0.086)	(0.014)	0.072
Minimum Funding Guarantee Grant	0.000	(1.466)	(1.466)
<b>Total Gross Income</b>	<b>(117.646)</b>	<b>(120.826)</b>	<b>(3.180)</b>
<b>(Surplus)/Deficit</b>	<b>8.347</b>	<b>12.401</b>	<b>4.054</b>

\* Note gross spend excluding housing benefits payments funded 100% by Government grant is £41m in 2024/25

**Appendix 2: 2024/25 Budget 'v' 2023/24 Budget – Summary of Changes**  
**Budget Movements (£k)**  
**23/24 to 24/25**

Appendix 2



**SUMMARY OF 2024/25 SAVINGS -  
VARIANCE TO SEPT MTFS**

**APPENDIX 3a**

	Sept	Current	Variance	Explanation of variance
<b>3A MTFS FTF Savings</b>	£'000	£000	£000	
<b>STAFF &amp; RUNNING COSTS</b>				
	2,948,000			
Staff	2,404,000	2,200,000	- 204,000	Council wide staffing structure has broadly delivered the expected saving against 2023/24 base budget. Total saving is £3m - of which £800k is cost avoidance
Vacancies	0	100,000	100,000	Likely savings from not appointing vacant post at the top of potential grade
<b>Running Costs:</b>				
<b>COMMUNITIES</b>			-	
Community Centres	92,000	75,934	- 16,066	Budgets removed/reduced to just leave essential running costs.
Family Service	31,000	11,090	- 19,910	All Budgets Removed - TUPE 31.03.24
Sports, Arts & Culture (excludes Leisure Centres and Pool in the Park)	251,000	207,000	- 44,000	This saving represents the withdrawal from funding of The Lightbox and voluntary contributions to Woking Arts and Sports Councils. The September figure was based on an estimate. This figure has now been verified.
<b>PLACE</b>				
Gateway savings from Green Infrastructure	24,000	54,376	30,376	Additional saving identified from cease of external partnership for Basingstoke Canal.
Business Liaison	146,000	132,550	- 13,450	Service has been removed based on actual costs.
Property (covered elsewhere, now FTF 3B)	650,000	0	- 650,000	Now included in phase 3 B below
Removal of Grants to External Bodies	686,000	691,243	5,243	
NNDR Discretionary Discounts	30,000	30,000	-	
Savings in Debt Management Expenses	250,000	0		Saving not achievable in year one: now part of wider capitalisation and longer-term debt plan
<b>Totals</b>	<b>3,914,000</b>	<b>3,502,193</b>	<b>- 411,807</b>	

## General Fund Budget 2024-25 and Proposed Savings

MTFS FFTF Savings 3B	Sept £'000	Current £'000	Variance £'000	Explanation of variance
Leisure Contract Savings	900,000	444,600	- 455,400	Saving is now based on the " Pool in the Park" Business Case. Option 2 was recommended: Keep pool open, remove concessions and increase fees/charges in line with pool prices elsewhere.
Leisure Contract Savings -		388,000	388,000	Part of Energy Service Charge not being charged from 1.4.24
<b>Forensic Review of Council Budgets (General)</b>	750,000	831,676	81,676	Further savings identified
Environmental Health Out Of Hours		8,750	8,750	Further savings identified
Social Prescribing		2,150	2,150	Further savings identified
<b>TOTAL</b>		<b>842,576</b>		
Property Services Savings: CCTV Contract Review	72,000	82,000	10,000	
Property Services Savings: CCTV Infrastructure Review	40,000	39,350	- 650	
Property Services Savings: FM Efficiencies	100,000	200,000	100,000	
Property Services Savings: Removal of Public Conveniences	203,000	204,231	1,231	
Property Services Savings: Removal of Vacant Posts	174,000		- 174,000	Included in salary savings figure in 3A
Property Services Savings: Civic Offices Savings	250,000	72,829	- 177,171	Estimated savings reduced due to ongoing review of Civic Office space occupied and modification requirements and the relation to maintenance service costs.
Serco Grounds Maintenance Contract - Retender	-		-	
<b>Totals</b>	<b>2,489,000</b>	<b>2,273,586</b>	<b>- 215,414</b>	

MTFS FFTF Savings 3C	Sept £'000	Current £'000	Variance £'000	Explanation of variance
Serco Grounds Maintenance Contract - In-Year	TBC	734,240		Contract renegotiated: figure is net of redundancies £40k and HRA adjustment
Micro slice budgets	35,000		- 35,000	Included in forensic review
Procurement (tail spend) and contract savings via Orbis	200,000		- 200,000	Savings part of service spend in forensic saving

## General Fund Budget 2024-25 and Proposed Savings

Asset/commercial rationalisation exercise	TBC			Part of wider debt reduction plan
Lease surrender receipts	1,900,000	1,900,000	-	Management agreement does not need purchase/lease payment to Victoria Square. Cost/income from mgt agreement needs further work linked to car park strategy
Increase in commercial rents	TBC		0	Saving to be part of work on commercial estate and asset rationalisation
<b>Totals</b>	2,135,000	2,634,240	499,240	

Source	Estimated Amount 2024/25 £	Saving Included In 2024/25 Budget £	Variation £
MTFS FFTF Savings 3A	3,914,000	3,502,193	- 411,807
MTFS FFTF Savings 3B	2,489,000	2,273,586	- 215,414
MTFS FFTF Savings 3C	2,135,000	2,634,240	499,240
<b>Totals</b>	<b>8,538,000</b>	<b>8,410,019</b>	<b>- 127,981</b>

**SUMMARY OF SAVINGS  
2024/25**

**APPENDIX 3b**

Saving (brief narrative explanation)	£	Narrative
<b>3A MTFS FTFF Savings</b>		
<b>STAFF &amp; RUNNING COSTS</b>		
Staff	2,200,000	Staff budget savings delivered following a service redesign and organisational restructure focused on delivering core services.
Vacancies	100,000	New appointments at mid-point
Running Costs:		
<b>COMMUNITIES</b>		
Community Centres	75,934	The preferred option for each centre is to retain ownership but transfer the asset to a third party (community group, charity, or other organisation) on a long-lease basis. Any transfer would include all associated capital replacement costs, thereby removing all Council subsidy.
Family Service	11,090	Discussions are underway to seek to TUPE the Family Service to a different provider. The objective is to ensure that users of the service will not be impacted whilst removing all Council subsidy.
Sports, Arts & Culture (excludes Leisure Centres and Pool in the Park)	207,000	This saving represents the withdrawal of funding of The Lightbox and voluntary contributions to Woking Arts and Sports Councils. Officers have been working closely with the Lightbox to explore options that support the continuation of the service whilst removing Council subsidy.
<b>PLACE</b>		
Green Infrastructure	54,376	This saving results from a detailed review of budgets and a streamlining of functions within Green Infrastructure.
Business Liaison	132,550	The removal of the Business Liaison function from the Council will be mitigated through closer working with SCC which is a key driver of economic development across Surrey.
<b>Other</b>		
Removal of Grants to External Bodies	691,243	This saving arises from the removal of Community Grants. Officers have been working with community organisations, supporting them to find alternative funding streams and transition away from WBC funding.
NNDR Discretionary Discounts	30,000	Potential savings from revised policy on Discretionary reliefs
Savings in Debt Management Expenses	0	This saving will not now be 2024/25 - part of longer-term debt reduction plan



## General Fund Budget 2024-25 and Proposed Savings

<b>Totals</b>	<b>3,502,193</b>	
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<b>MTFS FFTF Savings 3B</b>	<b>Current £'000</b>	
Leisure Contract Savings - incl. Pool in the Park	444,600	Savings delivered through the removal of concessions and increasing fees/charges in line with pool prices elsewhere
Leisure Contract - Reduction in annual energy service charge	388,000	Following discussion with ThamesWey, it has been agreed that the interest and annuity element of the energy service charge allocated to Woking Park should now be removed.
Forensic Review of Council Budgets	831,676	Savings resulting from a methodical review all Council budgets (supplies and services) to reduce spend. This work was informed by service option assessments as part of the Gateway Review Process.
Environmental Health Out Of Hours	8,750	Saving arising from the removal of the Out of Hours Contract.
Social Prescribing	2,150	The Social Prescribing function has been transferred to Spelthorne Borough Council. Users of the service will therefore not be impacted but Council subsidy has been removed.
<b>TOTAL</b>	<b>842,576</b>	
Property Services Savings: CCTV Contract Review	82,000	The current CCTV maintenance contract runs until March 2024. Negotiations have been undertaken to extend this contract and achieve savings.
Property Services Savings: CCTV Infrastructure Review	39,350	
Property Services Savings: FM Efficiencies	200,000	The current Facilities Management contract runs until March 2024. This contract is not being renewed; instead the services will be in-sourced which will deliver savings.
Property Services Savings: Removal of Public Conveniences	204,231	The closure of public toilets (excluding toilet provision within Victoria Place including Wolsey Place shopping centre) has been identified as a potential saving given that this is a discretionary service the Council is not legally obligated to provide.
Property Services Savings: Removal of Vacant Posts		- Vacant posts in drainage, contaminated land, and highway maintenance, have been removed following a service redesign process: figures included in overall staff saving
Property Services Savings: Civic Offices Savings	72,829	Savings have been made through the rationalisation of budgets and reduction of facilities management services.
Serco Grounds Maintenance Contract - Retender		- The current Grounds Maintenance contract runs until March 2025, and work to re-tender the contract to a new specification, which will deliver savings, is underway.
<b>Totals</b>	<b>2,273,586</b>	

## General Fund Budget 2024-25 and Proposed Savings

MTFS FFTF Savings 3C	Current £'000	
Serco Grounds Maintenance Contract - In-Year	734,240	A proposal to make savings during the final year of the contract in 2024/25 will be considered by Council. The proposal reduces current service standards to statutory levels.
Micro slice budgets		Saving absorbed in forensic saving
Procurement (tail spend) and contract savings via Orbis		Savings part of service spend in forensic saving
Asset/commercial rationalisation exercise		Savings will now be part of debt reduction plan
Lease surrender receipts	1,900,000	Sale of Victoria Gate now agreed
Increase in commercial rents		
Increase in fees and charges beyond 10/20%		Included in service budgets
<b>Totals</b>	<b>2,634,240</b>	

Source	Saving Actually Included In 2024/25 Budget £	
MTFS FFTF Savings 3A	3,502,193	
MTFS FFTF Savings 3B	2,273,586	
MTFS FFTF Savings 3C	2,634,240	
<b>Totals</b>	<b>8,410,019</b>	

**Appendix 4: Service Plans**

[TO FOLLOW]



## Cover Report for Equality Impact Assessment (EqIAs) supporting the Medium-Term Financial Strategy (MTFS)

The purpose of this report is to provide an overview of the process used to develop the Equality Impact Assessment (EqIA) documents and to outline the cumulative potential implications.

In considering the budget, Woking Borough Council (WBC) must consider its public sector duty 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. [Read more information about the Council's equality duty.](#)

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.

This report should be read in conjunction with the EqIAs as [published on the Council website.](#)

### 1. Background

Due to the serious financial situation the council is faced with, as referred to within the Medium-Term Financial Strategy (MTFS) report, officers embarked on a series of detailed reviews to identify what the minimum viable provision for the service offer. This Gateway Review process was carried out for every service within the council and looked at options for identifying savings, increasing income, or stopping the service altogether. A benchmarking exercise has also been carried out to understand the level of spend and provision of WBC against other similar sized councils. Identified that, in most areas reviewed, the Council has historically spent more than its statistical neighbours. In some service areas there has been increased spend even though the population and household figures have not increased significantly.

The Government intervention and the subsequent issuing of the Section 114 notice compounded the need for reducing the size of the organisation. The issuing of a Section 114 Notice restricts all new spending apart from protecting vulnerable people and statutory services.

The July MTFS report outlined several savings proposals, and these were further developed in the September MTFS report after the resident consultation on non-statutory services.

The Corporate Leadership Team (CLT) agreed two guiding principles to support the design of the new council.

- A smaller council focussed on statutory services.
- Discretionary services must be self-funded.

A new vision has been developed which builds on these guiding principles and this is set out in the budget report.

Ahead of making any decision on reducing or stopping any services, a public consultation was initiated on all proposals to change services for residents, to understand the views of

residents and to feed into the decisions required. There is a separate consultation [report](#) outlining the approach and findings of the consultation.

Other service changes under review not included in the consultation or impact assessments include the review of play areas and green spaces. A more detailed review is currently taking place.

## **2. Approach to developing the Equality Impact Assessments (EqIAs)**

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.

The Council has received support from Surrey County Council on the Equality Impact Assessment process. Senior colleagues from Policy and Strategy at Surrey County Council provided a session to WBC colleagues sharing expertise and resources.

The Corporate Leadership Team and Members were briefed on the 16 October 2023 on the approach and the importance of EqIAs in decision making of the proposed savings.

Further support, guidance, expertise, and resources were offered by Local Partnerships to WBC's Equalities officer and officers writing the EqIAs. This was part of our sector support offer from the Local Government Association (LGA). They provided an independent review of each of the EqIAs and supported an EqIA Member review meeting where a small panel of Members provided feedback on the EqIAs.

## **3. Summary of mitigations**

Each Equality Impact Assessment includes a detailed analysis of the impacts of the proposed service changes and how it can be mitigated.

Across all EqIAs the following groups have been identified as potentially mostly impacted.

- Young children and young people aged 16 to 25
- The elderly
- Those who are from a disadvantaged socio-economic background.

Across all EqIAs the following key mitigation themes have been identified.

### **3.1 Increase in fees and charges**

Some savings such as the proposed fees and charges increases for Pool in the Park and changes to day services have been scrutinised in detail including benchmarking to compare the service offer, financial analysis (continues to be monitored) and user data to support decision making on the proposed savings. Consultation with residents, community groups, stakeholders and face-to-face meetings also supported a proposal for price increases to services that were at risk of being removed. This is positive in that it means the service will be maintained; however, this may impact those on concessions.

### **3.2 Identify other funding streams**

Community Grants are discretionary and therefore the Council does not have a legal responsibility to offer them.

Stakeholders have been consulted with to support them and discuss how they can operate without WBC funding. The Volunteer Woking Funding Officer will offer support to identify alternative funding streams, arrange meetings with the local National Lottery funding officer and provide a source of free advice to all the organisations who face a cut in funding.

Organisations have also been asked to provide alternative business models, information about similar offers delivered by neighbouring councils and looking at pricing models to make them self-funding.

On 18 January 2024, members of Woking Borough Council's [Executive agreed to reallocate £601,000 of external funding](#) to support six community projects. In 2022 the Council received £1million from the Government's UK Shared Prosperity Fund (UKSPF), which was launched to help councils build pride in place and increase life chances.

### **3.3 Identify alternative provision of similar services**

Residents of Woking have a choice of health and well-being activities offered by a variety of providers across the borough. This includes private organisations, schools, other nearby local authority facilities, community groups, charities and churches offering activities such as arts, sports and leisure activities. The Council is working to map alternative services and will signpost residents to alternative options.

For example, services such as the translation services can be provided by other partner organisations offering a similar service. An NHS framework is already in place, which will be used to sign-post those needing the translation service.

Business support services are available from a number of organisations across Surrey. Local businesses within Woking will be sign-posted to these organisations when the service is removed. Funding from the Government's UK Shared Prosperity Fund (UKSPF) to Surrey County Council and WBC has been earmarked to support local businesses.

The closure of public toilets will impact residents as well as community groups using these when participating in organised activities. Users of these public toilets will be sign-posted to nearby facilities as well as considering the management of these by community groups.

### **3.4 Build community capacity**

There are many organisations providing services to the community in Woking. Going forward WBC could act as the facilitator encouraging and empowering these organisations to work together to provide residents with the offer and support, but with a stronger volunteer base in place. Private organisations could play a pivotal role in supporting these charitable organisations as part of their corporate social responsibility.

### **3.5 Community Asset Transfer (CAT) Scheme**

Consultation with clubs, community groups and other hirers have shown interest in running the pavilions. A Community Asset Transfer (CAT) policy and supporting process, is due to be adopted by Council in February 2024. Many other councils across the country have adopted a similar policy. However, ahead of adopting this policy, engagement with community groups is taking place to ensure there is a robust plan of action. It needs to be acknowledged that the process of transferring assets to community groups will take time to implement.

### 3.6 Supporting organisations to move to new operating models

Woking Borough Council is working with organisations, encouraging organisations to review their current business models and find an alternative model that will help them to become self-funding. Examples: Community Transport, The Lightbox, Citizens Advice Woking.

### 4. Conclusion

In view of the Council's current financial constraints, and the resulting need to reduce all subsidies, the Council recognises the potential negative impacts based on the options being considered and has/will as far as is possible put in place mitigating actions to reduce the negative impacts. However, it recognises that it cannot completely remove all impacts.

### 5. Recommendations

1. Develop a communication plan about all service changes. This will inform residents, community groups, key partners, stakeholders, and businesses of the changes.
2. Develop an aggregated Equality Action Plan which monitors implementation of the mitigations proposed.
3. Propose a mapping exercise of statutory and discretionary service provision including providers. This will enable the Council to work collaboratively and more efficiently in future.
4. Propose future monitoring of the EqlAs as part of performance management and service review plans.

The following Equality Impact Assessments were developed supporting the MTFS. Please note that Equality Impact Assessments are living documents and are updated as new information become available. [Read the published Equality Impact Assessment documents on the Council's website..](#)

#### Directorate: Place

- Proposed closure of public conveniences (toilets)
- Proposed removal of business support to local businesses and the Business Liaison Team
- Proposed service changes in Neighbourhood Services
- 

#### Directorate: Community

- Proposed increase in fees and charges for Pool in the Park
- Proposed closure of pavilions
- Proposed changes to Centres for the Community: Relocation of day care services
- Proposed removal of sports, arts and cultural support and funding
- Proposed removal of community grants
- Proposed removal of funding and support to Citizens Advice Woking
- Proposed removal of funding for Woking People of Faith
- Proposed removal of funding for Woking Community Transport
- Proposed removal of funding for the York Road Project
- Proposed removal of funding for Woking Asian Business Forum
- Proposed removal of funding for The Lightbox
- Proposed removal of Woking Interpreting and Translation Service
- 

#### Directorate: Corporate Resources

- Proposed changes to opening times of the Contact Centre telephone lines



OVERVIEW AND SCRUTINY COMMITTEE – 29 JANUARY 2024

## HOUSING REVENUE ACCOUNT BUDGETS 2024-25

### Executive Summary

Attached is the Housing Revenue Account Budgets 2024-25 along with appendix as included on the agenda of the Executive meeting 1 February 2024.

### 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:** 25 January 2024



## HOUSING REVENUE ACCOUNT BUDGETS 2024-25

### Executive Summary

This report sets out the Council's final Housing Revenue Account (HRA) budgets for 2024/25.

Under the Government's current rent setting regime, social rents should increase by up to CPI+1% each year. The Government has confirmed that there will be no further cap imposed for 2024/25. Therefore, rents are proposed to increase by 7.7% (based on September CPI of 6.7%) from 1 April 2024. Total rental income is forecast to increase by circa £1.79 million to circa £20 million, excluding void losses.

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.

The 2024/25 Housing Revenue Account (HRA) budget includes an increase in interest costs that will be incurred from borrowing an additional £2.5 million to support the capital programme for housing. This is necessary to fund high risk fire safety remedial works, along with a number of Decent Homes improvements. Work is ongoing to understand the capital funding requirements to achieve 100% Decent Homes in future years, along with completing the lower risk fire safety remedial works. It is expected that future years will see a continued need for substantial capital investment in our Council homes and this work will need to feed into the work on the 30-year HRA Business Plan.

The HRA is forecast to make an estimated surplus of £960,279 in 2024/25. This is an important step towards securing a sustainable HRA. Housing and Finance will be updating the 30-year HRA Business Plan during early 2024/25 based on the 2024/25 budget 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.

### Recommendations

The Executive is requested to:

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

- (i) the Final Housing Revenue Account budgets for 2024-25, as set out in Appendix 1 to the report, be agreed; and**
- (ii) with effect from 1 April 2024, rents be increased by 7.7%.**

### Reasons for Decision

Reason: To approve the resources necessary to implement the Council's objectives for Housing and to enable the Council to determine charges to tenants for 2024/25.

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

## Housing Revenue Account Budgets 2024-25

**Background Papers:** None.

**Reporting Person:** Louise Strongitharm, Strategic Director - Communities  
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**Date Published:** 24 January 2024

### 1.0 Introduction

- 1.1 This paper sets out the Council's final Housing Revenue Account (HRA) budgets (Appendix 1) for 2024/25.
- 1.2 Detailed explanations of the changes and pressures within the different elements of the budget are set out in the sections below. Appendix 1 of the report provides a breakdown of the 2024/25 budget. The HRA is forecast to make an estimated surplus of £960,279 in 2024/25. This represents 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 Repairs budgets are forecast to overspend significantly by £2.4 million. This is in part due to Brockhill Extra-Care waking watch and evacuation staff required to manage the fire safety risk to the building, coupled with a general overspend on voids and repairs (including some additional emergency communal heating works).
- 2.3 Supervision and Management budgets are showing an underspend of £637,000 due to adjustments to recharges and staff vacancies. The energy budgets are also forecast to underspend.
- 2.4 The forecast outturn assumes a revenue receipt of £589,000 from ThamesWey in 2023/24 for the reimbursement of Sheerwater Home Loss and Disturbance payments.
- 2.5 Overall, the HRA is forecast to overspend by £1.23 million in 2023/24, resulting in a deficit position of £2.57 million for the whole year.

### 3.0 Approach to Budget Setting 2024/25

- 3.1 The final budgets in this paper should be considered alongside the Capital Programme report elsewhere on the agenda, which will influence the overall budget position.
- 3.2 Housing and Finance will be updating the 30-year HRA Business Plan during early 2024/25 based on the 2024/25 budget 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.

#### Management and Administration

- 3.3 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 include these adjusted recharge assumptions. The allocation has been reviewed for the final budget to ensure the apportionment reflects the current structure.
- 3.4 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. Some staff posts are capitalised to delivery of the Housing Asset Management Plan.

## Housing Revenue Account Budgets 2024-25

- 3.5 A review of recharges to the Housing Revenue Account has been undertaken back to 2019/20 (the last year of accounts that are not yet fully audited). The £344,000 adjustment has now been built into the budget for 2024/25. The overall adjustment of £2.1 million is built into the relevant years and has improved the HRA position by £2.1 million overall:

<b>Year</b>	<b>£'000</b>
2019/20	292
2020/21	283
2021/22	286
2022/23	518
2023/24	380
2024/25	344
<b>TOTAL</b>	<b>2,102</b>

### 4.0 Rent and Other Charges

- 4.1 Under the Government's current rent setting regime, social rents should increase by up to CPI+1% each year. In light of the cost of living crisis and high inflation rate, the Government imposed a ceiling of 7% from 1 April 2023 to 31 March 2024. On 4 January 2024, the Regulator of Social Housing published its annual rent limit guidance, which confirmed that rents for 2024/25 would increase in line with the current Policy Statement without any cap.
- 4.2 It is proposed that the Council increases rents based on current CPI+1% limit 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%).
- 4.3 In 2024/25, there are fifty-three rent weeks, the extra one week will generate additional rent net of voids in the region of £385,000.
- 4.4 Total rental income is forecast to increase by circa £1.79 million in 2024/25 to circa £20.03 million excluding voids.

#### 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 All energy costs within this report relating to gas are using predicted OFGEM capped rates for Quarter 2 of 2024/25 of 6.38p per kWh for residential usage. This is based on the current Quarter 1 rate of 7.49p per kWh with a predicted reduction of 14% being publicised by various energy analysts for the start of Quarter 2. This is a very delicately balanced position especially with the issues around the current states of military and political disruption in the middle east affecting fuel prices. This approach has also been taken as new contract rates for April 2024 are not yet available from our current energy supplier. For sites where energy is provided by ThamesWey, rates fluctuate month by month so to agree a fixed recharge for the year, officers have taken the same approach and used the predicted OFGEM capped rate. This approach is considered fair and reasonable as residents would likely be charged at the same rate should they be paying their bills direct to a supplier.

- 4.8 All energy costs in this report relating to non-ThamesWey charged electricity are currently based on out of contract rates of 38.25p per kWh. As it is not possible to increase charges to tenants within the year, once charges are fixed, the approach taken is to set budgets at this level. Once contract issues are resolved, the rates are likely to fall to around 28p per kWh. If/when this happens the recharges to residents will be reviewed and energy budgets will be reforecast. Recharges relating to ThamesWey provided electricity are set at the contract rate of 7p per kWh, which is way below the OFGEM capped rate but standing charges imposed by ThamesWey are considerably higher which off-sets the preferential rate.
- 4.9 In summary, energy budgets continue to be very difficult to predict so the approach taken allows the Council to best protect itself against future changes in pricing whilst keeping recharges to tenants fair and reasonable.
- 4.10 Housing-related support charges have also been reviewed. From 1 April 2023, tenancy support charges were introduced (reflecting the work now undertaken by the Independent Support team) and will be eligible for Housing Benefit /Universal Credit. The assumption is that any housing-related support charges cover the cost of this service. Tenants will however receive Housing Benefit where applicable. Careline charges have had the uplift applied in line with the Fees and Charges report in November 2023.

### Implementation Date

- 4.11 The new rents will be applied from the first Monday in April (i.e. 1 April 2024).
- 4.12 Service charges will be applied from 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 Since the housing service returned in-house in April 2022, it has become clear that the Council's housing stock is in a poor condition and requires significant capital investment. In July 2023, the Council self-referred to the Regulator of Social Housing for potentially breaching the Homes Standard. Following ongoing engagement, the Council received a Regulatory Notice from the Regulator on 14 December 2023 for breaching the Homes Standard in respect of fire safety.
- 5.3 A programme of works has been developed and costed for the high risk fire safety remedial works and Decent Homes works at circa £37 million. These will need to be delivered over the next 2-3 years. The capital budget sought for 2024/25 is circa £16.8 million which will focus on the high risk fire safety remedial works, along with around half of the outstanding Decent Homes improvements.
- 5.4 This marks a significant upscaling of the Housing capital programme, which has stood at around £4 million for a number of years. The 2024/25 programme will be primarily funded from depreciation; Sheerwater capital receipts (from Purple, Red and Yellow phases); historic capital receipts from Right to Buy sales and disposal of a small number of void HRA assets. The balance of approximately £2.5 million will need to be funded through borrowing. The additional interest costs have been incorporated into the 2024/25 Housing Revenue Account (HRA) budget.
- 5.5 The updated forecast for HRA interest costs is £5.61million in 2024/25.

## Housing Revenue Account Budgets 2024-25

- 5.6 Work is ongoing to understand the capital funding requirements to achieve 100% Decent Homes in future years, along with completing the lower risk fire safety remedial works. It is expected that future years will see a continued need for substantial capital investment in our Council homes and this work will need to feed into the work on the 30-year HRA Business Plan.
- 5.7 The 2024/25 final budget makes no allowance for repayment of the debt taken on for Self-Financing or for the repayment of the borrowing relating to historic 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.

#### HRA New Build Developments

- 6.2 The 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. 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 £3.82 million.

#### 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. The depreciation amount is estimated to be £4.27 million in 2024/25. The depreciation will contribute towards funding the Annual Maintenance Plan to 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 The estimated reserves position for 2024/25 after adjustments are made to previous years recharges to the HRA is £1.28 million. Rebuilding reserves is an important step towards the longer-term stability of the HRA.



**7.0 Conclusion**

7.1 As detailed in the report, the Council will be able to set a balanced HRA budget for 2024/25 with an estimated amount in the region of £960,279 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 securing a sustainable HRA.

**8.0 Corporate Strategy**

8.1 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.

**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 quarterly as part of the Council's new Performance and Financial Monitoring process. Specific risks have been set out in the report.

Equalities and Human Resources

9.3 No equalities implications noted.

9.4 The staffing budgets are based on the new service structure following the Fit for the Future consultation from 22 November 2023 and 10 January 2024.

Legal

9.5 The Council is under a statutory duty under S74 of the Local Government and Housing Act 1989 to maintain a Housing Revenue Account and account for income and expenditure incurred in relation to housing and other property provided under Part II of the Housing Act 1985.

**10.0 Engagement and Consultation**

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

10.2 The Housing Service will be undertaking a comprehensive survey of tenants during February and March 2024.

REPORT ENDS



**Appendix 1  
HRA 2024-25 Budget**

	<b>2023/24 Budget £'000</b>	<b>2023/24 Forecast (Dec'23) £'000</b>	<b>2024/25 Budget £'000</b>
<b>Income</b>			
Dwelling rents	(19,494)	(20,423)	(22,254)
Less: Voids	185	1,830	1,872
Heating income	(733)	(1,221)	(2,270)
Service charges	(1,152)	(1,630)	(1,591)
Other income	-	(589)	-
<b>Total income</b>	<b>(21,194)</b>	<b>(22,033)</b>	<b>(24,243)</b>
<b>Expenditure</b>			
<b>Supervision &amp; Management</b>			
Estate Management	5,730	5,535	5,769
Rent Accounting/Collection	363	256	312
Home Support Service	774	791	888
Tenant Participation	63	46	96
Repairs Admin	885	877	796
Democratic Process	1,742	1,424	1,372
Transfer to hardship fund	10	-	10
	<b>9,567</b>	<b>8,929</b>	<b>9,243</b>
Provision for bad debts	210	210	267
<b>Repairs &amp; Improvements</b>			
Day to Day Repairs	2,788	5,314	3,403
Planned Maintenance	434	398	421
	<b>3,222</b>	<b>5,712</b>	<b>3,824</b>
Major Repairs (Depreciation)	3,956	4,196	4,272
<b>Capital Financing</b>			
Interest	5,541	5,487	5,607
Debt Management expenses	36	71	71
Less: Interest income on balances	(1)	(1)	(1)
	<b>5,576</b>	<b>5,557</b>	<b>5,677</b>
<b>Total expenditure</b>	<b>22,531</b>	<b>24,604</b>	<b>23,283</b>
Transfer to reserves	0	0	960
Transfer from reserves	(1,337)	(2,571)	0
<b>Surplus/Deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>
No. of properties		3,386	3,296
<b>HRA reserves position</b>			
<b>2022/23</b>			<b>£'000</b>
2022/23 HRA reserves before adjustment for recharges			(1,515)
Proposed adjustment to recharges for 2019/20 to 2021/22			(861)
Transfer to HRA reserves - adjustment to recharges 2022/23			(518)
<b>Reserves - closing 2022/23</b>			<b>(2,894)</b>

<b>2023/24</b>	<b>£'000</b>
Reserves - Opening 2023/24	(2,894)
Transfer from reserves	<u>2,571</u>
<b>Estimated reserves - closing 2023/24</b>	<b><u>(323)</u></b>
<b>2024/25</b>	<b>£'000</b>
Estimated reserves - Opening 2024/25	(323)
Transfer to reserves for working balance of £100 per property	(330)
Balance Transfer to reserves	<u>(631)</u>
<b>Estimated reserves - closing 2024/25</b>	<b><u>(1,283)</u></b>

OVERVIEW AND SCRUTINY COMMITTEE – 29 JANUARY 2024

## FINANCE WORKING GROUP UPDATE

### Executive Summary

Since the last update received by the Overview and Scrutiny Committee at its November 2023 meeting, four meetings of the Finance Working Group have been held.

#### Meeting held on 14 November 2023

##### *Fees and Charges*

The Group received the Fees and Charges report which was to be considered at the Executive on 16 November, which report collated the proposed changes from service managers and resulted in proposals which should increase the income whilst reducing the level of Council subsidies which support discretionary services. The Group noted that some charges had been increased by a rate higher than inflation (for example the Community Meals Service and Green Waste Collection) and that it would be helpful for Members to have as much information as possible when setting the annual fees. It was also considered helpful to compare the fees with those of nearby authorities to ensure that they remained fair for individuals and businesses. The Group felt that the report should be received by the Overview and Scrutiny Committee at its next meeting.

The Group discussed the principles that should be used to guide fee setting in future years linked to the Council's new commercial strategy and better financial information on costs. Officers undertook to bring a report back in the New Year with a draft framework for this.

##### *Treasury Management Annual Report*

Next on the agenda was the Treasury Management report which was to be received by the Overview and Scrutiny Committee on 20 November 2023. The report provided an overview for the first six months of the year to September 2023 against the Treasury Management Strategy and Prudential Indicators for 2023/24 to ensure compliance. The Group noted the arrangements for loan repayments from subsidiaries and external organisations and the effect of currently higher interest rates on any debt rescheduling.

##### *Other items*

The Group also received a breakdown on the proposed saving for Community Grants and the Council's Debt Reduction Plan.

#### Meeting held on 28 November 2023

##### *Community Grants*

The Working Group received a breakdown of the proposed saving for Community Grants which included funding distributed by the Community Foundation for Surrey and Service Level Agreements (SLA) set up by the Council. The consultation with the charitable and voluntary organisations had been carried out resulting in a total of eleven responses. It was noted that Citizens Advice Bureau, Woking Community Transport and York Road Project were being invited to a future meeting of the Overview and Scrutiny Committee as the three largest holders of SLAs.

### *Community Centres*

Next on the agenda was an update on the proposed saving for the Council's Community Centres. Work was taking place to show the effect on each Centre separately and a consultation had taken place. It was anticipated that the Council would be able to keep open each of the Centres in some way and with changes to service provision approach a break-even point. A potential Community Asset Transfer was being considered to outsource their operations to work towards a cost neutral position.

### *Update on Pool in the Park*

Next on the agenda was an update on Pool in the Park, whereby it had been considered appropriate to expand Option 2 (increased fees and charges) to take account of the new Fees and Charges, with further work to be carried out to fully understand the implications of the recent Condition Survey undertaken by Building Services. A huge amount of work had been carried out to understand the Council's liabilities over the next 5-10 years, particularly a recent Condition Survey carried out by Building Services and loan payments due to expire in five years' time. The work of the Pool in the Park Action Group was also noted and the importance of the need to support vulnerable people in the Borough.

### *Other items*

At the meeting, it was noted that the Overview and Scrutiny Committee review the process for the setting of Fees and Charges over the coming year and acknowledged that work would take place in due course on the principles which would be set going forward.

### Meeting held on 14 December 2023

### *Public Conveniences*

The Working Group received an update on Public Conveniences which proposed the closure of all facilities except those at Victoria Place shopping (incorporating Wolsey and Peacocks), thereby affecting those in the out of town areas. The Equalities Impact Assessment took into account access for disabled and elderly people and set out possible mitigations / alterations. Consultation was also taking place with local businesses over whether their facilities could become available for public use. It was noted important to take into account the level of services provided by neighbouring authorities.

### *Pool in the Park Options Appraisal*

Next on the agenda was an update on the Pool in the Park Options Appraisal with Option 2 expanded to include increases in fees and charges and reduce concessionary charging following positive consultation with users including community and disability groups. The revised option took the Pool close to a forecast cost neutral option, taking into account forecast usage levels and the building condition desktop survey undertaken by Building Services. Work was also taking place with Freedom Leisure to consider how the operating model could be varied for the leisure portfolio to reduce the Council's subsidy. It was noted that attendance at the Pool had been strong over the past few months.

### *Community Centres*

The next item on the agenda was the draft business case for St. Mary's Centre for the Community which sought to find a cost neutral way of delivering the facility, impacting on daycare services in particular, whilst providing a community benefit for Byfleet residents. Further business cases for other Centres were being developed. It was noted that a couple of community groups had expressed an interest in considering a Community Asset Transfer, although the process would take some time and so a cost neutral position would need to be worked towards.

### *Other Items*

The Working Group received a report on benchmarking services against other organisations for future planning purposes. The work taking place with the support of the LGA and Local Partnerships had shown that in the majority of areas reviewed, the Council had historically spent more than its neighbours. The next step would be to assess the statutory expectations for services and assess opportunities for service changes.

The Group was advised that the savings proposed from Health and Wellbeing would largely be comprised of the transfer of the social prescribing team under TUPE to Spelthorne Borough Council and the increase of fees and charges for users of the Community Meals service.

The issue of a dialogue with DLUHC regarding next year's Council Tax increase was raised and it was noted that the increases to the Surrey County Council and Police and Crime Commissioner components were not yet known.

### Meeting held on 15 January 2024

### *Lightbox*

The Group considered the Options Appraisal for the Lightbox which considered the Council's approach to funding for next year in light of the need to assess whether a new operating model could be implemented which maintained the benefit of the venue to the community whilst not requiring an annual subsidy from the Council.

### *Grounds Maintenance and Street Cleaning Contract*

A paper was received on changes to the grounds maintenance and street cleaning contract, and the process for re-tendering at the end of the current contract from 1 April 2025, which would be subject to agreement by Council in February. The changes to the existing contract would involve moving closer to the statutory minimum and enabling the service to become more reactive rather than output focused, including sports pitches.

### *UK Shared Prosperity Fund*

The report on the UK Shared Prosperity Fund report due to be received by the Executive on 18 January was received, a Government scheme which aimed to help local places build pride in place and increase life chances. The Council had received circa £1m and submitted an investment plan to DLUHC which had been approved in October 2022. A total of £601,000 remained unallocated, following the spend towards Green Infrastructure and the Surrey Decarbonisation Programme, and the Digital Centre of Excellence project not proceeding, and the Council was required to consider how it could be utilised in 2024/25. Six priority projects had been identified, with an additional three projects in reserve. Once agreed by the Executive, a change request would be submitted to DLUHC and further detail would be worked up on each of the projects.

### *Revenues, Benefits and Customer Services Savings Briefing*

A paper on Revenues, Benefits and Customer Services Savings Briefing was received which noted the savings identified and stated that, longer term, a Channel Shift programme would take a medium term, invest to save approach to deliver savings and service improvements, whilst enhancing core technology, data and people capability. Early work had taken place on encouraging council tax payers to use an online form and redesigning the council tax recovery process. A detailed savings breakdown was set out in the report and a significant saving would be made from ceasing temporary staff contracts. A report on the Channel Shift Programme was due to be received by the Executive in February. It was felt that the overall revised model could lead to a better service to the community, and noted that it was important to keep a pulse on the level of pressure staff were under.

*Debt Reduction Plan*

The Working Group received a confidential update on the Council's Debt Reduction Plan.

**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.

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OVERVIEW AND SCRUTINY COMMITTEE – 29 JANUARY 2024

## HOUSING WORKING GROUP UPDATE

### Executive Summary

The Working Group received an update from the Strategic Director of Communities on the Council's response to the Notice it was served by the Regulator of Social Housing. Progress was being made in addressing the issues raised in the Notice. The Council was continuing to work with the Regulator throughout the process to ensure it was satisfied with the Council's actions.

Following the introduction of new national fire safety measures the Council had begun regular inspections of fire doors for buildings over five (5) storeys.

The Council was continuing to take its responsibilities to its tenants with regards damp and mould seriously.

The Working Group discussed the Brockhill Extra Care facility and steps undertaken to ensure the safety of those residents that remained.

The Council had concluded it was necessary to include a fifth theme into the Improvement and Recovery Programme focussed on housing. Updates on the theme would be provided along with the other four themes of the Improvement and Recovery Programme.

### Recommendations

The Committee is requested to:

**RESOLVE That** the update be noted.

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

<b>Background Papers:</b>	None.
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