OVERVIEW AND SCRUTINY COMMITTEE – 28 FEBRUARY 2024

# FREEDOM OF INFORMATION REQUESTS ANNUAL REPORT

## Executive Summary

Following the launch of a new Freedom of Information (FOI) system in September 2023, the Council's FOI management system was deemed necessary to comply with the new Microsoft 365 software that was implemented by the organisation. The system is monitored and managed by Democratic Services.

This report sets out functionality of the management system in more detail.

The system was successfully audited last year and continues to be developed by the Council's IT department in response to feedback received from Officers. Any Members wishing to see the system in more detail are encouraged to contact the Democratic Services Team for a demonstration.

## Recommendations

The Committee is requested to:

**RESOLVE That** the report be noted.

| |
|---|
| The Committee has the authority to determine the recommendation set out above. |

**Background Papers:** None.

**Reporting Person:** Frank Jeffrey, Head of Legal and Democratic Services
Email: frank.jeffrey@woking.gov.uk, Extn: 3012

**Contact Person:** Natalie Khan, Democratic Services Officer
Email: Natalie.khan@woking.gov.uk , Extn: 3083

**Date Published:** 26 February 2024

## 1.0 Yearly Report

1.1 The total FOIs received from January – December 2022 and 2023 are detailed below for comparison as follows:

| Reporting From | Total Received | Total Breached | Total Refused |
|---|---|---|---|
| Jan – Dec 2022 | 632 | 23 | 12 |
| Jan – Dec 2023 | 740 | 0 | 10 |

1.2 The total includes figures for FOI referrals, which are requests received intended for other services, including those for Surrey County Council. These requests were mostly for Children Services and Surrey County Highways respective departments.

1.3 It was thought that since the announcement of Woking Borough Council's (WBC) Section 114 Notice, FOI requests were expected to hike. However, this was not the issue and we had only received several requests regarding (WBC's debt), with the remainder being general requests.

1.4 The progress of individual FOI requests is monitored frequently to ensure no requests breach. The responsible Officers are contacted by the Democratic Services Team in the event that the request is not completed within 20 working days. Furthermore, the system will send automatic reminders to the responsible Officers on a daily basis if the request is not completed a week before the breach date. In addition, the Democratic Services Team send further reminders to Officers ensuring they complete the request on time.

## 2.0 Monthly Breakdown

2.1 Please note that the figures for the breached/refused FOIs are reported in the month they breach/are refused rather than the month they are submitted in.

2.2 An FOI request can be refused on the basis of exemptions applied, for example a Section 40(1) *"Any information to which a request for information relates is exempt information if it constitutes personal data of which the applicant is the data subject".*

| Month 2023 | Total received | Completed | Refused | Breached |
|---|---|---|---|---|
| January | 70 | 68 | 2 | 0 |
| February | 65 | 64 | 1 | 0 |
| March | 61 | 61 | 0 | 0 |
| April | 63 | 62 | 1 | 0 |
| May | 59 | 58 | 1 | 0 |
| June | 70 | 70 | 0 | 0 |
| July | 61 | 60 | 1 | 0 |
| August | 59 | 58 | 1 | 0 |
| September | 60 | 59 | 1 | 0 |
| October | 65 | 65 | 0 | 0 |
| November | 67 | 65 | 2 | 0 |
| December | 40 | 40 | 0 | 0 |
| **Total** | **740** | **730** | **10** | **0** |

## 3.0 Breakdown by Department

3.1 Please see the table below that details the FOIs received, broken down by department.

| Department | Total FOIs Received |
|---|---|
| Democratic Services* | 111 |
| Benefits, Revenue and Customer Services | 97 |
| Housing | 84 |
| Environmental Health | 59 |
| HR | 48 |
| IT | 48 |
| Planning | 45 |
| Green Infrastructure | 33 |
| Building Services | 24 |
| Parking | 23 |
| Finance | 20 |
| Legal | 20 |
| Neighbourhood Services | 16 |
| Family Services/Refugees | 12 |
| Elections | 11 |
| Licencing | 10 |
| Corporate Support | 10 |
| Equalities | 9 |
| Asset Management | 8 |
| Health & Wellbeing | 8 |
| | |
| Sports and Leisure | 8 |
| Planning Policy | 6 |
| Marketing | 6 |
| Procurement | 6 |
| Arts & Culture | 5 |
| Town Engineering Team | 4 |
| Business Liaison | 4 |
| Translation Services | 3 |
| Health & Safety | 2 |

*The high figure for Democratic Services reflects the fact that the Team oversees the system and, where able to, will respond directly to a request regardless of the subject.

## 4.0 Conclusion

4.1 The Council received a slight increase to FOI requests during 2023 compared to the previous year 2022 (632 against 740). FOI requests can significantly impact an individual's workload, particularly for those Officers in Revenue and Benefits and Housing. However, majority of requests are completed promptly by providing the information requested in a timely manner. There were no FOI's that were breached during the year.

REPORT ENDS

OVERVIEW AND SCRUTINY COMMITTEE – 28 FEBRUARY 2024

## CAPITAL, INVESTMENT AND TREASURY MANAGEMENT STRATEGIES AND MRP STATEMENT

### Executive Summary

Attached is the Capital, Investment and Treasury Management Strategies and MRP Statement, Capital Strategy 2024-25, Investment Strategy 2024-25, and Treasury Management Strategy 2024-25 and appendices as included on the agenda of the Council meeting 4 March 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:** Eugene Walker, Interim Finance Director & Section 151 Officer
Email: eugene.walker@woking.gov.uk, Extn: 3070

**Contact Person:** Nicola Regis, Interim Deputy Director of Finance
Email: nicola.regis@woking.gov.uk

Mike Stevens, Deputy Financial Services Manager
Email: mike.stevens@woking.gov.uk, Extn: 3622

**Portfolio Holder:** Councillor Dale Roberts
Email: cllrdale.roberts@woking.gov.uk

**Date Published:** 26 February 2024

COUNCIL – 4 MARCH 2024

## CAPITAL, INVESTMENT AND TREASURY MANAGEMENT STRATEGIES AND MRP STATEMENT

**Executive Summary**

Local authorities are required by statutory guidance and under the CIPFA Prudential and Treasury Management codes to produce the following reports as part of their annual budget approval:

- a Capital Strategy, which sets out the overall strategy for capital expenditure and finance for the coming year, including borrowing plans and limits, and summarising the Investment and Treasury Strategies;

- an Investment Strategy, which covers all investments apart from those held for treasury management purposes, including the Council's shares and loans and commercial properties;

- a Treasury Management Strategy, which sets out how the borrowing needs arising from the above plans will be arranged and managed; and

- a Minimum Revenue Provision (MRP) Policy Statement.

The intention is for these reports to provide a comprehensive and transparent picture of the Council's capital, borrowing and investment position which links into the Council's overall corporate plans and objectives. The reports include the prudential indicators, limits and investment indicators required under the respective codes and guidance.

**Recommendations**

The Council is requested to:

**RESOLVE That**

(i) the Capital, Investment and Treasury Management Strategies for 2024/25, including the prudential indicators, be approved;

(ii) the 2024/25 MRP policy statement set out in Appendix A to the Treasury Management Strategy be approved;

(iii) the 2023/24 MRP policy be amended to align it with the MRP approach for 2024/25 in order to comply with MRP guidance in the current financial year (i.e. 2023/24); and

(iv) the Debt Reduction Plan Principles set out in Appendix E to the Treasury Management Strategy be approved.

**Reasons for Decision**

Reason: To approve the Council's Strategy for 2024/25 and to adopt the Capital, Investment and Treasury Management Strategies, and the MRP Policy Statement.

| The Council has the authority to determine the recommendations set out above. |
|---|

**Background Papers:** None.

**Reporting Person:** Eugene Walker, Finance Director
Email: eugene.walker@woking.gov.uk, Extn: 3277

**Contact Person:** Nicola Regis, Deputy Finance Director
Email: nicola.regis@woking.gov.uk

Mike Stevens, Deputy Financial Services Manager
Email: mike.stevens@woking.gov.uk, Extn: 3622

**Portfolio Holder:** Councillor Dale Roberts
Email: cllrdale.roberts@woking.gov.uk

**Date Published:** 23 February 2024

## 1.0 Introduction

1.1 Since 2019/20 the CIPFA Prudential Code for Capital Finance in Local Authorities, and new government guidance on Local Government Investments have required the publication of Capital and Investment Strategies. The government also introduced statutory investment guidance and is in the process of updating its statutory MRP Guidance.

1.2 The Capital, Investment and Treasury Management strategies are presented together enabling the links to be highlighted whilst minimising duplication. A suite of appendices are included which can be referred to from any of the core strategies.

1.3 These strategies will continue to be developed further to support the understanding of the Council's capital investments and long term plans. The documents link with the Council's other long term plans and the Medium Term Financial Strategy to provide an overall picture of the Council's activity.

## 2.0 Capital Strategy

2.1 The purpose of the capital strategy is to give a clear and concise view of how the Council determines its priorities for capital investment, decides how much it can afford to borrow and sets its risk appetite. It includes references to elements of the Investment Strategy, Treasury Management Strategy and the Council's Investment Programme.

2.2 The unaffordable nature of the Council's previous borrowing and investment strategies became clearly apparent during 2023. A complete change in the Council's capital and investment strategy has therefore been necessary with the support of the Council's Commissioners and the Department of Levelling Up, Homes and Communities (DLUHC), in order to start to develop a financially sustainable future for the Council.

## 3.0 Investment Strategy

3.1 The Investment Strategy sets out the policy and proposals for the Council's investments, including the loans and shares in the ThamesWey Group and Victoria Square Woking Ltd, and the commercial property investments in the Strategic Property Portfolio. The strategy builds on the policies and proposals in the Improvement and Recovery Plan, particularly in the Commercial Theme.

3.2 Investments held for treasury management purposes are covered by the Treasury Management Strategy (see below).

3.3 The Council has a significant property and investment portfolio and a resulting debt portfolio of £2 billion that is both unaffordable and unsustainable. This led to Government intervention in May 2023 and a s114 notice in June 2023. This led to the appointment of Commissioners and the approval of an Improvement and Recovery Plan (IRP) that includes a significant plan of work to reduce the debt burden and rationalise the asset portfolio. This Strategy is set in this context and therefore marks a significant break with those previously presented to Members for approval.

## 4.0 Treasury Management Strategy

4.1 Treasury Management refers to the management of cash balances and funding needs through borrowing and investment. This report deals solely with treasury (financial) investments, which are as managed by the treasury management team.

4.2 The Treasury Management Strategy sets out the Council's strategy for borrowing and its policies for managing its treasury investments and for giving priority to the security and liquidity of those investments. It also includes the Council's Policy for Minimum Revenue Provision

(MRP) which has been substantially revised following consultancy advice and takes account of proposed changes to the Government's MRP Guidance.

## 5.0 Future Developments

5.1 These strategies take account of CIPFA's revised Treasury Management and Prudential Codes published in December 2021. The revised Codes require more analysis and a clearer risk management framework around non-treasury investments in particular, especially where (as in Woking Borough Council's case) they have been funded by borrowing.

5.2 The revised IRP context for the Council's debt and investment will ensure compliance with the revised codes.

5.3 The Department for Levelling Up, Housing and Communities (DLUHC) issued consultations on changes to Minimum Revenue Provision in November 2021, June 2022, and December 2023 (including new draft Statutory Regulations). The consultations discuss changes to how local authorities set aside MRP in relation to investments.

5.4 The draft regulations tighten up guidance on the provision of MRP, strengthening the duty under statutory guidance to make provision for the repayment of debt. The final proposed deadline for response was 16 February 2024:

[https://consult.levellingup.gov.uk/local-government-finance/consultation-on-changes-to-statutory-guidance-and](https://consult.levellingup.gov.uk/local-government-finance/consultation-on-changes-to-statutory-guidance-and)

5.5 The guidance makes it clear that Woking'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:

> *"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)*

5.6 The exceptional circumstances are intended to apply to Woking. Backdated MRP amounts to £356m and the intention is for additional MRP to be dealt with from 1st April 2023 onwards. The guidance will allow the Council not to charge this full amount, with Government permission. The debt repayments that would be carried forward will need to be dealt with by the longer term debt reduction plan. The impact of this and the issues arising are set out in the General Fund Budget Report and also the MRP report on this agenda.

## 6.0 Section 25 Report

6.1 The Finance Director's Section 25 report is included as an Appendix to the General Fund Budget Report also on this agenda. This is prepared taking into account the factors set out in the Capital, Investment and Treasury Management Strategies together with the Revenue and Investment Programme budgets. The Council is in a critical financial position and the section 25 report is a key document in assessing the legality and robustness of the budget.

## 7.0 Implications

<u>Finance and Risk</u>

7.1 The financial implications are set out in the three strategy reports.

7.2 Each strategy sets out the risks involved in the Council's activities. The new Investment Strategy and Capital strategies seek to improve transparency and understanding of the total exposure to risk and mitigating factors in the context of the Improvement and Recovery Plan.

Equalities and Human Resources

7.3 Training and development are covered in each of the strategy reports. Where additional needs are identified the Council will provide specific, focussed training.

7.4 No equalities implications have been identified.

Legal

7.5 The CIPFA codes support the provisions of the Local Government Act 2003 and the Local Authorities (Capital Finance and Accounting) Regulations 2003 and support strategic planning for capital and investment at a local level. The Council is required to have regard to the codes.

## 8.0 Engagement and Consultation

8.1 There have been no specific consultations in relation to this report.

REPORT ENDS

COUNCIL – 4 MARCH 2024

# CAPITAL STRATEGY 2024-25

## 1.0 Introduction

1.1 This capital strategy provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services together with an overview of how associated risk is managed, and the implications for future financial sustainability. This capital strategy report includes a summary of the Council's investment and treasury management strategies, which are set out more fully in the reports which follow.

1.2 The Capital Strategy, Investment Strategy, and Treasury Management Strategy aim to comply with the following statutory Codes and Guidance which local authorities are required by law to 'have regard' to:

- CIPFA's Prudential Code for Local Authority Capital Finance (revised 2021)
- CIPFA's Code of Practice for Treasury Management in the Public Services (revised 2021)
- Statutory Guidance on Local Authority Investments (revised 2018)
- Statutory Guidance on Minimum Revenue Provision (draft for consultation 2024).

1.3 The CIPFA Codes require the production of prudential indicators in relation to capital finance, borrowing and investments, and these are incorporated in the relevant reports below. Councils are encouraged to include local prudential indicators where these help interpret their financial position.

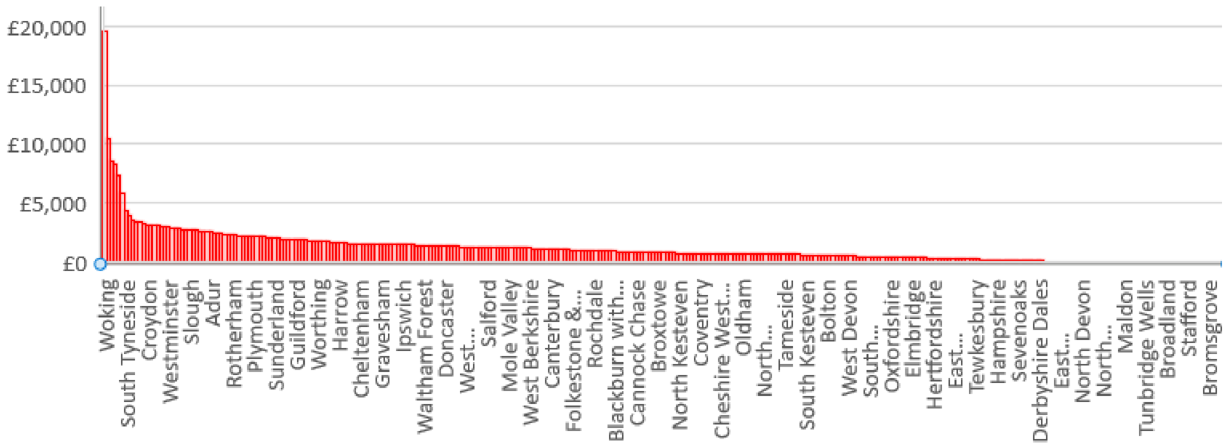
1.4 This report will;

- Describe how the Council reached its current exposed debt and investment position.
- Set out the Council's revised strategic objectives for capital expenditure, borrowing and investment.
- Set out the policies steering the capital programme and financing proposals in this budget.
- Forecast the Council's debt over the MTFS period and how that relates to the proposals in the Improvement and Recovery Plan and to the discussions with Commissioners and the Department of Levelling up, Housing and Communities (DLUHC).
- Outlines the proposed strategy for the Council's investments (including the Group and Victoria Square Woking Ltd) which is set out more fully in the Investment Strategy report.
- Outlines the treasury management strategy which is also set out fully in the report of that name, including the proposals for Minimum Revenue Provision (MRP).

## 2.0 Context: borrowing, investments and the Council's financial position

2.1 The Council's capital and investment strategy from around 2016 onwards sought to achieve regeneration, housing and environmental objectives, by very large scale investment, funded by Council borrowing, in the council-owned ThamesWey Group of companies and in Victoria Square Woking Ltd (VSWL). Interest from the loans to the companies was intended to cover the associated borrowing costs. This has led to the Council having £19,573 debt per head of population, by far the highest debt per head of any authority in England:

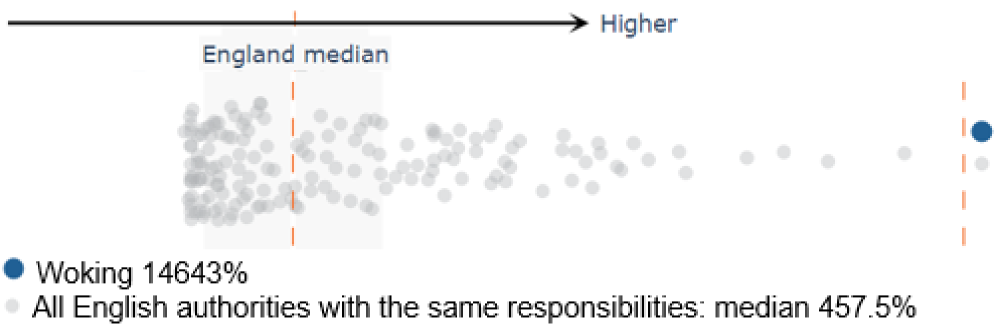
**Local prudential indicator: loan debt per head of population**




Source: DLUHC statistics at 30 September 2023

2.2 The volume of debt contrasts with the Council's core revenue resources from Council tax and business rates of around £15m in 2024/25. Analysis from OfLog shows Woking as an extreme outlier compared with other authorities, with total debt at 31 March 2022 being 14643% of its core spending power:

**Local prudential indicator: Total debt as a percentage of core spending power**




Source: OfLog Local authority Data explorer (2021/22 actuals)

2.3 In 2023 it became clear that the council investments in ThamesWey and VSWL were not able to deliver the cashflows to meet loan payments to the Council without further ongoing injections of Council cash via the loans' revolving credit facility. Moreover, the Council had not been charging minimum revenue provision (MRP) on its investments, and it became clear that this was not prudent, especially under the revised MRP regulations and Guidance being proposed by the Government. The unsustainability of the Council's financial position led to the Government's External Assurance Review and the appointment of Commissioners. The Section 114 notice in June 2023 by the then Interim Director of Finance made it clear that the Council's Investment Strategy had resulted in unaffordable borrowing; inadequate steps to repay that borrowing; and high values of irrecoverable investments. MRP charges in relation to investments appeared to have been understated by £356m to the 31 March 2024. Interest income of £43m per annum from the group companies has been suspended in 2023/24.

2.4 A complete change in the Council's capital and investment strategy has therefore been necessary with the support of the Council's Commissioners and the Department of Levelling Up, Homes and Communities (DLUHC), in order to start to develop a financially sustainable future for the Council. The Council fully acknowledges its corporate responsibility to the community and the taxpayer and to Government to take such steps as are available to meet a proportion of its overall revenue deficits from its own resources. The Council published its Improvement and Recovery Plan (IRP) in July, as well as agreeing its Guiding Principles for returning to financial balance over the medium term. These form the basis of much of the capital and investment strategies below.

## 3.0 Strategic objectives and risk appetite in relation to capital, borrowing and investment

3.1 The Council's Medium Term Financial Strategy has four strategic goals:

- To provide a framework within which the Council is eventually able to achieve a series of balanced budgets in the medium term;
- To reach for and deliver where possible both financial stability and sustainability;
- To enable successive budgets to be balanced using a set of Guiding Principles;
- To provide a budget and risk structure within which the Improvement and Recovery Plan can be delivered.

3.2 A key part of delivering these goals is a way forward for the Council's debt, investments and capital finance. The Improvement and Recovery Plan includes the following strategic aims relating to these areas:

- Financial recovery: sustainable budget management, making difficult decisions whilst delivering against strategic Council priorities and safeguarding future capacity;
- Commercial: release the Council from unavoidable commitments, whilst protecting the public purse and optimising the value of existing assets and rationalising;
- Governance and assurance: ensure risk is managed and decisions are based on data and evidence and scrutinised.

3.3 In this context the Council is highly risk averse, as the revenue account is unable to manage financial volatility.

3.4 The Council's overall priorities, which were set out in the Woking for All Strategy in 2022, are under review given the Council's changed situation. A draft vision and mission statement has been developed alongside the budget, as described in the General Fund Budget Report to 8 February Council. This includes a mission for a trusted and transparent Council that lives within its means.

## 4.0 Capital Expenditure and Financing

<u>Capital Programme 2024/25</u>

4.1 Given the need to minimise capital expenditure, the previous capital programme was suspended in September 2023, and the revised Medium Term Financial Strategy adopted the following Capital Planning Principles as the criteria for agreeing capital budgets. Proposals that do not fall within these 'Capital Principles' have not been 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.

4.2 The reduced capital programme following these principles reflects the Council's wider orientation towards being an organisation focussed on delivering core services to its residents. Hence, whilst the programme is much reduced overall, it does include the most significant investment in Council Housing for some time. This investment is fully funded via HRA resources and meets the requirement of the Prudential Code. It funds spending to help the Council meet essential regulatory fire safety and Decent Homes standards. Similarly, the much reduced General Fund programme covers essential maintenance requirements such as on Pool in the Park. In summary the programme is:

**Prudential indicator: Capital expenditure**

**Prudential indicator: capital expenditure**

| | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| General Fund capital expenditure | 90.5 | 34.7 | 8.1 | 6.9 | 6.9 |
| HRA capital expenditure | 4.3 | 18.3 | 18.3 | 16.8 | 4.2 |
| Total capital expenditure | 94.8 | 53.0 | 26.4 | 23.7 | 11.1 |
| analysis | This is much lower than recent years, and declines in later years as known resources are lower at this stage. | | | | |
| objective | to maximise external resources and minimise use of capital receipts and prudential borrowing based on the Capital Principles | | | | |

4.3 Further details are set out in the Capital Programme Report and the HRA Budget Report presented to the 1st February Executive.

4.4 The figures included in the HRA and General Fund Capital Programme are indicative budgets and do not represent approval to spend. Separate expenditure approvals will be required, based on the production of a robust business case. Where any borrowing from PWLB is needed to fund the programme, approval will be sought from DHLUC as part of the regular monthly meetings to review cash flow and the Council's borrowing requirements.

<u>Capital Programme Governance</u>

4.5 It is the intention that no new capital expenditure financed by borrowing or by the Council's own resources (such as capital receipts) should normally be approved outside of the annual budget process. The objective is to strengthen budget discipline and ensure consistent prioritisation of very limited resources in accordance with the Council's Capital Principles. In year approvals should be limited and relate to exceptional cases such as the in year receipt of grant funding for projects.

4.6 The inclusion of a project or programme in the Capital Programme does not permit it to proceed until a formal business case has been approved. Before a project included in the annual programme can proceed, a project manager is identified and will prepare a short summary of the project for consideration by the Corporate Leadership Team (CLT). If CLT are supportive, the project manager will complete a more detailed workbook which covers the objectives of the project, the costs, funding and risks. If necessary, a report will be presented to the

Executive or Council to approve use of resources in line with the Council's Constitution. Arrangements are described more fully in the Capital Programme report elsewhere in the budget papers.

4.7 As stated above, any new borrowing that is required to support capital expenditure is subject to government approval as part of the Intervention and arrangements for Exceptional Financial Support. Therefore schemes cannot progress until this is in place.

4.8 Strengthening governance across the Council forms an important part of the Improvement and Recovery Plan. The Governance and Assurance Theme aims to ensure risk is managed, future decision making arrangements are improved, and to make changes to the constitution accordingly. This includes reviewing the roles of Overview and Scrutiny and Standards and Audit Committees.

Capital Programme Financing

4.9 All projects within the Capital Programme are financed either from grants or contributions (external sources), reserves or capital receipts (internal sources) or borrowing (including leasing/Private Finance Initiative). Table 2 shows the proposed financing of the capital budget above.

Capital Programme February 2024

| | 2022/23 Budget £m | 2023/24 Budget £m | 2024/25 Budget £m | 2025/26 Budget £m | 2026/27 Budget £m | 2027/28 Budget £m |
|---|---|---|---|---|---|---|
| General Fund | 87 | 34 | 9 | 6 | 6 | 6 |
| Housing (Including Council Housing) | 69 | 61 | 44 | 20 | 18 | 6 |
| TOTAL | 156 | 95 | 53 | 26 | 24 | 11 |

4.10 Where opportunities arise, the Council will apply for government or other external funding to contribute towards planned Capital Programme projects. The award of grants is subject to the conditions of the grant awarding body and will often include a requirement for match funding by the Council and a repayment clause if funds are not applied in accordance with the grant terms.

4.11 Prudential borrowing has been the main source of capital finance in recent years, but this now needs to be minimised as part of the Improvement and Recovery Plan's objective of reducing the Council's debt. The much reduced programme now utilises prudential borrowing for a small element of the housing capital programme (funded by the Housing Revenue Account) and essential maintenance of the Council's core assets and to support the completion of the VSWL and ThamesWey business cases. There is a well established process for accessing prudential borrowing to support the later which is covered in the monthly DHLUC meetings.

4.12 As reported in the General Fund Budget and Council Tax Setting 2024-25 Report elsewhere on the agenda, the Government have agreed that the Council can use £3.5m of capital receipts to carry out a comprehensive Improvement and Recovery Programme. The above report provides an update on this programme.

## 5.0 Debt forecasts, affordability and the Improvement and Recovery Plan

Forecast debt

5.1 The Council's debt is formed of loan debt and other long term liabilities, such as liabilities under PFI contracts. In general, debt increases by the amount of prudential borrowing for capital expenditure, and reduces by the amount of minimum revenue provision (MRP). Debt (net of treasury investments) is also likely to rise when reserves are used or revenue deficits are incurred. At 31 March 2024 the Council's total loan debt is estimated at £2,115m, rising to £2,254m by 31 March 2025.

5.2 The debt charges (interest plus minimum revenue provision) arising from this level of debt are unaffordable to the Council, given the loss of the associated investment income. The Government accepts that Woking cannot meet all the borrowing liabilities and the debt charge consequences. In relation to the 2024/25 budget, the Government has provided capitalisation directions which enable a balanced budget to be set; however this does not reduce the Council's debt or borrowing costs.

5.3 In relation to later years, given the timings and dependencies on the Council's work, Government has not provided a specific commitment to the value and form of support, but has committed to working with the Council on the long-term solution and recognises that the Council will need external support to repay its debt.

5.4 On this basis, without assuming the nature of financial support in later years, the projected debt across the medium term plan period is as set out below. This represents the prudential indicator for the Operational Boundary.

**Prudential indicator: Operational Boundary (forecast debt)**

5.5 The table below shows the current trajectory of the Council's debt in future years. This is based on the interim solution of the Capitalisation Directive explained in the Medium Term Financial Strategy report. This solution will continue to increase the Council's overall debt by capitalising revenue shortfalls until a longer term solution to the Council's unaffordable debt commitment is agreed with Government.

5.6 The requirement for the capitalisation directive is driven by the overall revenue budget shortfalls estimated to be at £114m in 2024/25 and to £95m in 2025/26 (as per the capitalisation directive calculation detail). The largest component of this is the loss of revenue associated with the suspension of interest previously paid by the Council's Joint Ventures and wholly owned companies (at £48m in 2024/25). These figures exclude the associated MRP costs which cannot be capitalised.

5.7 The much reduced capital programme of essential spending on the housing programme and other essential maintenance forms a smaller portion (£34m in 2024/25 and £19m in 2025/26).

**Prudential indicator: operational boundary (forecast gross debt)**

| | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| **Opening gross loan debt** | 1,973.4 | 2,115.4 | 2,254.0 | 2,359.8 | 2,469.9 |
| Planned prudential borrowing for capital | 83.3 | 33.9 | 19.3 | 18.2 | 5.5 |
| Revenue shortfall - met by capitalisation direction | 52.7 | 114.0 | | | |
| Later year revenue shortfalls - funding to be resolved | | | 95.1 | 101.4 | 107.4 |
| Less MRP | 0.0 | -8.1 | -8.6 | -9.5 | -9.6 |
| other cashflows eg movements in reserves | 6.0 | -1.1 | 0.0 | 0.0 | 0.0 |
| **Forecast closing loan debt** | **2,115.4** | **2,254.0** | **2,359.8** | **2,469.9** | **2,573.2** |
| Other long term liabilities | 19.7 | 20.7 | 19.1 | 17.5 | 15.9 |
| **Operational boundary (forecast debt)** | **2,135.1** | **2,274.7** | **2,378.9** | **2,487.4** | **2,589.1** |
| **Analysis:** These figures make no assumptions about the nature of Government assistance beyond 2024/25. On this basis,debt continues to grow due to budget shortfalls and some borrowing for essential capital. These are the figures on which interest costs have been budgeted. Substantial asset sales in later years are expected to reduce debt, but are not yet quantified. | | | | | |
| **Objective:** The Council seeks with the support of Government to achieve a substantial reduction in its debt. | | | | | |

Debt affordability

5.8 The debt financing costs arising from the above debt are extremely high relative to the Council's underlying revenue resources. Financing costs comprise largely interest due plus minimum revenue provision (MRP is considered more fully in paragraph 6 below). The prudential indicator for financing costs as a proportion of the net revenue stream illustrates this as follows:

**Prudential indicator: Financing costs as a % of the net revenue stream**

| | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| General Fund gross financing costs | 65.0 | 72.2 | 77.7 | 79.1 | 82.9 |
| net revenue stream | 16.1 | 19.0 | 19.0 | 19.0 | 19.0 |
| Financing costs as % of net revenue stream | 404% | 380% | 409% | 416% | 437% |
| analysis | this is the share of income from general grants and Council Tax taken by financing costs (largely interest and MRP). THis needs to be much lower in order to reach a sustainable position. | | | | |
| objective | to substantially reduce this over the medium term to a level where plausible variations can reasonably be met without a major disruption to services | | | | |

The Improvement and Recovery Plan (IRP)

5.9 The above forecasts show a level of debt and debt financing costs which, without Council action and Government support, are unaffordable and will continue to grow.

5.10 The Council is committed to playing its part in resolving these problems. The Improvement and Recovery Plan approved by the Council in July 2023 sets out several themes to progress the Council's financial recovery with the support of the Government. Key to the Council's actions in reducing its debt is the asset rationalisation plan, under which capital receipts from asset sales will be used to repay the Council's debt. This will reduce its financial exposures and risks for both borrowing and investments, on both sides of the balance sheet. This is set out in the IRP's Commercial Workstream and is described more fully in the Investment Strategy report.

Authorised Limit for debt

5.11 The Authorised Limit for Debt is a limit on total loan debt and other long term liabilities which the Council must set by law and under CIPFA's Prudential Code. The limit may not be exceeded. Pending further work on a long term financial solution with the Government, the authorised limit has been set in this budget at the forecast debt shown in the Operational Boundary above, plus a small margin to allow for cashflows and other uncertainties. The limits include the estimated borrowing required to cover revenue deficits under a capitalisation direction.

**Prudential Indicator: Authorised Limit for Borrowing and Debt**

| | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| Forecast closing loan debt | 2,135.1 | 2,274.7 | 2,378.9 | 2,487.4 | 2,589.1 |
| Allowance for cashflows and uncertainties | 74.7 | 79.6 | 83.3 | 87.1 | 90.6 |
| **Authorised Limit for borrowing** | **2,209.8** | **2,354.3** | **2,462.2** | **2,574.5** | **2,679.7** |
| Other long term liabilities | 19.7 | 20.7 | 19.1 | 17.5 | 15.9 |
| **Authorised Limit for debt** | **2,229.5** | **2,375.0** | **2,481.3** | **2,592.0** | **2,695.6** |
| Analysis and Objective: as for the operational Boundary above | | | | | |

The "Other Long Term Liabilities" represents a Private Finance Initiative (PFI) scheme explained in section 11.

## 6.0 Minimum Revenue Provision (MRP) and the Capital Financing Requirement

6.1 Minimum Revenue Provision (MRP) is an annual charge to revenue account required by law to meet the cost of capital expenditure that has not been financed from available resources. This can be thought of as a way of repaying prudential borrowing and other liabilities used to fund capital expenditure. The Capital Financing Requirement (CFR) is the measure of the unfinanced capital outstanding, or the underlying level of debt relating to capital expenditure.

6.2 The Government has been reviewing its MRP approach since 2021/22, and the final proposed amendments to regulations and statutory guidance, with effect from 2024/25, were recently published for consultation.

6.3 The Council's MRP has in recent years been very low in relation to its CFR due to its previous policy of not charging MRP in relation to capital loans to third parties. A review for the Council by Worth Technical Accounting Solutions has advised that MRP was estimated to be cumulatively understated by £356.4m as at 31st March 2024. MRP underprovision was one factor in the section 114 notice issued by the then interim Director of Finance in June 2023.

6.4 Funding these levels of MRP is beyond the means of the Council, and has been a major element in discussions with the Commissioners and DLUHC during 2023. DLUHC have agreed that:

- The Government has committed to working with the Council on the long-term solution to its borrowing liabilities and debt charges and recognises that the Council will need external support to repay its debt.
- In accordance with the MRP Guidance and assurances of support from Government it is not appropriate to charge the full MRP. The level of MRP which the Council should be bearing on a business as usual basis is £8.122m for 2024/25 – this excludes additional MRP in respect of completing the projects being run by Victoria Square Woking Ltd and ThamesWey and backdated MRP which will be deferred in line with the draft MRP guidance. This is on the basis of the draft MRP guidance in relation to 'distressed authorities' the fact the draft guidance articulates existing policy and the request for Exceptional Financial Support made by the Council. For all of which Government

support is expected. On this basis setting MRP on a business as usual basis, based on the assurances around Government support, would meet the requirement for the Council to be setting a prudent level of MRP.

- The future MRP policy will be updated in accordance with the Guidance to ensure that all debt is repaid in line with the statutory duty under Regulations 27 and 28. This may mean some MRP being deferred to future years.

6.5 The MRP policy which forms Appendix 1 to the Treasury Management Strategy reflects the above.

Capital Financing Requirement (CFR)

6.6 The Capital Financing Requirement is a measure of debt outstanding related to financing capital expenditure. It increases with new debt-financed capital expenditure and reduces as MRP or capital receipts are set aside to repay debt. The Council's CFR has been restated using a balance sheet calculation provided in the MRP review by Worth Technical Accounting Solutions. The calculation may be subject to further review when the Council's recent years' accounts are audited.

6.7 The Capitalisation Directions referred to in the General Fund Budget report permit the Council to capitalise the 2024/25 revenue deficit arising from the historic borrowing and investment strategy. This will increase the Council's CFR.

6.8 The Direction is simply a temporary mechanism to enable the Council to set a balanced revenue budget. The Direction brings with it no cash resources, so the deficit – whether treated as revenue or capital – reflects a cash shortfall which will have to be met from borrowing, and will therefore result in an increase in the Council's debt outstanding in 2024/25. Future revenue deficits will continue to increase Council debt until a more sustainable solution to the Council's debt position is identified. Any new borrowing under the capitalisation direction will relate to 2024/25 onwards. The issue of a capitalisation direction will not cause the Council to incur any additional borrowing for 2023/24 or before.

6.9 On this interim basis, the CFR is estimated as follows:

**Prudential indicator: Capital Financing Requirement (CFR)**

| | 2023/24 £m | 2024/25 £m | 2025/26 £m | 2026/27 £m | 2027/28 £m |
|---|---|---|---|---|---|
| General Fund CFR | 2,146.1 | 2,284.5 | 2,293.7 | 2,300.8 | 2,295.2 |
| HRA CFR | 163.5 | 165.9 | 178.6 | 191.2 | 191.2 |
| Total CFR | 2,309.6 | 2,450.4 | 2,472.3 | 2,492.0 | 2,486.4 |
| analysis | This is the underlying level of debt which has financed capital expenditure, including the capitalisation directions in this budget. The CFR value remains under review while accounts are audited. | | | | |
| objective | to substantially reduce this over the medium term | | | | |

6.10 The CFR is closely related to a council's debt outstanding. Debt should normally be below the CFR, due to revenue reserves and other balances in hand. If debt exceeds the CFR this is usually an indication of financial difficulties:

**Prudential Indicator: Gross debt and the Capital Financing Requirement**

| | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| Gross debt (loans and other long term) | 2,137.4 | 2,274.7 | 2,378.9 | 2,487.4 | 2,589.1 |
| Capital Financing Requirement | 2,309.6 | 2,450.4 | 2,472.3 | 2,492.0 | 2,486.4 |
| does debt exceed the CFR? | No | No | No | No | Yes |
| analysis | This compares the calculated CFR required with the Council's forecast level of actual debt. The debt exceeds the CFR in 2027/28 as the CFR does not include a capitalisation directive from 2025/26 onwards while borrowing is still estimated to be required to finance revenue deficits. | | | | |
| objective | to keep actual debt below the CFR | | | | |

6.11 Where debt exceeds the CFR, the Code requires an authority to take steps to bring debt back below the CFR in the medium term. This will need to be part of the medium term financial solution being developed with the Commissioners and DLUHC.

**7.0 Asset management**

7.1 Due to the continuing restrictions on new expenditure commitments, there are few resources in the capital programme or revenue budget for asset maintenance and management on the General Fund, which will focus on essential maintenance for core services. The 2024/25 Housing Programme does however include significant investment in fire safety and Decent Homes standards, which can be funded from a more sustainable Housing Revenue Account.

7.2 During the financial reviews of 2024/25 it has become clear that the Council has not been providing sufficient resources to maintain the condition and suitability of its General Fund assets in the medium and long term. A provision of up to £20m per annum of revenue and capital expenditure combined, has been included in the Capitalisation Directive for 2024/25 and is part of the ongoing dialogue with DLUHC.

7.3 The HRA’s asset management is separate due to the HRA ring fence. The capital programme’s proposals for the HRA address the immediate needs of the housing stock and will be further reviewed when the 30 year HRA Business Plan is produced during 2024/25.

7.4 The Council’s asset management needs will be changed significantly by the asset rationalisation proposals under the Improvement and Recovery Plan. The Strategic Asset Management Plan will be reviewed accordingly.

<u>Asset Rationalisation Plan</u>

7.5 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’.

7.6 The rationalisation strategy places the key Council assets together for consideration, namely:

- Victoria Place regeneration project and Victoria Square Woking Ltd (VSWL)
- ThamesWey Group Companies and the Sheerwater Regeneration project.
- WBC Strategic commercial property investment portfolio
- WBC operational property portfolios.

8.0 A commercially experienced property specialist has been brought in to lead the development and implementation of the rationalisation strategy and subsequent disposal programme. The last three months has seen a breakthrough in the asset rationalisation work. The next period will see the completion of a prioritised plan which will balance the urgent need to reduce the levels of debt with achieving value for money for the assets sold. A programme of asset disposals for the next three years is developing.

8.1 Asset information remains a barrier to more rapid progress and even in the most aggressive scenario, disposals in the next two years are likely to be in the tens not hundreds of millions. Accordingly, the Council's debt and CFR remain forecasted at elevated levels pending further clarity about the asset rationalisation programme as well as the future government support mechanism.

## 9.0 Investment Strategy

9.1 The Council's Investment Strategy is included elsewhere in the suite of budget reports, and is summarised below. It covers all the Council's non-treasury investments made to support service objectives, in particular its loans and shares (predominantly in VSWL and the ThamesWey Group) as well as its commercial property investments.

9.2 The last decade has seen a highly expansionary investment strategy. Historic expenditure on share and loan acquisition estimated at 31 March 2023 stood at £1,334m, financed from borrowing; the current value of the Strategic Property portfolio was estimated at £225m at 31 March 2023.

9.3 The Government's External Assurance review of May 2023 concluded that the current value of investment assets was estimated to be well below the associated borrowing. There was insufficient regard to the level of risk the Council was being exposed to, and it could not be argued that the borrowing and investment had been proportionate or prudent. The Council's historic investment and borrowing decisions were disproportionate to its ability to manage complex commercial activity.

9.4 The suspension of interest receipts from VSWL and the ThamesWey Group during 2023/24 has resulted in a loss of investment income of around £43m per annum, which previously had been used to meet the associated borrowing costs. The Council will receive an estimated income from other service-related loans of £1.4m in 2024/25, and a further £6.7m from the Strategic Property portfolio.

9.5 The Improvement and Recovery Plan's Commercial Theme aims to release the Council from unaffordable commitments whilst protecting the public purse and optimising the value from existing assets'. It will do this as far as possible by reducing investment risks to a proportionate size; obtaining the best financial outcome for the public purse in relation to the failed investments; and using the sale proceeds to repay part of the Council's loan debt.

9.6 This will require a full understanding of the activities of all Council owned companies, joint ventures and commercial property assets. As noted in the previous section, this process will take several years.

9.7 The Council's non-treasury investment limit, as required by Government Guidance, is set out below. This reflects the scale of historic expenditure and not the value of the shares and loans; and does not yet reflect the asset rationalisation programme which is currently under development. Future years' Investment Strategies will see a much smaller portfolio.

**Prudential indicator: non-treasury investments limit**

| | 2023/24 £m | 2024/25 £m | 2025/26 £m | 2026/27 £m | 2027/28 £m |
|---|---|---|---|---|---|
| Shares (at cost) | 37.8 | 37.8 | 37.8 | 37.8 | 37.8 |
| Loans (at cost) | 1,363.6 | 1,388.2 | 1,388.5 | 1,388.5 | 1,388.5 |
| Commercial property (valuation 31.3.2023) | 224.9 | 224.9 | 224.9 | 224.9 | 224.9 |
| total limit | 1,626.3 | 1,650.9 | 1,651.2 | 1,651.2 | 1,651.2 |
| analysis | The Council's investment purchases have been disproportionate, especially in its Group companies. The limit has been maintained at current levels pending decisions about future investment reductions. | | | | |
| objective | to substantially reduce the level of investments over the medium term, to reduce investment exposure and repay debt. | | | | |

## 10.0 Housing Revenue Account Capital and Borrowing

10.1 A 30 year Business Plan for the HRA is in preparation for approval in the next few months. This will enable a longer term perspective on the affordability and sustainability of the HRA and its capital plans. The HRA capital budget is essentially a one year plan with indications for later years which will need review as part of the business plan development. The HRA prudential indicators shown below will inform the development of the business plan and will be incorporated into the final document.

**Prudential indicator: HRA capital expenditure and debt**

**HRA prudential indicators: Capital Expenditure and Capital Financing Requirement**

| | 2023/24 £m | 2024/25 £m | 2025/26 £m | 2026/27 £m | 2027/28 £m |
|---|---|---|---|---|---|
| HRA Capital expenditure | 4.3 | 18.3 | 18.3 | 16.8 | 4.2 |
| HRA prudential borrowing | 0.0 | 2.4 | 12.6 | 12.6 | 0.0 |
| HRA CFR | 163.5 | 165.9 | 178.6 | 191.2 | 191.2 |
| Analysis: The HRA CFR is the measure of HRA debt outstanding. It increases due to new prudential borrowing, but there is no automatic mechanism to reduce it so new HRA prudential borrowing needs to be done with care. | | | | | |
| Objective: To ensure that HRA CFR remains affordable and prudent over the life of the HRA Business Plan. | | | | | |

**Prudential indicators: HRA debt affordability**

10.2 These indicators show that HRA debt per dwelling increases significantly from 2026/27 due to additional prudential borrowing combined with a falling number of HRA properties as a result of right to buys. The affordability of this will need to be assessed as part of the Business Plan development.

| | 2023/24 £m | 2024/25 £m | 2025/26 £m | 2026/27 £m | 2027/28 £m |
|---|---|---|---|---|---|
| HRA financing costs | 5.6 | 5.6 | 5.9 | 6.4 | 6.6 |
| HRA revenues | 21.2 | 24.2 | 24.8 | 25.4 | 26.0 |
| number of HRA dwellings | 3,386 | 3,296 | 3,276 | 3,256 | 3,236 |
| HRA financing costs as a % of revenues | 26% | 23% | 24% | 25% | 25% |
| HRA financing costs per dwelling (£ actual) | 1,640 | 1,701 | 1,804 | 1,958 | 2,039 |
| analysis | THe later years figures are draft pending production of the HRA Business Plan. If financing costs as a share of HRA revenues or per dwelling rises by more than inflation, that represents a bigger call on limited HRA resources. The affordability of later years should be reviewed carefully as part of the forthcoming HRA Business Plan. | | | | |
| objective | To ensure that financing costs at an affordable proportion over the 40 year life of the HRA Business Plan. In the medium term, for the proportion of revenues and cost per dwelling to remain at a stable level at which the housing stock can be maintained and sustained using revenue resources with little or no additional prudential borrowing. | | | | |

## 11.0 Treasury Management Strategy

11.1 The Council's Treasury Management Strategy is included elsewhere in the suite of budget reports, and is summarised below. It sets out how the Council manages its loan debt and treasury investments, in order to meet its longer term borrowing needs as well as its day to day cashflows.

11.2 The strategy for 2024/25 is an interim position until a more sustainable solution to the Council's unaffordable debt position is identified. As described in section 5 above, the Council's debt is forecast to grow pending a long term financial solution. In addition, a substantial volume of existing borrowing matures during 2024/25 and this will need replacing. New borrowing is expected to be taken largely as one year maturity loans from the PWLB, with the possibility of some two to three year loans to match the likely timing of major asset sales in that period. In normal circumstances, the Council's borrowing requirement would be largely met by longer term borrowing, but this is unlikely to be appropriate given the need for a major debt reorganisation and reduction exercise with the Government.

11.3 This one year borrowing strategy is supported by the likelihood of reducing short term interest rates in the coming one to three years, but the Council's resultant high exposure to short term rate variations may result in significant interest cost volatility.

11.4 The PWLB does not lend to any Local Authority which plans to buy investment assets primarily for yield (regardless of whether this purchase would be funded by PWLB borrowing or through other resources). This budget contains no such plans. DLUHC and the Commissioners will continue to be closely involved in any borrowing from the PWLB which will require their approval.

11.5 Treasury management investments are taken in order to manage the Council's cashflows and other treasury activities. Given the Council's position as a substantial net borrower, treasury investments are likely to continue to be held for short term cashflow management only. A balance of around £15m is assumed in order to allow short term cashflow fluctuations to be met. In accordance with Government Investment Guidance, the Council will prioritise security and liquidity over yield for treasury management investments.

11.6 Decisions on treasury management investment and borrowing need to be made daily, and are therefore delegated to the Finance Director and finance team to act in accordance with this Treasury Management Strategy. Treasury Management Practices are being reviewed to provide day to day guidance for treasury officers.

11.7 Borrowing and treasury investments are reported during the year in the Council's financial monitoring, and prudential indicators will be reported quarterly as required by CIPFA's Prudential Code. A Treasury Management report is presented to the Executive after the end of the year detailing the activity for the year and the Overview and Scrutiny Committee receives a mid-year report.

## 12.0 Other long term liabilities

12.1 The Council is committed to making future payments to cover its pension fund deficit valued at £67m at 31 March 2022.

12.2 The Council has a General Fund Private Finance Initiative (PFI) scheme which provides 224 houses at affordable rents for 25 years via a release to a housing association. The liability associated with the payment of the unitary charge was assessed as £23.2m at 31 March 2023.

12.3 Decisions on incurring new discretional liabilities are taken in the same way as other Council expenditure and will be the subject of Executive/Council decisions if not covered by approved budgets.

## 13.0 Risk management in capital, investment and treasury

13.1 The Council has become all too aware of the risks surrounding disproportionate levels of borrowing and investment, especially where investments are financed by borrowing. The Improvement and Recovery Plan aims as far as possible to net down the investment and borrowing risks on both sides of the balance sheet, by selling investments and other assets, and using the proceeds to repay debt; however, investment values and proceeds will be substantially below the associated levels of borrowing. The Government has recognised that the Council will need external support to repay its debt and restore affordability.

13.2 The key risks to the Council currently are during this transitional period while the Improvement and Recovery Plan is implemented and further support is firmed up with DLUHC. These risks are being managed primarily through the risk management arrangements documented in the Improvement and Recovery Plan. Risks will be identified and managed by each working group, and risks requiring escalation will be reported and captured in the wider programme risk register, and shared with the Executive as part of quarterly programme updates.

13.3 Key risk areas which are covered include the level of resources available to support the work programme; the pace of change required and the pressures on staffing, morale and retention; and the Council's reliance on external resources for delivery. The section 25 report in the Medium Term Financial Plan sets out the overall risks to the Council's sustainability. Further risk management arrangements are included in the Improvement and Recovery Plan.

## 14.0 Knowledge, skills and capacity

14.1 Knowledge, skills and capacity continue to be a key challenge to the Council, especially as it seeks to deliver a challenging Improvement and Recovery Plan.

14.2 External advisors and consultants are used where the Council does not have the technical knowledge, experience or skills required. They are also used to supplement the internal resource if Council staff do not have the capacity to manage the Council's requirements.

14.3 The Council supports training towards professional qualifications and for staff to attend relevant training courses for continued professional development. Training and briefing sessions for Members and Officers on local government finance generally and on subjects or projects as needs are identified.

# INVESTMENT STRATEGY 2024-25

## 1.0 Introduction and scope

1.1 The Local Government Act 2003 and supporting regulations require the Council to 'have regard to' CIPFA's Prudential Code and Treasury Management Code, and to Government Investment Guidance. The Codes and the Guidance all expect authorities to approve an annual Investment Strategy as part of the budget setting process.

1.2 CIPFA revised the Treasury Management and Prudential Codes in 2021. The main focus of the revisions was to strengthen the codes' requirements relating to the affordability, proportionality and funding of service and commercial investments. The Government Investment Guidance was issued in 2018 and covers risk management, governance and risk indicators among other things.

1.3 The Public Works Loans Board (PWLB), as the Government lender to local authorities, has also strengthened its lending criteria and will not lend to authorities who plan to make investments mainly for yield.

1.4 The revised Treasury Management Code requires investments and investment income to be considered in three categories, relating to the investment purposes:

| Purpose of Investment | Application in Woking |
|---|---|
| **Treasury management investments:**<br>These are held as part of treasury management activity, e.g. managing cashflows or resulting from a borrowing strategy. | The Council's treasury investments are relatively small, and are considered in the Treasury Management Strategy report. |
| **Service investments:**<br>These are taken or held primarily as a direct part of delivering service objectives, e.g. regeneration. | Materially all the Council's non-treasury investments were acquired to support services. These include the Strategic Property portfolio, but mainly comprise the Council's very large investments in the ThamesWey Group and Victoria Square Woking Ltd which are now in serious financial difficulty. |
| **Commercial investments:**<br>These are taken or held primarily for financial return rather than as a part of direct service delivery. | The Council previously maintained that its strategic property portfolio was not a commercial investment and not primarily for yield, but was for regeneration purposes. They are however commercial investments by nature and rely on yield to meet associated borrowing costs. These investments are being reviewed as part of an asset rationalisation and debt reduction plan. |

1.5 This report addresses the latter two categories, i.e. all the Council's service and commercial investments (which are sometimes collectively called 'non-treasury' investments).

1.6 The report includes local investment indicators and limits as required by the Guidance and the Codes.

## 2.0 Context: Investments and the Council's financial position

2.1 The Council currently has loan and share investments of £1.39 billion (at cost as at 31st December 2023), predominantly in the ThamesWey Group and Victoria Square Woking Ltd (VSWL), which were largely made from 2016 onwards. It also has a Strategic Property Portfolio of commercial properties in Woking with an estimated value of £222m. These were almost entirely purchased by borrowing, giving Woking by far the highest debt per head of population of any local authority in the UK.

2.2 The Council's annual budget in February 2023 stated that the Council was 'in the territory of' a Section 114 notice, due to the possibility of revenue expenditure exceeding available resources. The reasons included the very high levels of borrowing taken largely to fund investments; the risk of falling investment values becoming lower than loan balances; investment business plans requiring support for many years; and the risk of much higher Minimum Revenue Provision charges (MRP) being required in relation to investments.

2.3 The Government's External Assurance review of May 2023 concluded that the Council's historic investment and borrowing decisions were disproportionate to its ability to manage complex commercial activity, and that the Council lacked the commercial skills and capacity to identify a longer term strategy to resolve its commercial arrangements. There was insufficient regard to the level of risk the Council was being exposed to, and the borrowing and investment had not been proportionate or prudent. The current value of assets had been estimated to be well below the associated borrowing.

2.4 The Section 114 notice by the Council's then Interim Director of Finance dated 7 June 2023 made it clear that the Council's Investment Strategy had resulted in unaffordable borrowing; inadequate steps to repay that borrowing; and high values of irrecoverable investments. MRP charges in relation to investments have been understated. ThamesWey and VSWL were not able to make interest payments to the Council on their loans from their earnings, resulting in a loss of interest income to the Council of around £43m per annum in 2023/24 and £46m in 2024/25. This income to the Council had been fully utilised to meet the associated borrowing costs.

2.5 In response to this, the Council has developed an Improvement and Recovery Plan, as required by the Secretary of State through their Best Value Intervention. The Commercial Theme in the Plan is to develop a long term commercial strategy and as part of this an asset strategy in order to reduce investment risks to a proportionate size; obtain the best financial outcome for the public purse in relation to the failed investments; and to use sale proceeds to repay part of the Council's loan debt. The use of the proceeds will be via a Debt Reduction Plan explained further in the Treasury Management Strategy.

2.6 The work involved to identify the way forward for investments under the Commercial Theme is progressing. The assessment of the situation and the appropriate actions will become clearer and develop over 2024/25 for delivery from 2025/26. This Investment Strategy report summarises the current high level strategy, which will be reported on further as specific proposals come forward. There is further borrowing for investment in 2024/25 of £78m in order to complete projects that are currently in construction. This investment is being made in order to prevent further loss in the value of assets of circa £200m and therefore deliver best value from any future sale. No further investments are anticipated.

## 3.0 Strategic objectives for the investment portfolios

3.1 The original objectives for the non-treasury investment portfolios were two fold: to support service delivery particularly in regeneration, housing and sustainable energy; and to earn a financial surplus to support the funding of the Council generally and avoid cuts in spending and services.

3.2 The financial status of the ThamesWey and VSWL investments has made the second of the above objectives undeliverable (see 3.1 above). The Improvement and Recovery Plan sets out the following objectives for all the Council's non-treasury investments:

- Rationalise the assets held in order to reduce the £2bn debt WBC holds and make sufficient provision for the repayment of that debt;
- Consider the future of the commercial ventures, particularly VSWL and the ThamesWey Group, in the way that best protects the public purse;
- Ensure all the building blocks are in place to deliver sound commercial governance and financial management and to deliver the scale of organisational change required.

Given these objectives, the Investment Strategy set out below is predominantly a transitional one of investment review and rationalisation before a more stable long term position is reached.

## 4.0 Current investments: Shares and loans

Tables 1 and 2 below show the Council's shares and loans respectively (at purchase cost):

Table 1: Loans and Loan Commitments for Service Purposes

| | Actual | Capital Programme February 2023 | | | | |
|---|---|---|---|---|---|---|
| Category of Borrower | 31/03/2023 £'000 | 2023/24 £'000 | 2024/25 £'000 | 2025/26 £'000 | 2026/27 £'000 | 2027/28 £'000 |
| Subsidiaries | | | | | | |
| Thameswey Energy Ltd | 47,984 | | | | | |
| Thameswey Central Milton Keynes Ltd | 36,725 | | | | | |
| Thameswey Housing Ltd | 637,995 | | | | | |
| Thameswey Solar Ltd | 725 | | | | | |
| Thameswey Housing (Sheerwater) | 150,175 | 54,878 | 24,598 | 264 | | |
| Thameswey Developments (S/W Leisure) | 1,095 | | | | | |
| Victoria Square Woking Ltd | 701,867 | 25,172 | | | | |
| Rutland Woking | 1,665 | | | | | |
| Greenfield School | 13,345 | | | | | |
| Freedom Leisure | 1,607 | | | | | |
| Kingfield Community Sports Centre Ltd | 1,500 | | | | | |
| Local Residents (Mortgages) | 1,469 | | | | | |
| Loan Re Wolsey Place | 1,688 | | | | | |
| Other | 176 | | | | | |
| TOTAL | 1,598,016 | 80,050 | 24,598 | 264 | - | - |

Table 2: Shares for Service Purposes

| Investment | Actual 2022/23 £'000 | Capital Programme February 2024 2023/24 £'000 | 2024/25 £'000 | 2025/26 £'000 | 2026/27 £'000 | 2027/28 £'000 |
|---|---|---|---|---|---|---|
| Thameswey Ltd | 31,193 | No further share capital planned in Capital Programme February 2024 | | | | |
| Woking Necropolis & Mausoleum Ltd | 6,000 | | | | | |
| Victoria Square Ltd | 14 | | | | | |
| Local Capital Finance Company | 50 | | | | | |
| Boom Credit Union | 50 | | | | | |
| Woking Town Centre Management | 1 | | | | | |
| Kingfield Community Sports Centre Ltd | 500 | | | | | |
| TOTAL | 37,808 | - | - | - | - | - |

4.1 The amounts shown above in 2023/24 and 2024/25 largely represent the balance of the £78m of investment described in paragraph 2.6 above.

4.2 The most significant loans the Council has made are to the ThamesWey Group (wholly owned subsidiary) and Victoria Square Woking Ltd. At 31 December 2023 the Council had made £338m of loans to ThamesWey Housing to provide housing in the Borough, £85m to ThamesWey Energy and ThamesWey Central Milton Keynes, to further the Council's energy efficiency policies, £195m to the ThamesWey group relating to the Sheerwater project, and £713m to Victoria Square Woking Ltd for the town centre regeneration project.

4.3 The latest audited accounts for ThamesWey and VSWL report they are balance sheet insolvent showing the value of Fixed Assets being materially below their Current Liabilities. The Companies are preparing Business Plans for 2024/25 and strategic divestment cases for each of their lines of business in order to identify the best options for reducing the Councils debt whilst providing the best value for money return.

4.4 Other loans have been advanced to Greenfield School, Kingfield Community Sports, and Freedom Leisure for improvements at the Pool in the Park.

4.5 The interest receivable from Council owned companies (Victoria Square and ThamesWey) is around £46m annum. The Council companies make positive earnings before interest payments, taxation, depreciation and amortization (EBITDA) but they are not earning enough to meet their full interest and principal payment liabilities. Interest payments have been suspended so far this year as part of the work with Commissioners and Government, which clearly has a large potential effect on the Council's finances. The reason for the suspension is that the companies are unable to fund the payments now that the Council's revolving loan arrangements with them have ended as part of the s114 notice in June. The suspended sums for 2023/24 and 2024/25 have been included in the Capitalisation Directive from Government as an interim solution.

4.6 The wider asset disposal strategy and debt reduction plan allows the Victoria Square scheme and phases of the ThamesWey Group's Sheerwater scheme to be completed in order to maximise asset values and avoid additional costs. The final treatment of the suspended costs will be part of the overall solution to the crystallisation of the £1.2billion deficit that the s114 notice flagged.

## 5.0 Current investments: Strategic Commercial Properties

5.1 The Council's commercial property portfolio has been acquired over time and comprises office, retail and industrial assets within Woking. The Council employs an Estates Management Team to oversee the management of these commercial properties. External management agencies are also appointed to manage the rental income, maintenance, and service charge arrangements of commercial units. A significant proportion of the estate has been acquired, through PWLB borrowing, since 2016.

5.2 Within the base commercial rents originating prior to 2016/17, the most significant assets were the Council's interests in the Wolsey Place and Peacocks shopping centres, industrial estates across the Borough and town centre office buildings.

5.3 All commercial properties are valued on an annual basis to provide a fair value for the preparation of the Council's accounts. Any impact of a change in valuation will be reported following the completion of the annual accounts.

5.4 The Council has previously reported the commercial income performance of its commercial estate through its performance management report (green book). This reporting has however not been sufficiently cognisant of the true costs of ownership and a forecast for voids based on the profile of lease agreements. Profit and Loss accounts are now being developed for all commercial assets and an asset management system will be implemented in 2024/25 in order to maintain asset conditions and performance. Like the investment in companies, the property portfolio overall does deliver earnings before interest, depreciation and amortisation, it does not however provide sufficient earnings to service the financing costs. The operational impact of managing the loss of income from voids alongside the associated increase in costs to the landlord (council) for service charges and business rates has a significant impact on the Council's General Fund and has required a down turn of c£7m in trading performance to be recognised in the Council's 2024/25 budget.

## 6.0 Revenue account impact, proportionality and risk appetite

6.1 The following table shows budgeted income from service investments, taking account of the loss of interest from ThamesWey and VSWL:

| | **2023/24 £m** | **2024/25 £m** | **2025/26 £m** | **2026/27 £m** | **2027/28 £m** |
|---|---|---|---|---|---|
| Interest and dividends from Thameswey and VSWL | 0 | 0 | 0 | 0 | 0 |
| Other interest and dividends | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 |
| Strategic Property portfolio* | 10.8 | 6.7 | 10.5 | 11.6 | 12 |
| **Total net income** | **11.5** | **7.4** | **11.2** | **12.3** | **12.7** |
| nb Suspended interest from Thameswey and VSWL | 43.8 | 46.3 | 46.0 | 45.9 | 45.9 |

* Net income before staffing and financing costs

6.2 The prudential indicators compare this with an authority's net revenue budget, to help assess the impact of income loss in relation to the Council's general resources:

**Prudential indicator: investment income as a % of the Council's net revenues**

| | 2023/24 £m | 2024/25 £m | 2025/26 £m | 2026/27 £m | 2027/28 £m |
|---|---|---|---|---|---|
| net income from non-treasury investments | 11.5 | 7.4 | 11.2 | 12.3 | 12.7 |
| Net revenue budget | 16.1 | 19.0 | 19.0 | 19.0 | 19.0 |
| investment income as a % of net revenue budget | 71.5% | 39.0% | 59.0% | 64.8% | 66.9% |
| analysis | Investment income excluding the suspended Group company interest is still significant risk to the Council, and is under review by the Commercial workstream | | | | |
| objective | to keep investments within a level where a plausible loss of income could be managed without major disruption to services. | | | | |

6.3 The Council accepts the conclusion of the External Assurance Review (paragraph 2.3 above) that the level of investment reflected in the tables above were disproportionate to the financial capacity of the Council to manage the investment risks. This is particularly so because the investments were almost entirely purchased using borrowed money, resulting in a fixed liability and interest cost compared with an uncertain asset value and investment income.

## 7.0 Proposed Investment Strategy

7.1 The Council recognises that its investments and debt are neither proportionate nor affordable as recommended by CIPFA's Prudential Code. The latest update of the Prudential Code recommends that borrowing authorities should carry out a disinvestment review of their existing commercial investments with a view to netting down debt and investments. It is a key objective for the Council to reduce its investment risks to a level where, as advised by the 2021 CIPFA Prudential Code, 'any plausible investment losses could be absorbed in budgets or reserves without unmanageable detriment to local services and the level of resources available to the organisation' (Prudential Code para E17). The Council's risk appetite going forward is therefore very low, and it is expected that the great majority or all of its investments will be sold to help reduce its debt and recover its financial position.

7.2 The Council's investment strategy for its non-treasury investments including commercial property is set out in the Commercial Theme of the Improvement and Recovery Plan. The aim of the Commercial Theme is to generate greater yields from retained assets, generate optimum capital receipts from disposal of assets that are surplus to the Council's requirements, and use the sale proceeds to repay debt. The focus of this is a major review of the company-owned assets and the Council-owned assets to determine how a significant asset rationalisation can be delivered, taking account of valuations.

7.3 The Council has established a set of principles to underpin a debt reduction plan. These principles are included in the Treasury Management Report that is being reported separately to this meeting of the Council.

7.4 This is a challenging agenda with short, medium and longer term phases:

| | Short-term | Medium-term | Ambition |
|---|---|---|---|
| Commercial strategy | • Review assets including Sheerwater.<br>• Develop commercial land asset disposal strategy.<br>• Review the 24 council-owned companies.<br>• Strengthen SAG.<br>• SLS reviewed, emphasis on commercial risk. | • Strengthened governance and constitution.<br>• Property reviewed, upgraded, disposed<br>• Companies reviewed, disposed, restructured..<br>• Effective risk management. | • **Right-size the estate to be financially and operationally more efficient.**<br>• **Fewer companies, better risk management, reduced debt.** |

7.5 Appendix 1 sets out the Commercial Theme's Action Plan. The key to this is the development of a medium term commercial strategy with a review of each of the 24 Council owned companies, including strategic options for the ThamesWey Group, VSWL and the commercial properties.

7.6 The last nine months has seen substantial progress in the asset rationalisation work, including production and approval of the business plans for completing ThamesWey and VSWL projects to achieve good financial value, and the production of a Commercial Protocol to manage relationships between the Council and its companies.

7.7 The next period will see the completion of a prioritised assets disposal plan which will account for the urgent need to reduce the levels of debt whilst achieving value for money for the assets sold. The approach to disinvesting from the commercial property portfolio is to establish a programme of enablers to equip the Council to deliver a managed programme of disinvestment and debt reduction involving opportunistic sales through 2024 and a managed reduction of investment through sales or other equity investment to reduce the Council's loan book over a managed period from 2025. A key driver will be ensuring assets are disposed of at the maximum value for the public purse.

7.8 A programme of asset disposals for the next three years, supporting the approach highlighted in 7.6 above, is underway. At the date of this report there are c£40m of asset disposals that are either under offer or in the hands of solicitors and a further £18m in the pipeline of being prepared for market and disposal in 2024/25.

7.9 The managed approach to reducing the Council's investments and loans that is being adopted and progressed through 2024 incorporates the following:

- Undertake market appraisals of the key Council commercial assets.

- Implementation of an asset management system to oversee a strategic asset management approach to the management of the Council's estate.

- Implementation of a Shareholder Executive overseeing the performance of Council owned companies.

- Strengthening Company Boards Non-Executive membership and relevant sector knowledge and experience.

- Development of strategic through to full business cases for all company lines of business that will identify the best approach to reducing the levels of debt whilst achieving value for money for the public purse.

Future investment expenditure

7.10 There is further borrowing for investment in 2024/25 of £78m in order to complete projects that are currently in construction. This investment is being made in order to prevent further loss in the value of assets of circa £200m and therefore deliver best value from any future sale. (as noted in section 2.6 above). The Council is able to access PWLB borrowing for this investment following the development of business cases which supported the investment case. Whilst these projects inevitably carry investment risk, their primary purpose is to protect the Council by reducing losses on disposal and improving the value to the public purse from the investment exit strategy set out in this report.

7.11 No further proposals for non-treasury investments are introduced in this Budget and MTFS. This is in line with the Capital Principles set out in the July 2023 MTFS and maintained in the Capital Strategy in this suite of Budget reports. Tables 1 and 2 above therefore represent the Council's non-treasury investment limits which the Council must set in line with the Government Investment Guidance:

**Investment indicator: non-treasury investment limits**

| | 2023/24 £m | 2024/25 £m | 2025/26 £m | 2026/27 £m | 2027/28 £m |
|---|---|---|---|---|---|
| Shares (at cost) | 37.8 | 37.8 | 37.8 | 37.8 | 37.8 |
| Loans (at cost) | 1,363.6 | 1,388.2 | 1,388.5 | 1,388.5 | 1,388.5 |
| Commercial property (valuation 31.3.2023) | 224.9 | 224.9 | 224.9 | 224.9 | 224.9 |
| total limit | 1,626.3 | 1,650.9 | 1,651.2 | 1,651.2 | 1,651.2 |
| analysis | The Council's investment purchases have been disproportionate, especially in its Group companies. The limit has been maintained at current levels pending decisions about future investment reductions. | | | | |
| objective | to substantially reduce the level of investments over the medium term, to reduce investment exposure and repay debt. | | | | |

7.12 This Investment Strategy represents a transitional position, and is expected to develop significantly over the next year and more. It will continue to be led and developed through the Improvement and Recovery Plan's Commercial workstream for the foreseeable future, until a sustainable and affordable position is reached.

## 8.0 Risk management in the transitional period

8.1 A risk management framework has been put in place covering the whole of the Improvement and Recovery Plan, including the non-treasury investments dealt with in the Commercial Theme.

8.2 Risks will be identified and managed by the Commercial Theme working group. Risks requiring escalation will be reported and captured in the wider programme risk register, and shared with the Executive as part of quarterly programme updates.

8.3 Key risk areas which are covered include the level of resources available to support the work programme; the pace of change required and the pressures on staffing, morale and retention; and the Council's reliance on external resources for delivery.

## 9.0 Capacity, Skills and Culture

9.1 The Council recognises that when the major investments in the ThamesWey Group and VSWL were made, it did not access sufficient expertise, either in house or externally, to plan or manage such investments. Expert advice has now been brought into the Council through experienced consultants. In particular, a commercially experienced property specialist has been brought in to lead the development and implementation of the rationalisation strategy and subsequent disposal programme.

9.2 Due to the size and complexity of the Investment Strategy and the Improvement and Recovery Plan, it currently has a dependency on consultants and contractors to support their delivery. Medium term plans to establish the in house capability and capacity required to deliver and sustain a trued up work programme are in place.

9.3 The Improvement and Recovery Plan has an Organisation and Service Design workstream that is leading on Organisational Development which incorporates the management of strategic change, learning and development, recruitment and retention and succession planning. The Improvement and Recovery Plan, through this workstream, will establish the plans and activity to transition from the current resourcing model to a stabilised council that has the retained skills, capability and capacity to manage its business and deliver the strategic priorities of the Council.

9.4 The Council has implemented a commercial protocol and company governance framework that are being integrated into core competencies of managers and associated learning and development events, like contract management skills, are being developed and rolled out. The Council is equally reviewing its committee structure and developing Member briefings and training to reflect how the Council will undertake its business and activities going forward.

9.5 An example of Member briefing is when Link Group provided a Member briefing in 2022/23 on interest rate assumptions in order to help inform decisions regarding the Victoria Square Woking Ltd Loan Facility. General Treasury Management training is provided as part of the annual Member training sessions.

9.6 The investment strategy is also a key part of discussions with the Commissioners and DLUHC.

## 10.0 Governance

10.1 The Council's internal governance relating to capital and investment decision-making and management is summarised in the Capital Strategy elsewhere in this suite of Budget reports.

10.2 The IRP's Commercial Theme, which covers non-treasury investments, has a governance structure accountable to Members and to the Commissioners. Progress on the Commercial Action Plan will be monitored monthly, including milestones, management of risks, issues and dependencies. Councillors will have oversight of progress through formal quarterly reporting to Council. Commissioners will be providing six-monthly reports to the Secretary of State on the implementation of the Council's progress.

10.3 Part of the Commercial Workstream Action Plan is to implement a governance framework for each company, and within the council. This is a key step which needs to precede future major decisions of the companies in implementing this Strategy.

10.4 A Commercial and Financial Governance Board has been established. This sits bi-weekly to review, challenge and approve or reject all future commercial activity. The board comprises senior officers and Commissioners from commercial and financial disciplines. This ensures that commercial decisions made are not only assessed for risk, affordability and benefit but also for their impact on debt reduction and in support of the Council setting a balanced budget over time. The Board has overseen some key improvements to governance in relation to the Council companies, including:

- Removal of Council Officers from directorships of Council owned companies, in particular Victoria Square Woking Limited and ThamesWey Group. This removes significant conflict of interest when instructing companies to take appropriate steps to reduce further commercial risk to the Council;
- Challenge and review of proposed decisions relating to commercial activity;
- A Companies' Governance Framework has been adopted which sets out how the Council will interact with the companies as client and shareholder. It sets out a process for developing and agreeing business plans and a reporting framework that will produce critical information for each company that the Council will need to review, understand, and respond to appropriately.

10.5 Overview and Scrutiny Committee's remit includes the Council's investments, and regular reporting is expected.

## APPENDIX A: COMMERCIAL WORKSTREAM (EXTRACT FROM THE IMPROVEMENT AND RECOVERY PLAN)

**Commercial workstream action plan**

The actions set out below are designed to ensure all the building blocks are in place to deliver the recovery plan priorities at the required pace and scale.

| Workstream | Workstream aim | Actions | Due |
|---|---|---|---|
| Commercial strategy and governance | Develop a long-term commercial strategy | • Taking into account the commissioners' directions and council's high level strategic aims, draft first outline version of the commercial strategy, including Subsidy Act requirements.<br>• Distribute draft to key stakeholders for feedback.<br>• Taking into account feedback, produce final draft of strategy. | September |
| | Implement appropriate governance framework for each company and within the council | • Assess each company against the council's Companies Governance Handbook and UK Corporate Governance Code (including risk, conflicts of interest, business planning and board effectiveness) and ensure compliance.<br>• Review current governance arrangements within the council, including Subsidy Act obligations, to ensure they are fit for purpose.<br>• Implement a Commercial Governance Board to ensure all commercial decisions taken by officers, or put to the Executive, are founded on high quality, complete information with clear rationale and evidenced recommendations. | October |
| | Review the 24 council-owned companies | • With reference to the relative size, assets held and risk, prioritise company reviews.<br>• Assess the each company's contribution to, and alignment with, the council's key strategic outcomes.<br>• Evaluate the companies' performance against best value requirements.<br>• Make recommendations for each company based on 'hold, invest or dispose'. | January 2024 |
| ThamesWey and subsidiaries | Develop strategic options for the TW Group | • Define and commission high level financial, tax and legal advice to help inform strategic options.<br>• Generate a longlist of disposal/refinancing options.<br>• Establish an options review team with stakeholders (company boards and DLUHC). | October |
| Victoria Square Woking Ltd. | Develop strategic options for VSWL | • Establish WBC baseline for loan repayments position for VSWL loans.<br>• Generate a long list of disposal/refinancing options.<br>• Options need high level financial, tax and legal implications to be set out clearly with appropriate external advice. | July<br>November |

| Workstream | Workstream aim | Actions | Due |
|---|---|---|---|
| Resourcing, requests and data room | Ensure resourcing and information requirements are in place, including skills and capacity for a profit centre approach to asset management | • In tandem with the commercial strategy, propose resourcing requirements to operate the strategy, and meet governance requirements effectively.<br>• Assessment of existing commercial asset information, and creation of rectification plan as required to ensure complete asset information is available.<br>• Following the identification of strategic options for the council's wider commercial estate, propose resourcing requirements to manage these appropriately based on sector norms through benchmarking vs performance. | September<br><br>January 2024<br><br>April 2024 |
| Commercial estate and commercial options | Develop strategic options for the council's wider commercial estate | • Analysis of contribution (and potential contribution) of each asset to the council's strategic aims, including the commercial strategy, financial, social, environmental and local economic terms.<br>• Analysis of revenue and capital impacts of disposal, development or repurposing.<br>• Create subsequent options for each asset.<br>• Make recommendations for each asset based on 'keep, hold or dispose'. | April 2024 |

**TREASURY MANAGEMENT STRATEGY 2024-25**

## 1.0 Introduction

1.1 This report considers how the Council's borrowing and treasury investments are arranged and managed. It recommends a strategy for addressing its treasury management risks and needs during 2024/25.

1.2 The Council's financial difficulties, which led to the section 114 notice by the then Interim Director of Finance in June 2023, relate mainly to the extremely high level of the Council's loan debt, and the Council's reliance on failed investments in Group companies to fund the borrowing costs. The plans for addressing this are considered mainly in the Capital Strategy and the Investment Strategy also on the agenda. This report is concerned with how the Council's loan debt is best managed, and the policy for MRP.

1.3 The report also sets out a revised Policy Statement for Minimum Revenue Provision (MRP), which addresses the need for a much higher revenue charge for MRP under current and proposed regulations and guidance, and describes the Government arrangements which permit the MRP charge to be reduced whilst the Council is receiving extraordinary financial support from the Government.

1.4 The report also includes for approval a number of principles for the Council to follow as it develops a Debt Reduction Plan. This is attached as Appendix E.

1.5 The Local Government Act 2003 and supporting regulations require the Council to 'have regard to' CIPFA's Prudential Code and Treasury Management Code, and to Government Investment Guidance. CIPFA revised the Treasury Management and Prudential Codes in 2021.

1.6 Treasury Management is defined by the Code as:

*"The management of the organisation's borrowing, investments and cash flows, including its banking, money market and capital market transactions, the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks."*

1.7 For Woking Borough Council, the key aspects of this are its loan debt and borrowing costs, together with the security of its (relatively small) treasury management investments. The Council's investments which have been made for service purposes, including the loans and shares in the Group companies, are the subject of the Investment Strategy report above.

## 2.0 Treasury management risk appetite, objectives and policy

2.1 The main treasury management risks which the Council is exposed to include:

- Interest rate risk: the risk that future borrowing costs rise
- Liquidity and refinancing risks: the risk that the Council cannot obtain funds when needed
- Credit risk: the risk of default in the Council's treasury investments.

2.2 The Council's borrowing costs are far higher than the Council's forecast resources can support, following the suspension of interest income from the Group Companies. Fundamental actions to address this are under development by the Council, its Commissioners and the Government. In this position, the Council's risk appetite in relation to treasury management must be very low.

2.3 Stable and predictable charges to revenue account from treasury activities are therefore a high priority to the Council.

2.4 The Council's objectives in relation to treasury management can therefore be stated as follows:

*"To obtain funding and manage the Council's loan debt and treasury investments at a net cost which is as low as possible, consistent with a high degree of interest cost stability and a very low risk to sums invested".*

2.5 This does not mean that it is possible to avoid treasury risks. A balance has to be struck, with an emphasis on prudence and stability.

2.6 CIPFA's Treasury Management Code asks authorities to adopt a standard Policy Statement and four key clauses in relation to treasury management. These are attached at Appendix B, which also outlines the Treasury Management Practices and Investment Management Practices required by the Code.

2.7 The Finance Directorate has limited capacity to proactively manage treasury risks or use advanced treasury techniques or instruments. Treasury activities are therefore likely to be limited to:

- Borrowing from the PWLB and via the money market
- Borrowing when required (subject to regular checks by Government)
- Making short term treasury management investments
- Restructuring of loan debt.

2.8 As the Council is in intervention and will be in receipt of Exceptional Financial Support, there are likely to be specific conditions that restrict the Council's borrowing activity. Due to the scale of the debt held these will include regular reporting of the cash flow position and to seek advance approval for any borrowing required and it is anticipated that borrowing will be with PWLB.

## 3.0 Current Treasury Position

3.1 The Council's loan debt outstanding and treasury investments at 31st December 2023 are as follows:

| | | Principal | | Ave. rate |
|---|---|---|---|---|
| Borrowing | | £m | £m | % |
| Long term borrowing: | | | | |
| Fixed rate funding | PWLB | 1,730.7 | | 2.62 |
| | Market | 30 | | 4.48 |
| | | | 1,760.70 | 2.65 |
| Variable rate funding | PWLB | 0 | | - |
| | Market | 0 | | - |
| | | | 0 | |
| Other long term liabilities (PFI) | | | 22.3 | 3.73 |
| Total long term borrowing | | | 1,783.00 | 2.66 |
| Short term borrowing | PWLB | | 268.80 | 5.49 |
| | LOCALS | | 45.00 | 4.70 |
| Total Borrowing | | | 2,096.80 | 5.37 |

| | | |
|---|---|---|
| <u>Treasury Investments</u><br>- Short term WBC Treasury | 48.10 | 5.38 |

## 4.0 Borrowing Requirement and loan debt maturity profile

4.1 The Council's borrowing requirement is the amount the Council expects to need to borrow in the year, due to a forecast increase in overall loan debt, plus maturing loans needing to be replaced:

| | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| Forecast increase in gross loan debt | 138.6 | 105.8 | 110.1 | 103.3 |
| maturing loans | 275.5 | 25.1 | 20.5 | 17.7 |
| **total amount required to be borrowed** | **414.1** | **130.9** | **130.6** | **121.0** |

4.2 Details of the £138.6m increase in loan debt are in the Capital Strategy paragraph 5.4 (the Operational Boundary) and can be summarised as follows:

**Increase in loan debt**

| | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| Planned prudential borrowing for capital | 33.9 | 19.3 | 18.2 | 5.5 |
| Revenue shortfall - met by capitalisation direction | 114.0 | 0.0 | 0.0 | 0.0 |
| Later year revenue shortfalls - funding to be resolved | 0.0 | 95.1 | 101.4 | 107.4 |
| Less MRP | -8.1 | -8.6 | -9.5 | -9.6 |
| other cashflows eg movements in reserves | -1.1 | 0.0 | 0.0 | 0.0 |
| **Forecast increase in gross loan debt** | **138.6** | **105.8** | **110.1** | **103.3** |

4.3 The main reason for the increase in debt will be to support the requested Capitalisation Directive required to cover revenue expenditure until the Council is in a more sustainable financial position. The main element of the CD will be to cover the loss of revenues arising from the suspension of interest previously paid by the wholly owned companies. Any new borrowing to support the capital programme will be subject to government approval. The capital programme for 2024/25 will contain essential regulatory, health and safety and asset management expenditure, planned borrowing to support capital expenditure agreed in 2023/24 and some limited investment to realise revenue savings.

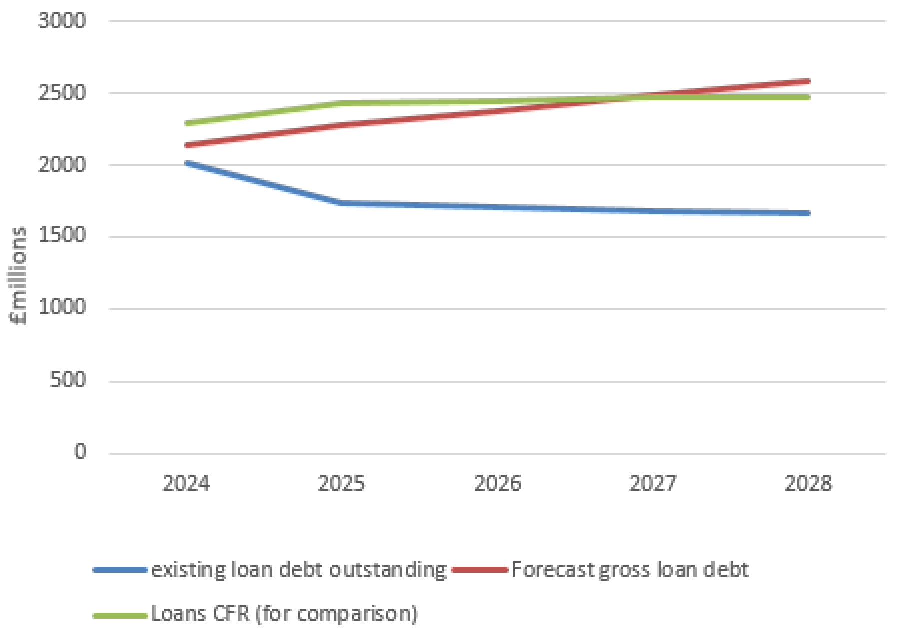
4.4 £275.5m of the Council's existing borrowing matures in 2024/25, and this will need to be replaced. This also forms part of the Council's borrowing requirement. Replacement borrowing may also be required for Lender's Option Borrower's Option (LOBO) loans, if the lender exercises their right to increase the interest rate on the loan and the Council decides to repay the loan rather than accepting the increased rate. However, there are only £15m of LOBO loans outstanding.

4.5 Due to the scale of the outstanding debt the Council is developing a Debt Reduction Plan which will sit alongside the Asset Rationalisation Plan (as explained in section 9). The capital receipts realised will be applied to reduce the overall capital financing requirement and to either repay existing debt or avoid future borrowing.

<u>Loan maturity profile and liability benchmark</u>

4.6 The forecast level of loan debt compared with the Council's existing loans outstanding is shown in the liability benchmark prudential indicator:

**Liability benchmark prudential indicator Table**




4.7 The gap between existing loans outstanding (the blue line) and the Council's forecast loan debt (the red line) shows the borrowing requirement over the MTFP period. This shows a substantial borrowing need arising during 2024/25, as noted above, but not growing much further during the rest of the LTFP period due to relatively low loan maturities in those years. A longer term projection is usually helpful to assess whether the Council's maturity profile matches well to its forecast debt outstanding, but in Woking's current circumstances a long term projection is not currently appropriate due to the uncertainty over future debt levels.

4.8 The chart also shows the loans Capital Financing Requirement (CFR) for comparison (the green line). This exceeds actual loan debt by 2027/28. This is an indicator of financial difficulties, and is discussed further in the Capital Strategy para 6.10.

4.9 The prudential limits for the maturity structure of borrowing are a means of controlling the proportion of borrowing across the maturity profile, to support this objective. The Council's maturity limits are as follows:

**Prudential indicator: Maturity structure for fixed rate borrowing**

| **% of loans maturing in:** | **< 12 months** | **1-5 years** | **5-10 years** | **10-20 years** | **> 20 years** |
|---|---|---|---|---|---|
| lower limit | 0% | 0% | 0% | 5% | 10% |
| upper limit | 35% | 30% | 30% | 40% | 60% |
| analysis | The 12 month limit is higher than would normally be the case due to the uncertainty over the Council's future debt position and the strategy to repay a sizeable volume of debt over the coming 3 years or so. | | | | |
| objective | To manage loan debt within these limits, subject to future arrangements for government support. | | | | |

## 5.0 Interest rate risk

5.1 Interest rate risk is the risk that fluctuations in interest rates will create financial burden on the organisation's finances. Variable rate borrowing and short term borrowing are especially sensitive to interest rate changes. This Council with an extremely high level of loan debt is very vulnerable to interest rate changes.

5.2 The Treasury Code asks local authorities to use their own prudential indicators for interest rate risk, appropriate to their circumstances. The Council will use the following two indicators:

**Prudential indicator: interest rate risk limits**

| | |
|---|---|
| GF impact of a 1% rise in interest rates | £4.6m in 2024/25 |
| maximum % of short term and variable rate debt | 35% in 2024/25 |
| | |
| analysis | These limits will need to be much lower in later years |
| objective | To remain within the limit |

## 6.0 Outlook for interest rates

6.1 The Council has appointed Link Asset Services as treasury adviser to the Council and part of their service is to assist the Council to inform our view on interest rates. Appendix C provides their forecast for bank rates and PWLB borrowing rates, summarised as follows:

**Link interest rate forecasts 7 Nov 2023**

| % | March 2024 | March 2025 | March 2026 |
|---|---|---|---|
| bank rate | 5.25 | 4.00 | 3.00 |
| 5 year PWLB | 4.90 | 4.20 | 3.60 |
| 10 year PWLB | 5.00 | 4.20 | 3.70 |
| 50 year PWLB | 5.10 | 4.30 | 3.90 |

The interest rate available to the Council on new PWLB loans may be 1% higher than the normal 'certainty' rate forecasted above, due to the Council's financial situation.

6.2 This forecast suggests that interest rates will reduce over the next two years, and that short term and long term rates will be at broadly similar levels, but with short term borrowing becoming a little cheaper than long term borrowing during 2024/25. This suggests that some longer term borrowing might be deferred, given a reasonable prospect of lower rates in a year or two's time. The cost of short term borrowing in the meantime is forecast to fall.

6.3 However, all forecasts need to be treated with caution. The forecast is based on a view of the economic conditions of the economy and other influences on interest rates. Link provide the following assessment of upside and downside risks to their forecast:

**The balance of risks to the UK economy: -**

- The overall balance of risks to economic growth in the UK is to the downside.

**Downside risks to current forecasts for UK gilt yields and PWLB rates include: -**

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, could keep gilt yields high for longer).

- **The Bank of England** has increased Bank Rate too fast and too far over recent months, and subsequently brings about a deeper and longer UK recession than we currently anticipate.

- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.

- **Geopolitical risks,** for example in Ukraine/Russia, the Middle East, China/Taiwan/US, Iran and North Korea, which could lead to increasing safe-haven flows.

**Upside risks to current forecasts for UK gilt yields and PWLB rates: -**

- Despite the recent tightening to 5.25%, the **Bank of England proves too timid** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to remain elevated for a longer period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project.

- **The pound weakens** because of a lack of confidence in the UK Government's pre-election fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.

- Longer-term **US treasury yields** rise strongly if inflation remains more stubborn there than the market currently anticipates, consequently pulling gilt yields up higher. (We saw some movements of this type through October although generally reversed in the last week or so.)

- Projected **gilt issuance, inclusive of natural maturities and QT,** could be too much for the markets to comfortably digest without higher yields compensating.

## 7.0 Borrowing Strategy

7.1 The borrowing requirement calculated in the Table under paragraph 4.1 above shows a substantial borrowing requirement in 2024/25 of £414m, predominately required to replace maturing loans as well as supporting some limited capital expenditure. The Link interest rate forecasts above suggest that borrowing costs may start to fall during 2024/25, and Link's general advice to authorities is that deferral of long term borrowing may be appropriate until interest rates have fallen. The developing Debt Reduction Plan will also consider how capital receipts from asset rationalisation should be applied. In the first instance, given the size of the forward debt requirement, the plan may mean that avoiding drawing down further debt is more beneficial than repaying existing debt.

7.2 The Council's ongoing discussions with the Commissioners, DLUHC and the PWLB to develop funding solutions for the Council's borrowing and other financial problems have a major bearing on the 2024/25 borrowing strategy. In the short term, adverse revenue cashflows may require temporary borrowing, whilst longer term plans to stabilise and reduce the Council's debt are likely to make long term borrowing inappropriate and potentially costly if loans need to be prematurely repaid at a penalty. The prudential borrowing in the capital programme has largely been limited to the £78m of funding for Victoria Square Woking Ltd and Thameswey Ltd, and these are expected to be relatively short term financings until the assets under construction can be completed. The Council may also have to pay a higher interest rate to the PWLB to access borrowing during the current recovery period. For these reasons also, short term borrowing of one to three years at most is likely to be the appropriate borrowing strategy for 2024/25. This does however expose the Council to significantly higher refinancing and interest rate risks in 2025/26 as the loans mature, but if interest rates fall as forecast by Link this would be in the Council's favour.

7.3 A proportion of borrowing out to three years or so may be appropriate to match the likely timescales for realising capital receipts. This will be kept under review as part of the developing Debt Reduction Plan by the Director of Finance.

7.4 HRA borrowing is accounted for in accordance with Government regulations and CIPFA guidance, using the HRA CFR as the measure of HRA debt and apportioning a share of interest costs to it. HRA prudential indicators are reported in the Capital Strategy and will in future be included in the HRA Business Plan.

7.5 This strategy will be kept under review throughout the year as interest rate conditions and the Council's own position develop.

<u>PWLB Borrowing</u>

7.6 The Council is likely to be dependent on the PWLB for most or all of its borrowing in 2024/25. The PWLB lends for a minimum period of 1 year. Regular meetings with DLUHC are held to review and agree the Council's borrowing needs. Because the Council is receiving extraordinary financial support from the Government, the interest rate available to the Council may be 1% higher than the normal 'certainty' rate.

## 8.0 Policy on borrowing in advance of need

8.1 Borrowing in advance of need' is where borrowing is taken before it is needed to meet the Council's operational cashflows. This results in surplus cash which requires investment until needed. Government Investment Guidance expects local authorities to have a policy for borrowing in advance, largely because of the increased treasury risks it creates including credit risk on the surplus cash invested.

8.2 The Council is a substantial net borrower, and in order to minimise its debt outstanding and its treasury investment exposures, it should only have surplus cash for short periods to cover in-year cashflows. The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. It is highly unlikely that any borrowing would be undertaken in advance of need and any decision to do so would need to demonstrate significant financial and operational benefits after the cost of carry had been taken into account and would require explicit government approval. Regular meetings are held with Government to review any borrowing requirements before PWLB loans are drawn down. These meetings provide an additional external check on borrowing in advance of need.

8.3 In determining whether borrowing will be undertaken in advance of need the Council will:

- ensure that the Council's forecast borrowing requirement supports a clear need for borrowing in the coming one to three years to meet the authority's current plans and expected cashflows;
- ensure that the on going revenue liabilities created, and the implications for future plans and budgets have been considered, including the cost of carry of the borrowing until it is needed and the credit risk of the investment required;
- evaluate the economic and market factors that might influence the manner and timing of any decision to borrow;
- consider the merits and demerits of alternative forms of funding; and
- consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.

## 9.0 Debt Reduction and Restructuring

9.1 As part of the intervention there is a requirement on the Council to reduce the level of assets held hence the levels of outstanding debt. This forms a key part of the Council's overall Improvement and Recovery Plan. The Director of Finance is working with Commissioners to develop a Debt Reduction Plan (DRP) alongside the development of an Asset Rationalisation Plan. This joint work will ensure that the asset disposal programme is underpinned by a detailed option appraisal considering the benefits and risks of disposals and, in the case of company assets, the impact on the companies' cash flow position. It will need to balance the imperative to reduce debt with the need to secure a managed exit from commercial arrangements, achieve best consideration and optimise value for the public purse.

9.2 The attached principles for debt reduction have been drafted (see appendix E).

9.3 The key principle is that all proceeds from the sale of General Fund assets (including those from the Council's companies), will be presumed to be used to reduce debt, rather than fund further expenditure. The reduction in debt is likely initially to involve not borrowing, rather than actual repayment of PWLB debt, given the initial need for funding for the Capitalisation Directive.

9.4 The Council's debt problem is a General Fund one, not the Housing Revenue Account. For HRA assets the primary consideration will be the sustainability of the HRA. HRA land disposals are likely to be required to reinvest in stock to meet the regulatory requirements and ensure that the investment is affordable in accordance with the Prudential Code and HRA rules.

9.5 Before the Council does actually repay PWLB debt, there will need to be discussions with Government on how the rules governing debt restructuring for local authorities apply. The PWLB operates a system of premiums or discounts on the repayment of borrowing which will impact on the interest savings that are achievable. The level of savings will be reduced unless Woking BC is given some dispensation.

9.6 Debt rescheduling is considered to be part of general Treasury Management and therefore decisions regarding debt rescheduling are delegated to the Chief Finance\S151 Officer as detailed in the delegated functions section of the Constitution.

9.7 Progress on the Debt Reduction and Asset Rationalisation Plans will be reported to Council and Executive as part of the Improvement and Recovery Plan and any debt rescheduling will be reported to the Executive in subsequent treasury monitoring reports.

## 10.0 Annual Investment Strategy for treasury management investments

Investment Policy

10.1 The Council's ongoing policies for treasury management investments are set out at Appendix D. These policies determine in particular the Council's arrangements for prioritising security, liquidity, and yield in that order, as recommended by the DLUHC Investment Guidance. They include the Council's criteria for making treasury investments of a high credit quality (using credit ratings and other information), and criteria for the maximum maturity of investments. The Director of Finance may also appoint investment managers.

Investment Strategy

10.2 The Council has surplus cash to lend only for short periods, as part of day to day cashflow fluctuations and as part of maintaining adequate liquidity. For these purposes, the treasury team will expect to hold around £15m of treasury investments.

10.3 The Council currently holds no treasury management investments for which the remaining time to maturity is in excess of one year. Such investments are unlikely to be appropriate as the Council is a substantial net borrower and only needs to invest to cover short term cash flows. In the unlikely event that longer term investments become appropriate, the Council will apply a long term prudential limit for treasury management investments as follows:

| **Long term treasury management investments** | **1-2 years** | **2-5 years** | **longer** |
|---|---|---|---|
| limit | £20m | £10m | £0 |
| analysis | WBC should not need any long term investments as it is a high debt authority. | | |
| objective | To avoid longer term investments, because surplus cash should be used to repay debt | | |

10.4 Investments will accordingly be made with reference to cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Were there to be any core balance of funds up to £10 million available for investment over a 0-5 year period, these funds that would be managed in discussion with Tradition UK or other UK money market brokers or investment advisers.

10.5 For its cash flow generated balances, the Council will seek to utilise its Lloyds business reserve account, money market funds and short-dated deposits (overnight to three months) using secure counterparties in order to benefit from the compounding of interest.

10.6 Link's view, along with many other commentators, is that UK interest rates (short and long term) will start to fall during 2024/25. This would mean a relatively small reduction in interest earned from the treasury investments. However, this would be more than offset by a similar reduction in interest costs on the larger value of borrowing.

10.7 The Council will receive monthly reports on its investment activity in budget monitoring, an annual monitoring report to the Overview and Scrutiny Committee and at the end of the financial year as part of its Annual Treasury Report.

## 11.0 Treasury management revenue budget

11.1 Based on the above interest rate outlook, borrowing strategy and treasury investment strategy, the revenue budget for treasury management is as follows:

| | **2023/24 Rev £000** | **2024/25 £000** | **2025/26 £000** | **2026/27 £000** | **2027/28 £000** |
|---|---|---|---|---|---|
| gross interest payable | 63,318 | 69,670 | 75,055 | 75,967 | 79,992 |
| loan premium / discount charges | 16 | 16 | 16 | 16 | 16 |
| less capitalised interest | -309 | 0 | 0 | 0 | 0 |
| General Fund MRP | 7,503 | 8,122 | 8,573 | 9,527 | 9,527 |
| **Gross financing costs** | **70,527** | **77,808** | **83,644** | **85,511** | **89,535** |
| | | | | | |
| Interest charged to HRA | -5,552 | -5,607 | -5,909 | -6,376 | -6,597 |
| Expenses charged to HRA | -36 | -36 | -36 | -36 | -36 |
| **Gen Fund gross financing costs** | **64,975** | **72,201** | **77,735** | **79,134** | **82,938** |
| | | | | | |
| interest receivable: | | | | | |
| - treasury investments | -785 | -694 | -488 | -450 | -450 |
| - ThamesWey and VSWL | -43,788 | -46,300 | -46,034 | -45,891 | -45,891 |
| - other service investments | -713 | -719 | -711 | -711 | -711 |
| **'business as usual' budget** | **19,689** | **24,488** | **30,503** | **32,083** | **35,887** |
| | | | | | |
| less suspended interest | 43,788 | 46,300 | 46,034 | 45,891 | 45,891 |
| **General Fund treasury budget** | **63,477** | **70,788** | **76,537** | **77,974** | **81,777** |

11.2 Given the suspension of interest income from the Group Company investments, this interest burden is far higher than the Council is able to sustain, and longer term solutions are being considered with the Commissioners and DLUHC.

11.3 The budgeted cost in each year is based on the Council's current forecasts and plans. Actual interest costs will be affected by the nature of future Government extraordinary support, future interest rates, cashflows, the level of reserves and provisions, and any debt restructuring. Sections 5 and 6 above have discussed the potential volatility of the treasury budget due to the potential upsides or downsides to the interest rate outlook and the large scale of the Council's short term borrowing as a consequence of the debt reduction plan.

## 12.0 Banking services

12.1 The Council's bankers, Lloyds, have a policy for Councils subject to a s114 notice that requires the Executive to consider the Council's continued use of facilities which it has with Lloyds Bank in light of the issue of the s114 Notice. The Banking Facilities are an essential part of the Council's current funding plans, to enable it to continue to provide its statutory services. In view of this the Council has the power to enter into and continue to use the Banking Facilities.

## 13.0 Use of External Service Providers

13.1 As previously stated the Council uses Link Asset Services as its external treasury management advisors in order to acquire access to specialist skills and resources. The services provided include the following:-

- Provision of interest rate forecasts and advice on borrowing and investment strategies;
- Regular updates on economic and political changes;
- Forecasts of movements in Public Works Loan Board rates;
- Advice on debt rescheduling, funding policy, volatility and maturity profile analysis;
- Advice on investment counterparty creditworthiness;
- Provision of annual template documents and advice on the various Treasury Management reports; and
- Treasury Management training.

13.2 Although external treasury management advisors are used, responsibility for treasury management decisions remains with the Council at all times and undue reliance is not placed upon the external service provider.

13.3 The Council uses money market brokers, and may also use other borrowing or investment advisers, managers and other treasury service providers. The Director of Finance may procure, appoint and dismiss all external treasury service providers.

## 14.0 MRP Policy

14.1 Local authorities are required by law to 'charge to a revenue account a minimum revenue provision (MRP) for that year'. MRP is an annual amount set aside from the General Fund to meet the cost of capital expenditure that has not been financed from available resources. This can be thought of as a way of repaying prudential borrowing and other liabilities used to fund capital expenditure. The Capital Financing Requirement (CFR) is the measure of the unfinanced capital outstanding.

14.2 Authorities are required to produce an MRP Policy Statement which sets out how the charge to revenue account is calculated. The Government has issued Guidance on MRP, which authorities must by law have regard to.

14.3 The Council's MRP in previous years has been extremely low in relation to its CFR, and in 2023 the Council commissioned a review from Worth Technical Accounting Solutions to review its MRP policy and revenue charges. This has advised that MRP for 2024/25 was understated by £80m, due predominantly to the policy of not charging MRP on the loans to companies.

The cumulative under provision in the Council's accounts to 31.3.2024 is calculated as £356.4m. MRP and MRP arrears are therefore a major component of the Council's financial difficulties.

14.4 DLUHC has recently consulted on changes to MRP Regulations and Guidance, which will have effect from the 2024/25 financial year. It is clear from the proposed Guidance that the Council's previous policy was not compliant with the duty to make prudent provision. However, there are special provisions for authorities which are in severe financial difficulties and requiring Government support:

*"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)*

14.5 As part of the Government's support arrangements it is proposed that the Council will only need to make £8.2m of MRP in 2024/25, reflecting its 'business as usual' position. This exceptional MRP relief should allow the Council to set a legal budget for 2024/25. MRP arrangements in the longer term will need to be addressed by the longer term debt reduction plan. The Government accepts that Woking cannot meet all the borrowing liabilities and the debt charge consequences. Given the timings and dependencies on the Council's work, Government has not provided a specific commitment to the value and form of support, but has committed to working with the Council on the long-term solution and recognises that the Council will need external support to repay its debt. The MRP projections in this budget MTFS assume continuation of the business as usual basis for MRP will continue, pending further clarification.

14.6 The Worth report recommended a revised MRP Policy Statement which would be compliant with the statutory duty to make prudent MRP provision. This is attached at Appendix A, and takes account of the recent draft MRP Guidance including the Government MRP relief proposal. It is recommended for approval as part of this budget report.

## 15.0 Skills, capacity and training

15.1 CIPFA's Treasury Management Practices (TMP 10) expects officers and members to receive treasury management training appropriate to their roles. General treasury training has been, and will continue to be provided by Link, but establishing in house skills and capacity to an appropriate level continues to be a challenge for the Council.

15.2 The Director of Finance will seek to implement the recommendation of TMP 10 to identify the competencies required for the main roles at officer and member level, including knowledge and skills schedules and identifying the training needed to meet any gaps. At present the Council's skills and capacity at officer level is being enhanced through interim and consultancy appointments, but it is necessary to ensure a good level of in house skills and capacity appropriate to the demands of the Council's debt and investment position.

REPORT ENDS

# Appendix A

## Minimum Revenue Provision Policy Statement

### Introduction

1. Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 ('the 2003 Regulations') requires local authorities to 'charge to a revenue account a minimum revenue provision (MRP) for that year'. The minimum revenue provision is an annual amount set aside from the General Fund to meet the cost of capital expenditure that has not been financed from available resources, namely: grants, developer contributions (e.g. s.106 and community infrastructure levy) revenue contributions, earmarked reserves or capital receipts.

2. MRP is sometimes referred to as the mechanism for setting aside monies to repay external borrowing. In fact, the requirement for MRP set aside applies even if the capital expenditure is being financed from the Council's own cash resources and no new external borrowing or other credit arrangement has been entered into.

3. Regulation 28 of the 2003 Regulations requires full Council to approve a Minimum Revenue Provision (MRP) Statement setting out the policy for making MRP and the amount of MRP to be calculated which the Council considers to be prudent. This statement is designed to meet that requirement.

4. In setting a prudent level of MRP local authorities must "have regard" to guidance issued from time to time by the Secretary of State for Housing, Communities and Local Government. The latest version of this guidance (version four) was issued by Ministry of Housing, Communities and Local Government (MHCLG) in February 2018.

5. The Department for Levelling Up, Housing and Communities (DLUHC) published a consultation on changes to the Capital Finance Regulations and the Statutory MRP Guidance in December 2023. A summary of the proposed changes is set out at paragraph 11 below. The changes being consulted upon will take effect from 1 April 2024. Consequently the MRP Policy Statement for 2024/25 must have regard to the proposed changes as well as the extant legislation and MRP Guidance.

6. In setting a level which the Council considers to be prudent, the Guidance states that the broad aim is to ensure that debt is repaid over a period reasonably commensurate with that over which the capital expenditure provides benefits to the Council.

7. The Guidance sets out four "possible" options for calculating MRP, as set out below,

| Option | Calculation method | Applies to |
|---|---|---|
| 1: Regulatory method | Formulae set out in 2003 Regulations (later revoked) | Expenditure incurred before 1 April 2008 |
| 2: CFR method | 4% of Capital Financing Requirement | Expenditure incurred before 1 April 2008 |
| 3: Asset life method | Amortises MRP over the expected life of the asset | Expenditure incurred after 1 April 2008 |
| 4: Depreciation method | Charge MRP on the same basis as depreciation | Expenditure incurred after 1 April 2008 |

8. Two main variants of Option 3 are set out in the Guidance (i) the equal instalment method and (ii) the annuity method. The annuity method weights the MRP charge

towards the later part of the asset's expected useful life and is increasingly becoming the most common MRP option for local authorities.

9. The Guidance also includes specific recommendations for setting MRP in respect of finance lease, investment properties and revenue expenditure which is statutorily defined as capital expenditure under the 2003 Regulations (also referred to as revenue expenditure funded from capital under statute or REFCUS). Examples of REFCUS include capitalised redundancy costs, loans or grants to third parties for capital purposes, and the purchase of shares in limited companies.

10. Other approaches are not ruled out however they must meet the statutory duty to make prudent MRP provision each financial year.

## DLUHC consultation

11. DLUHC published a consultation on changes to the Capital Finance Regulations and Statutory Guidance in respect of MRP in December 2023. This follows two earlier consultations in November 2021 and February 2022. The aim of the changes proposed is to strengthen the requirement for local authorities to make a prudent MRP provision, in response to two issues which have led to underpayment of MRP at a number of authorities including Woking:

    (a) excluding a proportion of debt from the MRP determination in two areas:

        (i) firstly, debt associated with investment properties or investments defined as capital expenditure, on the basis that such assets retain their capital value and that the asset can be sold at any time in the future to repay the associated debt. The Government have stated that this is not prudent. The proposals will amend the 2003 Capital Finance Regulations to make clear that MRP is required on such expenditure;

        (ii) secondly, debt associated with making loan advances to third parties for a capital purpose. The argument put forward by authorities exempting such debt from MRP calculations is that the repayments of principal would be used to repay debt. This was an argument used by the Council in previous years' MRP Statements, but never actually was applied in practice. The proposed changes will require local authorities to continue to set aside MRP on "commercial loans" (defined as a loan undertaken for profit), but allows local authorities an exemption from charging MRP for non-commercial loans, but will require local authorities to set aside as MRP an amount for any expected credit loss calculated under IFRS9. In other words for non-commercial loans as soon as there is evidence that the debtor might be unable to repay all or some of the loan, the authority would be required to set aside the full amount of the estimated loss.

    (b) using capital receipts in place of charging MRP to revenue. Authorities following this approach would use capital receipts to pay for the amount of MRP due for the individual financial year. This practice effectively treated capital receipts as a revenue source, which is not permissible under Regulation 23 of the Capital Finance Regulations. The proposed changes to the Capital Finance Regulations make clear that capital receipts can only be used to reduce the overall level of the CFR, which in turn forms the basis for calculating the MRP charge, based on the residual CFR after the application of capital receipts.

12. In addition, paragraph 46 of the draft MRP Guidance states that for local authorities where the Government has made arrangements to intervene and has, or is in the process of, put in place financial support arrangement for the authority, that it may be appropriate to reflect the nature of any such financial support when determining a prudent level of MRP for the forthcoming financial year. The draft Guidance goes onto state that the authority must seek agreement from the Government on how any such assumptions with respect to support are reflected in the determination of MRP. The draft Guidance goes onto explain that paragraph 46 is not a new policy but clarifies an issue that previous editions of the Guidance was silent on. As such, the Government expects this to apply to prior periods (or MRP from prior periods).

## Review of 2023/24 MRP Policy Statement

13. External review of the Council's MRP policy statements for previous years highlighted a number of areas of non-compliance with the 2018 MRP Guidance, primarily the exclusion of MRP on any of the unfinanced capital expenditure incurred on advancing loans to third parties, which includes the £1.3billion advanced to Thameswey Group and Victoria Square Woking Ltd.

14. Notwithstanding that the MRP Policy Statements approved in previous years did not comply with the MRP Guidance, nevertheless they were properly approved in line with the Council's processes, and thus lawfully set. Consequently any correction to MRP to bring the Council's MRP in line with the MRP Guidance and thus onto a prudent level, can only be made prospectively. The MRP Guidance permits changes to the MRP Policy Statement for the current year to be made in the year to which it relates.

15. Therefore it is recommended that the MRP Policy Statement for 2023/24 is amended to align it with the MRP Policy Statement for 2024/25. This will allow the Council to fully comply with MRP Guidance in the current year and bring the Council's MRP onto a more prudent basis.

## Minimum Revenue Provision (MRP) policy statement

16. Having regard to current Guidance on MRP issued by MHCLG and the "options" outlined in that Guidance, the Council is recommended to approve the following MRP Statement to take effect from 1 April 2024, on the basis that this represents "a prudent provision" in line with Regulation 28.

| MRP stream | Policy | Explanation |
|---|---|---|
| All pre-2007/08 capital expenditure | MRP will be calculated on a straight-line to repay this element over 25 years | This is more prudent than Options 1 and 2 because it repays the debt in 25 years, whereas Options 1 and 2 never repay the debt as they both work on a reducing balance method. The 25 year period is the conversion of the 4% charge under Options 1 and 2 into years. |
| All operational capital expenditure incurred since 2007/08 | MRP will be calculated on a straight-line using the expected useful asset lives of the assets (Option 3 – asset life), subject to a maximum useful asset life of 50 years. | This complies with the Option 3 of the MRP Guidance and the requirement for a maximum asset life of 50 years. |

| | | |
|---|---|---|
| All capital expenditure on commercial assets incurred since 2007/08 | MRP will be calculated on an annuity basis using the expected useful asset lives of the assets (Option 3 – asset life), subject to a maximum useful asset life of 20 years and discounted using the PWLB new loan annuity rate applicable on 30 September in the year before MRP commences. | The use of the annuity method complies with Option 3 as set out para 35(b) of the MRP Guidance. |
| Expenditure capitalised by virtue of a capitalisation direction under section 16(2)(b) of the Local Government Act 2003 | MRP on any expenditure capitalised by way of a Direction will be charged over 20 years using the asset-life method using an annuity approach. | The 20 year life is the period specified in para 47 of the MRP Guidance.<br>The use of the annuity method complies with Option 3 as set out para 35(b) of the MRP Guidance. |

| MRP stream | Policy | Explanation |
|---|---|---|
| Loans to third parties | MRP will be charged on a straight-line basis over the expected useful life for which the loan is to be used, subject to a maximum useful asset life of 50 years | The straight-line approach complies with Option 3 of the MRP Guidance and the useful life is that set out in para 47 of the MRP Guidance. |
| Expenditure on the acquisition of share capital | MRP will be charged on a straight-line over 20 years | The straight-line approach complies with Option 3 of the MRP Guidance and the 20 year life is that set out in para 47 of the MRP Guidance. |
| MRP for service concession contracts | The amount of the MRP charge will be equal to the amount by which the balance sheet liability is written by the unitary charge (i.e. the principal element of the unitary charge) | This complies with para 43 of the MRP Guidance |
| Asset lives | Asset lives used for MRP calculations will be determined by the Council's RICS-registered valuers, and will be consistent with the depreciation policies set out in the Council's annual Statement of Accounts, and will be kept under regular review.<br><br>If no life can reasonably be attributed to an asset, such as freehold land, the estimated useful life will be taken to be a maximum of 50 years | This complies with para 42 of the MRP Guidance. |
| Discount rate for use when applying the annuity method for calculating MRP under Option 3 | MRP will be discounted using the PWLB new loan annuity rate applicable on 30 September in the year before MRP commences | The MRP Guidance does not suggest what discount rate(s) to use. By specifying the PWLB new loan annuity rate at 30 September in the year before MRP aligns the discount rate to the middle of the year in which the expenditure is incurred and provides a clearly evidenced trail to the discount rate to be used and reflects the type of borrowing undertaken by the Council. |
| MRP commencement | MRP should normally begin in the financial year following the one in which the expenditure was incurred. However, in accordance with the statutory Guidance, commencement of MRP may be deferred until the financial year following the one | This approach complies with para 41 of the MRP Guidance |

| | | |
|---|---|---|
| | in which the asset becomes operational | |
| Use of capital receipts to reduce indebtedness | Capital receipts may be applied to reduce the CFR. This means that subsequent year's MRP charges will reduce by the amount of receipts applied. The MRP reduction will be on a straight line basis over 20 years, [unless the capital receipt relates to identifiable MRP charges, in which case the section 151 officer may determine the annual MRP reduction consistent with those MRP charges.] | This approach complies with para 68 of the draft MRP Guidance |

17. On the basis of the above MRP Policy, the MRP for the forthcoming financial year (2024/25) would be £105m comprising:

| MRP element | £m |
|---|---|
| Supported borrowing | 1 |
| Unsupported borrowing | 88 |
| PFI | 1 |
| MRP on 2023/24 Capitalisation Direction | 15 |
| **TOTAL MRP** | **105** |

18. The MRP calculated is unaffordable, however it would not be appropriate to charge the full MRP because to do so would be based on the principle that the Council would need to repay all debt from its own resources. This is not the case, as paragraph 46 of the draft Guidance clearly applies, because the Council is in support discussions with Government. Consequently, the MRP charge should reflect this.

19. Discussions between officers, the Finance Commissioner and DLUHC on the nature, quantum and timing of support are ongoing and inherently depend on the Council's own work with regard to asset disposals and service efficiencies. However, the Council has been clear and the Government accepts that Woking cannot meet all the borrowing liabilities and the debt charge consequences. Given the timings and dependencies on the Council's work, Government has not provided a specific commitment to the value and form of support, but has committed to working with the Council on the long-term solution and recognises that the Council will need external support to repay its debt.

20. In accordance with the Guidance and assurances of support from Government it is not appropriate to charge the full MRP – this is an approach which has been agreed with Government. The level of MRP which the Council should be bearing on a business as usual basis is £8.122m for 2024/25 – this excludes additional MRP in respect of completing the projects being run by Victoria Square Woking Ltd and Thameswey and backdated MRP, for all of which Government support is expected. On this basis setting MRP on a business as usual basis, based on the assurances around Government support, would meet the requirement for the Council to be setting a prudent level of MRP.

21. Once it is clear what elements of debt the Council must support and what elements will be addressed through Government support then the future MRP policy will be updated in accordance with the Guidance to ensure that all debt is repaid in line with the statutory duty under Regulations 27 and 28. This may mean that some MRP being deferred to future years.

22. In respect of the MRP for which the Council should have historically made in previous years as a charge to council tax, given the support expected from the Government, then under paragraph 46 of the Guidance it would not be appropriate to be making MRP for the entire debt – only that which is business as usual.

**APPENDIX B**

## Treasury Management Governing Documents

### Treasury Management Policy Statement

1. This organisation defines its treasury management activities as the management of the organisation's borrowing, investments and cash flows, including its banking, money market and capital market transactions, the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.

2. This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation and any financial instruments entered into to manage these risks.

3. This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable, comprehensive performance measurement techniques within the context of effective risk management.

### Treasury Management clauses adopted by the Council

1. The Council will create and maintain, as the cornerstones for effective treasury and investment management:

   - a treasury management policy statement stating the policies, objectives and approach to risk management of its treasury management activities

   - suitable treasury management practices (TMPs) setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities

   - investment management practices (IMPs) for investments that are not for treasury management purposes.

   The content of the policy statement, TMPs and IMPs will follow the recommendations contained in Sections 6, 7 and 8 of the TM Code, subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the organisation materially deviating from the TM Code's key principles.

2. The Council (i.e. full council) will receive reports on its treasury and investment management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close in the form prescribed in its TMPs and IMPs.

3. The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to The Executive, and for the execution and administration of treasury management decisions to the Director of Finance, who will act in accordance with the organisation's policy statement, TMPs and IMPs, and if

they are a CIPFA member, CIPFA's Standard of Professional Practice on treasury management.

4. The Council nominates the Scrutiny Committee to be responsible for ensuring effective scrutiny of the strategy and policies for treasury management and for non-treasury investments.

**Treasury Management Practices and Investment Management Practices**

The Council confirms that it has adopted the Treasury Management Practices (TMPs) set out in the Treasury Code. It intends to review its operational procedures and notes in support of these TMPs. The TMPs are set out under the following headings:

1. Treasury risk management
2. Performance measurement
3. Decision-making and analysis
4. Approved instruments, methods and techniques
5. Treasury management organisation, clarity and segregation of responsibilities, and dealing arrangements
6. Reporting requirements and management information
7. Budgeting, accounting and audit arrangements
8. Cash and cash flow management
9. Money Laundering
10. Training and qualifications
11. Use of external service providers
12. Corporate governance

The Treasury Management Code requires authorities to maintain Investment Management Practices (IMPs) which perform a similar function in relation to its non-treasury investments. The Council's investment portfolio is currently under comprehensive review with a view to disposing of most or all of them in order to reduce the Council's debt. This is a major part of the Improvement and Recovery Plan's Commercial workstream and is being overseen by the Commercial and Finance Governance Board. Operational procedures for non treasury investment administration and management will be reviewed and documented in the light of the workstream's outcomes.

## APPENDIX C

# INTEREST RATE FORECASTS

The Authority has appointed Link Group as its treasury advisor and part of their service is to assist the Authority to formulate a view on interest rates. Link provided the following forecasts on 07 November 2023. These are forecasts for Bank Rate, average earnings and PWLB certainty rates, gilt yields plus 80 bps.

| Link Group Interest Rate View | 07.11.23 | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dec-23 | Mar-24 | Jun-24 | Sep-24 | Dec-24 | Mar-25 | Jun-25 | Sep-25 | Dec-25 | Mar-26 | Jun-26 | Sep-26 | Dec-26 |
| BANK RATE | 5.25 | 5.25 | 5.25 | 5.00 | 4.50 | 4.00 | 3.50 | 3.25 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| 3 month ave earnings | 5.30 | 5.30 | 5.30 | 5.00 | 4.50 | 4.00 | 3.50 | 3.30 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| 6 month ave earnings | 5.60 | 5.50 | 5.40 | 5.10 | 4.60 | 4.10 | 3.60 | 3.40 | 3.10 | 3.10 | 3.10 | 3.10 | 3.10 |
| 12 month ave earnings | 5.80 | 5.70 | 5.50 | 5.20 | 4.70 | 4.20 | 3.70 | 3.50 | 3.30 | 3.30 | 3.30 | 3.30 | 3.30 |
| 5 yr PWLB | 5.00 | 4.90 | 4.80 | 4.70 | 4.40 | 4.20 | 4.00 | 3.80 | 3.70 | 3.60 | 3.50 | 3.50 | 3.50 |
| 10 yr PWLB | 5.10 | 5.00 | 4.80 | 4.70 | 4.40 | 4.20 | 4.00 | 3.80 | 3.70 | 3.70 | 3.60 | 3.60 | 3.50 |
| 25 yr PWLB | 5.50 | 5.30 | 5.10 | 4.90 | 4.70 | 4.50 | 4.30 | 4.20 | 4.10 | 4.10 | 4.00 | 4.00 | 4.00 |
| 50 yr PWLB | 5.30 | 5.10 | 4.90 | 4.70 | 4.50 | 4.30 | 4.10 | 4.00 | 3.90 | 3.90 | 3.80 | 3.80 | 3.80 |

*Additional notes by Link on this forecast table: -*

- Our central forecast for interest rates was previously updated on 25 September and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by keeping Bank Rate at 5.25% until at least H2 2024. We expect rate cuts to start when both the CPI inflation and wage/employment data are supportive of such a move, and that there is a likelihood of the overall economy enduring at least a mild recession over the coming months, although most recent GDP releases have surprised with their on-going robustness.
- Naturally, timing on this matter will remain one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.
- In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but also international factors such as policy development in the US and Europe, the provision of fresh support packages to support the faltering recovery in China as well as the on-going conflict between Russia and Ukraine, and Gaza and Israel.
- On the positive side, consumers are still anticipated to be sitting on some excess savings left over from the pandemic, which could cushion some of the impact of the above challenges and may be the reason why the economy is performing somewhat better at this stage of the economic cycle than may have been expected. However, as noted previously, most of those excess savings are held by more affluent households whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.

APPENDIX D

## Policies and criteria for treasury management investments

**Investment Policy**

1. The Council will have regard to the DLUHC's Guidance on Local Government Investments ("the Guidance") and CIPFA's Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code").

2. The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of this Council is low – the Council's investment priorities will be security first, liquidity second and then return.

3. The borrowing of monies purely to invest or on-lend to external parties to make a return is unlawful and this Council will not engage in such activity. This excludes lending to group companies and other organisations which is carried out in order to achieve the Council's strategic objectives.

4. Part of the Council's investments may be managed on the advice of Tradition UK (TUK) or other local authority investment managers. Investments will reflect the manager's views of market and the future for interest rates. Subject to the availability of funds, managers may be asked to manage up to £10m. TUK are currently the only external fund manager involved in the management of the Council's funds, although no funds are held with them at the present time.

5. All investments of the Council's funds will comply with the Annual Investment Strategy. The arrangements between the Council and TUK additionally stipulate guidelines and duration and other limits in order to contain and control risk.

6. Investment instruments identified for use in the financial year are listed in Appendix D under the 'Specified' and 'Non-Specified' Investments categories (determined by level of risk). Counterparty limits will be as set through the Council's Treasury Management Practices Schedules. The limits shown are maximum levels. The Chief Finance Officer in consultation with Treasury Officers has the scope to reduce these limits (below those shown) to minimise the level of cash at risk in the light of market conditions. As Money Market Funds (MMFs) are diversified by nature and AAA rated, the Chief Finance Officer, in consultation with Treasury Officers, will vary the limits of these funds in order to manage cash flows. These limits will be updated in the Treasury Management Practices.

7. When the Council has funds in excess of normal limits that it is not possible or economical to invest with a suitable counterparty, these will remain on deposit with Lloyds Bank, the Council's banker.

   Credit Worthiness Policy

8. The Council uses Fitch ratings to derive its investment criteria (used in the table Appendix D). Where a counterparty does not have a Fitch rating, the equivalent Moody's rating will be used. The Council is alerted to all credit rating changes on a daily basis through its use of the Link Asset Services creditworthiness service. If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

9. The Link Asset Services creditworthiness service uses a modelling approach with credit ratings from all three rating agencies – Fitch, Moodys and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses credit watches, credit outlooks and other information in a weighted scoring system. The end product is a series of colour code bands which indicate the relative creditworthiness of counterparties and give a recommended duration for investments.

10. When placing investments Treasury Officers will take account of this information, although it is not followed entirely such as in the use of building societies.

11. Treasury officers are of the view that credit rating agencies and Link Asset Services have underestimated the level of support within the building society sector. Consequently the Council will continue to use Building Societies based on asset value and market sentiment indicating that the risk is acceptable.

12. This Council will not use the approach suggested by CIPFA of using the lowest rating from all three rating agencies to determine creditworthy counterparties as this would leave the Council with few financial institutions on its approved lending list. The Link Asset Services creditworthiness service does use ratings from all three agencies, but by using a scoring system, does not give undue preponderance to just one agency's ratings.

13. The Council's credit limits have historically been set at a sufficiently high level that none of the institutions that have not been able to meet their commitments in recent times, have been on the Council's lending list, or those that have got into difficulties have received government support. Similarly none of the building societies in which the Council has invested have failed to meet their commitments. On this basis the Council will continue to use Link Asset Services' creditworthiness service, credit ratings and asset value (for building societies) for determining eligibility for the lending list. As indicated in paragraph earlier in the report, the risk appetite of the Council is low, and the priority for investment is security, followed by liquidity, then return.

Country Limits

14. The Council will only use approved counterparties from the UK and countries with a minimum sovereign credit rating of AA+ from Fitch Ratings (or equivalent from other agencies if Fitch does not provide). The list of countries that qualify using this criteria are shown in Appendix E. This list will be added to or deducted from by officers should ratings change in accordance with this policy.

15. The Executive resolved in June 2016 that the UK be excluded from the sovereign rating criteria, as it is not felt that there is substantial additional risk to undertaking investments in the UK.

16. Should the level of the Council's investments increase it will seek to avoid a concentration of investments in too few counterparties or countries (although a concentration in the UK is not considered to be undesirable).

Environmental, Social and Governance (ESG) policy in relation to treasury investments

17. The Council's treasury investments are held in short term deposits with financial institutions or in pooled funds of such deposits. Whilst considerable attention has been given to ESG investment considerations in relation to longer term investments such as

equities and bonds, ESG criteria are much less developed as yet in relation to shorter term deposits. The Council aims to be a responsible investor of its short term cash deposits. It will keep developing ESG analysis under review and may take ESG factors into account in its lending decisions.

**Specified Investments**

All specified investments will be sterling denominated, with maturities up to a maximum of 1 year, meeting the minimum 'high' rating criteria where applicable.

| | Minimum 'High' Credit Criteria | Use |
|---|---|---|
| Debt Management Agency Deposit Facility | N/a | In-house and fund managers |
| Term deposits – UK government | N/a | In-house and fund managers |
| Term deposits – other LAs | N/a | In-house and fund managers |
| Funds on deposit with the Council's main banker – Lloyds Bank – no limit | N/a | In-house |
| Term deposits to 4m– banks * | AAA or Aaa | In-house and fund managers |
| Term deposits to 2m– banks * | AA- or Aa3 | In-house and fund managers |
| Term deposits up to 4m– building societies * | with gross assets in excess of £1,000m | In-house and fund managers |
| Term deposits up to 2m – building societies * | with gross assets between £500m and £1,000m | In-house and fund managers |
| Callable deposits | As above | In-house and fund managers |
| Certificates of deposits issued by banks and building societies | As above | In-house and fund managers |
| Money Market Funds – Constant Net Asset Value | AAA | In-house |
| Money Market Funds – Low Volatility Net Asset Value | AAA | In-house |
| UK Government Gilts | AAA | Fund Managers |
| Gilt Funds and Bond Funds | AAA | Fund Managers |
| Treasury Bills | N/a | Fund Managers |

* If forward deposits are made by in-house managers, the forward period plus the deal period should not exceed one year in aggregate.

Changes to investment rules were came into force on 3rd January 2018 with the introduction of the MIFID (Markets in Financial Instruments Directive) II regulations. Under the new rules, all local authorities are classified as retail counterparties, and authorities have to consider whether to opt up to professional status and for which types of investments. Some investment options are not available to retail counterparties, and as a result Woking Borough Council has opted up to professional status for three out of four of its existing money market funds (Federated, Standard Life and Deutsche). This has not been necessary for the remaining money market fund (LGIM), which would continue to deal with retail counterparties. A view will be taken going forward on any new investments on a case by case basis and the arrangements will be regularly reviewed as appropriate.

**Non-Specified Investments**

At the time of placing an investment, a maximum of 35% will be held in aggregate in non-specified investments (including in-house and externally managed funds).

| | Minimum Credit Criteria | Use | Max % of total investments | Max. maturity period |
|---|---|---|---|---|
| Term deposits – UK government (with maturities in excess of 1 year) | N/a | In-house and fund managers | 35% | 5 years |
| Term deposits – other LAs (with maturities in excess of 1 year) | N/a | In-house and fund managers | 35% | 5 years |
| Term deposits – banks and building societies (with maturities in excess of 1 year) | As for specified investments | In-house and fund managers | 35% | 5 years |
| Callable deposits (with maturities in excess of 1 year) | As above | In-house and fund managers | 35% | 5 years |
| Certificates of deposits issued by banks and building societies | As above | In-house and fund managers | 35% | 5 years |
| UK Government Gilts with maturities in excess of 1 year | AAA | Fund Managers | 35% | 5 years |
| Bonds issued by multilateral development banks | AAA | In-house on a 'buy-and-hold' basis. Also for use by fund managers | 35% | 5 years |
| Bonds issued by a financial institution which is guaranteed by the UK government | N/a | In-house on a 'buy-and-hold' basis. Also for use by fund managers | 35% | 5 years |
| Sovereign bond issues (i.e. other than the UK govt) | AAA | Fund Managers | 35% | 5 years |
| Corporate Bonds : ***the use of these investments would constitute capital expenditure*** | N/a | N/a | Nil | N/a |
| Floating Rate Notes : ***the use of these investments would constitute capital expenditure*** | N/a | N/a | Nil | N/a |

## Guide to Ratings

| Fitch | Moodys | Standard and Poor's |
|---|---|---|
| Rating Levels to be used in Treasury Management | | |
| AAA<br>AA+<br>AA | Aaa<br>Aa1<br>Aa2 | AAA<br>AA+<br>AA |
| Fitch's individual ratings measure an institution's intrinsic safety and soundness on a stand-alone basis, and provide an assessment of the strength of the institution's financial structure, its performance and its credit (and therefore, risk) profile. The laws and accounting practices that govern the operations, reporting and disclosure of financial information in the country in which the institution operates, would have a bearing on the assessment. These ratings are divorced entirely from considerations of external support, from either parent or the government, and are, therefore, useful indicators of credit. | Moody's Bank Financial Strength Ratings (BFSRs) represent Moody's opinion of a bank's intrinsic safety and soundness and, as such, exclude certain external credit risks and credit support elements that are addressed by Moody's Bank Deposit Ratings. In addition to commercial banks, Moody's BFSRs may also be assigned to other types of financial institutions such as multilateral development banks, government-sponsored financial institutions and national development financial institutions.<br><br>BFSR's are a measure of the likelihood that a bank will require assistance from third parties such as its owners, its industry group, or official institutions.<br><br>BFSR's do not take into account the probability that the bank will<br>receive such external support, nor do they address risks arising from sovereign actions that may interfere with a bank's ability to honour its domestic or foreign currency obligations.<br>Factors considered in the assignment of BFSR's include bank specific elements such as financial | Long Term credit ratings are based, in varying degrees, on the following considerations:<br><br>• Likelihood of payment—capacity and willingness of the obligor to meet its financial commitment on an obligation in accordance with the terms of the obligation;<br>• Nature of and provisions of the obligation;<br>• Protection afforded by, and relative position of, the obligation in the event of bankruptcy, reorganization, or other arrangement under the laws of bankruptcy and |

| | | |
|---|---|---|
| At present, Fitch is the only agency which explicitly states its view of the likely presence of a lender of last resort, either government or parent, with the willingness and the resources to aid a failing financial institution. | fundamentals, franchise value, and business and asset diversification. Although BFSR's exclude the external factors specified above, they do take into account other risk factors in the bank's operating environment, including the strength and prospective performance of the economy, as well as the structure and relative fragility of the financial system, and the quality of banking regulation and supervision. | other laws affecting creditors' rights.<br><br>Issue ratings are an assessment of default risk, but may incorporate an assessment of relative seniority or ultimate recovery in the event of default |

**Approved countries for investments**

Investments will only be made in sterling and where a bank has a UK branch.

**AAA**

- Australia
- Denmark
- Germany
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

**AA+**

- Canada
- Finland
- U.S.A.

**AA**

- Abu Dhabi (UAE)
- France

**AA-**

- Belgium
- Qatar
- **U.K.**

Approved countries for investment are based on the lowest rating from Fitch, Moody's and S&P.

Note: The UK is excluded from the minimum sovereign rating criteria (report paragraph 12.20 refers.

**Appendix E**

# Debt Reduction Plan - Principles

Within the Council's Improvement and Recovery Plan (IRP), there is a key link between the Asset Rationalisation Plan (ARP) and options for disposal, developed by the Commercial workstream, and a clear Debt Reduction Plan worked on jointly with the Finance workstream.

This joint work will ensure that the asset disposal programme is underpinned by a detailed option appraisal considering the benefits and risks of disposals and, in the case of company assets, the impact on the companies' cash flow position. It will need to balance the imperative to reduce debt with the need to secure a managed exit from commercial arrangements, achieve best consideration and optimise value for the public purse.

Now that the ARP is identifying a programme of disposals and cash flows, it is important to establish some principle to inform how a Debt Reduction Plan (DRP) will use those cash flows to reduce debt. Set out below are suggested general principles and then specific ones for each of the main categories of assets in the ARP.

General principles:

- The default assumption on General Fund receipts (not HRA) is that they will be applied to debt reduction. Any exceptions should be agreed by the Commercial Board and then any relevant formal approval. A key exception will be any receipts DLUHC agree can be used to support transformation spending.

- In accordance with local authority accounting conventions, assets are not linked to individual loans, so any capital receipts will similarly be used on a programme basis and applied to reduce debt that maximises the revenue benefit of repayment.

- The timing of repayment of debt will also be judged on a programme basis and according to the Council's Treasury Management Policy and in year cash flow and borrowing arrangements. This may mean that receipts may be used to defer borrowing for capital programme investment (internal borrowing) at a point in time, rather than repaying debt immediately. This will still reduce the CFR in year and hence reduce the Minimum Revenue Provision (MRP).

- Such internal borrowing will still reduce overall borrowing, but it will have to be tracked as part of a DRP to show the overall trajectory of borrowing reduction.

- The premium (or discount) payment required on PWLB loans will be calculated as part of any debt charge savings, but it can be a disincentive to actual debt repayment, so this should NOT be used in a decision on sale (i.e. as a reason for not selling). Discussions will have to be held with Government on how a programme of repayment can be facilitated by reviewing these arrangements for Woking, In the short term, using receipts for internal borrowing will still produce revenue savings in debt charges, so the short-term default is likely to be not to repay actual debt until this matter is resolved.

- Quarterly Treasury Management reports to Members, as required by the CIPFA Code of Practice will provide close monitoring of:

  - capital receipts received and their application
  - the Capital Finance Requirement (CFR)
  - the actual level of debt
  - and impact on MRP

Detailed templates supporting these reports and DRP will be maintained by the Finance team. These will be reviewed at the Strategic Property Group and with Commissioners at the Commercial Governance Board prior to this as a means of monitoring the DRP.

- The Finance team maintaining a log of receipts and their application will provide a forecast for the capital receipts reserve account, showing all incoming receipts and all applications of receipts to produce the forecast balance on the reserve each year end.

For each of the asset categories:

1. **Commercial estate**:

   a) disposal criteria: the key metrics for decision making are capital receipt (and hence potential debt reduction) compared to revenue stream lost and potential savings in debt charges (based on applying the receipt to reduce debt). Any historic debt cost of an asset is useful information to track “overhanging” debt that will have to be written off, but is NOT a key factor in the disposal decision.

   b) It is recognised in the above that the Council’s revenue from its investment estate will reduce as assets are disposed of. The impact on the MTFP will need to be understood and planned for accordingly.

   c) debt charge savings comprise interest saving; MRP saving; and any loan premium / discount arising. In accordance with the general principles, how receipts are applied to repay debt is a separate matter; however, we can agree a notional rate, say the 40 year PWLB annuity premature repayment rate to estimate interest + premium / - discount in the calculations whilst the actual savings will depend on how the receipt is applied and this will also be tracked.

   d) the default assumption is that all capital receipts (except revenue lease surrender on Victoria Gate) will be applied to debt reduction.

   e) However, in relation to land disposals (not shares or loans), the costs incidental to General Fund disposals can be met from capital receipts, but only up to 4% of the capital receipt arising (Cap Fin Reg 23).

2. **Group Company receipts**:

   For the company assets the Asset Rationalisation Strategy will set out the overall approach that will be taken to asset disposal.

3. a) disposal criteria: the key metrics will (as with commercial estate) be capital receipt compared to revenue loss and debt charge saving. However, this assessment will also have to take cognisance of the impact on the company accounts (impact on viability). This will need separate work as the sale value v balance sheet holding value will be a criteria, unlike Council assets (this needs further work by commercial workstream with Finance).

   b) for the Council, default assumption again will be the repayment of debt, with the same application of the general principles on the timing on when debt is repaid. However, work will be needed on issues arising from the proceeds being transferred out of the companies (impact on viability).

3. **Housing Revenue Account (HRA land)**:

    a) For HRA assets the primary consideration will be the sustainability of the HRA. This will take into account the investment required to meet urgent fire safety and decency standards and the impact of the reduction in rental income if any HRA assets are disposed of: HRA land disposals are likely to be required to reinvest in stock to meet the regulatory requirements and ensure that the investment is affordable in accordance with the Prudential Code and HRA rules.

    b) work is needed to clarify ownership of land – i.e. which are completed Thameswey sites (which are sales under category 2 above), which are cleared Thameswey sites that the HRA has been paid for and therefore in cat 2, and which is HRA land under this cat 3?

4. **Other Operational Assets**

    Currently not included in the ARP. Any operational assets no longer required to deliver services would transfer to disposal programme and debt repayment would follow the same principles as for the commercial estate.

**Appendix F**

# Treasury management scheme of delegation

**(i) Council**

- approval of annual strategy

**(ii) Executive**

- receiving and reviewing reports on treasury management policies, practices and activities
- approval of/amendments to the organisation's adopted clauses and treasury management policy statement
- budget consideration and approval
- approval of the division of responsibilities
- receiving and reviewing regular monitoring reports and acting on recommendations

**(iii) Overview and Scrutiny Committee**

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

**(iv) Treasury Management Panel**

- As discussed in the main report, decisions regarding debt rescheduling are general treasury management decisions and are therefore delegated to the Chief Finance Officer (as referred to under point 3.14 in the 'Functions Delegated to the Director of Finance / Section 151 Officer' in the Constitution). The Director of Finance /151 officer has in turn delegated treasury management duties to particular officers in the Finance Department. Therefore the Treasury Management Panel no longer meet.

# Appendix G

**LONG TERM BORROWING MATURITY PROFILE AS AT 09 FEBRUARY 2024**

| | | PWLB | LOBO | OTHER | ALL |
|---|---|---|---|---|---|
| | | | | | |
| 2023 | /2024 | 29 | | | 29 |
| 2024 | /2025 | 274 | | | 274 |
| 2025 | /2026 | 25 | | | 25 |
| 2026 | /2027 | 21 | | | 21 |
| 2027 | /2028 | 18 | | | 18 |
| 2028 | /2029 | 18 | | | 18 |
| 2029 | /2030 | 19 | | | 19 |
| 2030 | /2031 | 24 | | | 24 |
| 2031 | /2032 | 24 | | | 24 |
| 2032 | /2033 | 20 | | | 20 |
| 2033 | /2034 | 25 | | | 25 |
| 2034 | /2035 | 31 | | | 31 |
| 2035 | /2036 | 26 | | | 26 |
| 2036 | /2037 | 27 | | | 27 |
| 2037 | /2038 | 25 | | | 25 |
| 2038 | /2039 | 28 | | | 28 |
| 2039 | /2040 | 26 | | | 26 |
| 2040 | /2041 | 29 | | | 29 |
| 2041 | /2042 | 24 | | | 24 |
| 2042 | /2043 | 28 | | | 28 |
| 2043 | /2044 | 25 | | | 25 |
| 2044 | /2045 | 26 | | | 26 |
| 2045 | /2046 | 27 | | | 27 |
| 2046 | /2047 | 27 | | | 27 |
| 2047 | /2048 | 28 | | | 28 |
| 2048 | /2049 | 28 | | | 28 |
| 2049 | /2050 | 32 | | | 32 |
| 2050 | /2051 | 30 | | | 30 |
| 2051 | /2052 | 31 | | | 31 |
| 2052 | /2053 | 35 | | | 35 |

| | | PWLB | LOBO | OTHER | ALL |
|---|---|---|---|---|---|
| | | | | | |
| 2053 | /2054 | 45 | | | 45 |
| 2054 | /2055 | 48 | | | 48 |
| 2055 | /2056 | 36 | 5 | | 41 |
| 2056 | /2057 | 50 | | | 50 |
| 2057 | /2058 | 51 | | | 51 |
| 2058 | /2059 | 71 | | | 71 |
| 2059 | /2060 | 78 | | | 78 |
| 2060 | /2061 | 63 | | | 63 |
| 2061 | /2062 | 76 | | | 76 |
| 2062 | /2063 | 47 | | | 47 |
| 2063 | /2064 | 48 | | | 48 |
| 2064 | /2065 | 70 | | | 70 |
| 2065 | /2066 | 60 | | | 60 |
| 2066 | /2067 | 92 | | | 92 |
| 2067 | /2068 | 51 | | | 51 |
| 2068 | /2069 | 48 | | | 48 |
| 2069 | /2070 | 20 | | | 20 |
| 2070 | /2071 | 16 | | | 16 |
| 2071 | /2072 | 6 | | | 6 |
| 2072 | /2073 | | | | |
| 2073 | /2074 | | | | |
| 2074 | /2075 | | | | |
| 2075 | /2076 | | | | |
| 2076 | /2077 | | 10 | 10 | 20 |
| 2077 | /2078 | | | 5 | 5 |
| 2078 | /2079 | | | | |
| 2079 | /2080 | | | | |
| 2080 | /2081 | | | | |
| 2081 | /2082 | | | | |
| 2082 | /2083 | | | | |
| | | 2006 | 15 | 15 | 2036 |

Annuity repayments of principal are included as they are made in the relevant financial year.

Includes Short Term PWLB Borrowing

OVERVIEW AND SCRUTINY COMMITTEE – 28 FEBRUARY 2024

# GENERAL FUND BUDGET AND COUNCIL TAX SETTING 2024-25

## Executive Summary

Attached is the General Fund Budget and Council Tax Setting 2024-25 as included on the agenda of the Council meeting 4 March 2024. Appendices 1-10 are within the body of the report, Appendix 11 is attached separately.

## 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. |
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| | |
|---|---|
| **Background Papers:** | None. |
| **Reporting Person:** | Eugene Walker, Interim Finance Director & Section 151 Officer<br>Email: eugene.walker@woking.gov.uk, Extn: 3070 |
| **Contact Person:** | Eugene Walker, Interim Finance Director & Section 151 Officer<br>Email: eugene.walker@woking.gov.uk, Extn: 3070 |
| **Portfolio Holder:** | Councillor Dale Roberts<br>Email: cllrdale.roberts@woking.gov.uk |
| **Date Published:** | 26 February 2024 |

**COUNCIL – 4 MARCH 2024**

# GENERAL FUND BUDGET AND COUNCIL TAX SETTING 2024-25

## Executive Summary

The report to Council on 8 February 2024 brought forward the decisions required to deliver £8.4million of savings to be made by the Council in 2024/25, year one of its five-year Medium-Term Financial Strategy (MTFS). The approval of that report allows the Council to proceed with implementation of the savings and agree business as usual budgets for its core services to residents.

The purpose of this report is to set out the full 2024/25 budget position for the Council, taking into account the previously agreed service changes, the final changes in the level of resources available to the Council and the final debt position. It sets out the proposed treatment of the deficit from the Council's debt arising from its historic investments and how the Exceptional Financial Support being offered by Government will be used to set a legally balanced budget.

The report also:

- Explains the medium-term financial context of the ongoing costs and implications of debt repayment.
- Deals with the "going concern" question for the Council via the statutory requirement of a Section 25 statement by the Chief Financial (s151) Officer.
- Sets out the position on the Council's level of reserves.
- Makes recommendations on a number of budget related matters: agreeing a Hardship Scheme, revising the policy for discretionary business rate relief and the policy on council tax charges for second homes and long-term empty homes
- Makes the formal recommendation on Council Tax for next year.

Significant work has 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, but there is also a significant ongoing annual liability that is unaffordable without Government support.

Whilst the form of the proposed support has been known for some time and was set out in the 8 February report, the final package offered by Government will only be confirmed in a letter from the Minister which is likely to arrive after the dispatch of this report. In addition, the £785m is based on estimated costs in January and updates to the Council's budget since then will reduce the actual requirement below £785m. Only the required amount of support will be utilised.

This report therefore contains the latest position on the budget and assumes that the Government support is delivered as expected. The Chief Financial Officer (s151) and Commissioners have jointly agreed this report and the s25 statement in this report in that context and if required, an update will be delivered to full Council on 4 March.

Discussions with Government on the level of Council Tax increase have led to a proposal for a 10% increase (9.99% to be under the Government limit), in line with that of other Council's in intervention that require Government support packages. This expectation has been confirmed in the Final Finance Settlement and is included as part of the Council's 'Spending Power' calculation. Woking household Council Tax bills will only increase by 1% because of the 9.99% increase. This is because most of the tax income (around 90%) relates to services provided by Surrey County Council and Surrey Police.

## Recommendations

The Council is requested to:

**RESOLVE That**

(i) Council considers and acknowledges the Section 151 Officer's s25 report on the robustness of the proposed budget and the adequacy of the Council's reserves, as set out in Appendix 8 to the report, including the factors which underpin the budget and specifically the need for exceptional financial support to balance the budget;

(ii) it be noted that the financial position has been based on the final Local Government Finance Settlement announced on 5 February 2024 together with any further announcements at that date;

(iii) it be noted that the Council was granted permission to raise council tax by an extra 9.99% without the need for a local referendum and that the report assumes a council tax increase of 9.99%;

(iv) it be noted that the net cost of services position includes previously agreed savings and pressures included in the 'Business as Usual Budget' approved by Council on 8 February 2024, as updated in the report (link provided in background papers);

(v) the final changes to the budget set out in paragraphs Section 5 and Table 4 of the report, be approved;

(vi) the flexible use of capital receipts to support transformation activity under the Improvement and Recovery Plan set out in Appendix 7 be approved;

(vii) the position of the Business Rates and Council Tax Collection Fund, and the Council Tax and Business Rates bases for 2024/25 as set out in Section 11 be noted;

(viii) it be noted that Exceptional Financial Support (EFS) is required to balance the 2023/24 budget and that discussions with Central Government are ongoing, as per Appendix 2 to the report;

(ix) it be noted that the budget has been set based on the assumption that the request for Exceptional Financial Support in respect of the 2024/25 budget deficit is granted;

(x) it be noted that the projected revenue impact of the Minimum Revenue Provision (MRP) historic and 2024/25 requirements under the revised MRP policy agreed as part of the Treasury Management report elsewhere on the agenda and that the draft MRP guidance has been applied to the treatment of MRP in the report as set out in Appendix 2;

(xi) the Council's position on Reserves, recognising the unique situation the Council faces, be noted;

(xii) it be noted that work on the budget will continue during 2024/25 on a medium-term financial position, with more savings likely to be required to Council services;

(xiii) the full net cost of services requirement for 2024/25, including the impact of the historic borrowing position is £189m as per Table 3, be agreed;

(xiv) the revised Business Rates Discretionary Policy and its application for 2024/25 as set out in Appendix 4 to the report, be approved;

(xv) the overall Hardship Policy and associated costs as set out in Appendix 5 to the report, including the revised Council Tax Hardship scheme, which is set out in Appendix 6 to the report, be approved;

(xvi) the changes to the level of council tax premium applied to second and long-term empty homes as set out in paragraphs 11.21 and 11.22 of the report, be approved;

(xvii) it be noted that a Council Tax Base of 42,255.5 is the amount calculated by the Council, in accordance with the Regulations;

(xviii) the Council increases its share of Council Tax for a Band D household by £26.31 (9.99%), with other bands increased in line with the formula, be agreed;

(xix) an amount of Council Tax be set for each valuation band in accordance with Section 30 of the Local Governance Finance Act, 1992 as set out in the Council Tax Resolution in Appendix 10 to the report, be agreed; and

(xx) quarterly updates on progress against the delivery of the Improvement and Recovery Plan including the budgeted savings on the revenue and capital monitoring position be required.

**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.

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

| | |
|---|---|
| **Background Papers:** | 8 February 2024 Council Report – General Fund Budget 2024-25 and Proposed Savings |
| **Reporting Person:** | Eugene Walker, Interim Finance Director & Section 151 Officer<br>Email: eugene.walker@woking.gov.uk, Extn: 3070 |
| **Contact Person:** | Eugene Walker, Interim Finance Director & Section 151 Officer<br>Email: eugene.walker@woking.gov.uk, Extn: 3070 |
| **Portfolio Holder:** | Councillor Dale Roberts<br>Email: cllrdale.roberts@woking.gov.uk |
| **Date Published:** | 23 February 2024 |

## 1.0 Introduction

1.1 This report on the 2024/25 budget incorporates updates to the proposals previously reported in the 8 February 2024 Council meeting. The approach to the budget has been to deal separately, as far as possible, with the historic debt issue and the Council's core (or business as usual) budget for services to residents. Council approved £8.4m of savings on 8 February, setting service budgets and allowing early implementation of savings to begin to ensure that full year savings can be delivered.

1.2 The purpose of this report is to set out the full 2024/25 budget position for the Council, taking into account the previously agreed savings and service changes, the final changes in the level of resources available to the Council and the impact of the legacy debt position. The report also sets the level of Council Tax for 2024/25.

1.3 A further, critical, element of the report is the statutory section 25 statement by the Section 151 Officer on the robustness and legality of the Council's budget, which is highly dependent on the Exceptional Financial Support (EFS) package offered by Government. Whilst the detail of the proposed support has been known for some time and was set out in the 8 February report, the final position will be confirmed in a letter from the Minister and is likely to be after the dispatch of this report.

1.4 This report therefore contains the latest position on the budget and assumes that the EFS is delivered as expected. The ministerial letter confirming the EFS forms an appendix to the report and will be circulated to Council Members once received. Council Members are asked to note the S25 Statement summarised in the report and appended in full, which sets out the considerations and assumptions that support the setting of a budget for 2024/25.

1.5 The Chief Financial Officer (s151) has worked closely with the Commissioners and the S25 Statement and work set out in this report represent the agreed view of the budget position and issues.

## 2.0 Government Intervention and Strategic Context

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 and the Council's financial sustainability is highly dependent not only on its own actions in stabilising its budget, but also Government support on the unaffordable level of debt it has.

2.2 A key part of the intervention is the need to develop and deliver and Improvement and Recovery Plan (IRP). The three to five year plan, which was adopted by Council in August 2023. This details the actions and delivery targets to deliver sustained improvements in financial management, governance and commercial functions, and organisational effectiveness. Included in the list of actions outlined, the plan commits the council to deliver a Medium-Term Financial Plan to close the 'business as usual' budget gap for 2024/2025, reduce outstanding debts through asset rationalisation and commercial strategies, strengthen governance underpinning financial decision-making and agree financial support from government. More recently a fourth workstream was added to delivery improvements in the delivery of housing services.

2.3 The IRP is underpinned by the MTFS which has the following strategic goals:

- To provide a framework within which the Council is eventually able to achieve a series of balanced budgets in the medium term to support the delivery of the Improvement & Recovery Plan and against the backdrop of the Section 114 Notice and past events.
- By so doing to reach for and deliver where possible both financial stability and sustainability to do so in the short, medium and long term.
- To enable successive budgets to be balanced using a set of Guiding Principles that are commonly adopted across the Local Government Sector and to apply these rigorously. The Guiding Principles were approved by Council in July 2023 and are appended to the report as Appendix 1.
- To provide a budget and risk structure within which the IRP can be delivered successfully.

2.4 It is important that there remains a clear vision for the Council and how it will deliver for its residents, businesses and stakeholders. The Woking for All Strategy, published in 2022, sets out a number of priorities for the Council. Due to the significant changes since then the Strategy needs to be reviewed. The developing work on the Council's vision and mission will now help inform a review of the Council's objectives. This work will be finalised in Spring/Summer 2024, with a revised Woking for All Strategy coming to Council in early Autumn. This will set out how Woking will be a financially and environmentally sustainable Council, delivering services that residents value in every part of the Borough. The draft accompanying Mission Statement is to be 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

## 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 (£19m in 2024/25), 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 up to £785m, as outlined later in this report, making the total impact currently £1.4billion. The loan impairment will be dealt with as a balance sheet adjustment in the final accounts for 2023/4.

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 has to show that it is 'living within its means' and taking steps to meet a significant part of the deficit from its own resources. This was demonstrated by the agreement to £8.4million of savings on its service budgets at Council on 8 February. There is an imperative to reduce the level of debt held and the Council also needs to further develop its Asset Rationalisation Plan 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 through a Debt Reduction Plan. An outline of the current approach is included in this report.

The Council's Deficit and Government Exceptional Financial Support (EFS)

3.3 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 that the Council had operated with its two main subsidiaries Thameswey and Victoria Square Woking Limited.

- An updated forecast for interest costs on borrowing, taking into account the additional borrowing agreed through the proposed Government support and the requirements to support the Capital Programme approved at Council on 8 February.

- A separate report on this agenda includes the Capital Strategy, Treasury Management and Investment Strategies required by good practice. These reports are a significant departure from those in previous years, now reflecting the adoption of proper accounting practice including the revised policy on Minimum Revenue Provision (MRP)

3.4 The total Government support package is summarised in the table below. It includes backdated debt repayment provision and the write-off of loans, plus adopting proper accounting practice for 2024/25, making a package of up to £785million next year. The detail behind these figures is set out in Appendix 2 and explained in summary below. A legal budget could not be set with this level of costs. Hence, the Government is providing the interim support to allow the Council to set a legal budget for next year. The £785m is based on estimated costs in January and updates to the Council's budget since then will reduce the actual requirement slightly below £785m.

**Table 1: Summary of Government Support for the Budget**

| | 2023/24 and Historic Pressures £m | 2024/25 £m | Total £m |
|---|---:|---:|---:|
| Capitalisation Directive | 235.1 | 95.6 | 330.7 |
| MRP | 356.4 | 97.3 | 453.7 |
| **Total** | **591.5** | **192.9** | **784.4** |

3.5 This support involves two mechanisms, each of which is explained here in turn.

Capitalisation Directive

3.6 The first method of support is a Capitalisation Directive that allows costs in the budget to be capitalised (moved to the balance sheet) 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.

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."*

3.8 The Leader wrote back to the Minister on 12 January 2024 requesting a Capitalisation Directive of £331m. The breakdown of this is set out in summary and explained below, split between the backdated adjustments and the elements for 2024/25. The full request is included at Appendix 2 but summarised below:

**Table 2: Analysis of Capitalisation Directive**

| | **2023/24 & Prior Yrs £m** | **2024/25 £m** |
|---|---|---|
| Legacy issues | | |
| 1. Repay borrowing for revenue | 155.0 | - |
| *2. Correct legacy recharges to HRA** | 5.0 | - |
| Capital financing costs | | |
| 3. Interest costs previously met by Revolving Credit Facility to Companies | 44.0 | 46.0 |
| 4. VSWL & Sheerwater business case interest | 2.0 | 5.2 |
| Revenue budget issues | | |
| *5. Opening 2023/24 reserve deficit** | 19.7 | - |
| *6. Estimated 2023/24 overspend** | 8.7 | - |
| *7. Correct in year incorrect recharges to HRA** | 0.8 | 0.8 |
| *8. Budget gap 2024/25** | - | 11.6 |
| 9. Restate a general fund reserve | - | 5.0 |
| 10. Reserve for grant clawback risks | - | 7.0 |
| 11. Provision for Asset repair & maintenance | - | 20.0 |
| **Total** | **235.1** | **95.6** |

3.9 The table shows:

- loans of £155m previously provided to the companies for revenue purposes that should have been charged to the revenue budget.
- 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).

- 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 for financial commitments the Council will have to honour e.g. HS2 monies for Brookwood Park and the PFI reserve are maintained).
- 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 for asset maintenance of £20m; for grant clawback and project risks of £7m and the re-creation of a General Fund reserve of £5m
- The items marked with an asterisk* are those most likely to change between now and the final accounts

Minimum Revenue Provision

3.10 The second way that the Council's budget is being supported is in respect of the provision that Woking BC should be making for the repayment of its debt if proper practice is followed. The Council has historically not made provision for debt repayment (Minimum Revenue Provision or MRP) for council loans. To correct this and to make the required MRP provision on the costs of the Capitalisation Directive (CD), an additional £97m would be required for 2024/25, on top of the existing £8m provision. The backdated MRP that should have been made on council loans equates to £356m, a total additional requirement of £454m.

3.11 The total MRP payable in 2024/25, alongside the interest costs on the debt equate to debt servicing costs for the Council of over £170m in 2024/25. This sum is nearly ten times the size of Woking's net revenue budget 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 loans. The final proposed amendments to statutory guidance were recently published with a deadline for response of 16 February 2024:

https://consult.levellingup.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 would not now compliant with the duty to provide for MRP and seeks to prevent that approach in future. Recognising the challenges this could cause for local authorities in cases of serious financial failure intervention, the draft guidance includes the following:

*"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. The backdated MRP and additional MRP that should be payable in 2024/25 total £454m if it were charged in full. The guidance will allow the Council not to charge this full amount, with Government permission.

3.15 This exceptional support (£454m) and the capitalisation (£331m) would amount to total support next year of up to £785m, although the actual deficit will be slightly lower, as explained below. The approach taken by Government therefore allows the Council to set a legal budget for and continue to provide services in 2024/25. Future years will be subject to further work, linked to Asset Rationalisation and Debt Reduction plans that the Council is producing.

3.16 The EFS will come with a requirement that the Council should take all reasonable action and necessary steps to minimise the financial risks and reduce its levels of debt. The support will come with specific conditions, that are likely to be linked to the actions required in the Improvement and Recovery Plan. The Government response to the request for EFS will be circulated to Council Members when it is received.

## 4.0 Asset Rationalisation (ARP) and Debt Reduction (DRP) Plans

4.1 On 7th 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 30th 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 medium to 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, of which the Asset Rationalisation Plan (ARP) part, 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 have recognised progress in the asset rationalisation work to date and the plan over the first quarter to produce a prioritised plan which will need to balance the need to reduce the levels of debt with achieving value for money any the assets sold. This will take the form of an Asset Rationalisation Plan (ARP) covering all the Council's assets and also those Council owned 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 Rationalisation Plan, 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 A Debt Reduction Plan is being developed by the s151 Officer alongside the ARP and is included for approval in the Treasury Management report also on the agenda for this Council.

This will include the approach to the repayment of debt from the proceeds of any sales under the ARP. The key principle is that all sales proceeds will be assumed to be applied to reducing the level of debt, except for housing assets as explained below.

4.8 It is an imperative for the Council to reduce its levels of outstanding debt and the Asset Rationalisation Plan and associated Debt Reduction Plan will need to be completed and approved by the Council and Commissioners within the first quarter of 2024/25.

4.9 Council housing assets held within the Housing Revenue Account will require a different approach: HRA assets have been underinvested in during recent years, hence the Capital Programme approved by Council on 8 February included the most significant level of investment in fire safety and decent homes standards for many years to ensure that the regulatory standards are being met. This programme is contained within the HRA. Whilst this is separate from the General Fund position, any additional borrowing from PWLB will be subject to Government approval.

4.10 It should be noted that the budgets set out in the Capital Strategy and HRA are the budget allocations and do not represent approval to spend or to borrow to finance that spend. Given the position the Council is in all projects will require robust business cases and appropriate Council approvals and any borrowing will need to be supported by Government.

**5.0 Updated Revenue Budget Position**

5.1 The report to Council on 8 February set out a summary revenue budget position with a deficit after savings and pressures is £12.4million. This represented the “business as usual” deficit on services, excluding the adjustments explained above relating to the Council’s debt problem. This report now sets out the total deficit over two year (2023/24 and 2024/25) of £785m and shows how this is being treated to provide a comprehensive position that leads to the Council Tax calculation and recommended tax increase.

5.2 This report also reflects updates to the £12.4m business as usual deficit resulting from further work on finalising the position, following the receipt of the Final Finance Settlement, the decisions on setting the Council Tax and Business Rates base for 2024/25, the Collection Fund year end position and the ongoing detailed work on the budget position. The changes (a net £0.9m increase) are explained in the next section of this report, resulting in a revised business as usual deficit of £13.3m. Detailed service budgets that follow from this final position are also now attached as Appendix 11.

5.3 The 2024/25 summary revenue budget for the Council is shown below. The table shows both 2023/24 and 2024/25, firstly as shown in the 8 February report and then restated with:

a) the debt adjustments prior to Government support and

b) updating of some operational budgets.

5.4 These restated figures show a deficit of £591.5m in 2023/24 and £188.9m in 2024/25. This leads to a total deficit of £780.4m, before Government support, broken down across the years in Table 3 below.

5.5 This is now slightly lower than the total previously reported of £785m, due to updates in some of the figures included in the original Capitalisation Directive in January. Every effort will be made to minimise the need for drawdown against the Capitalisation Directive – the key requirement is that they need to always be lower than the Capitalisation Directive. A full reconciliation will be made in the 2023/24 and 2024/25 accounts.

5.6 Further sections of this report provide the statutory basis for calculating the Council Tax, which is the net funding requirement after Government grants and all of the Government Exceptional

Financial Support. The income from Council Tax is £12.2m in 2024/25 as shown in the table below and is the starting point for the calculation of the tax that is the final balancing of the budget and the basis for calculating individual household bills.

**Table 3: 2024/25 General Fund Revenue Summary – Restated**

| General Fund Summary | 2023-24 | 2024-25 | Restated 2023-24 | Restated 2024-25 |
|---|---|---|---|---|
| | Estimate | Estimate | Estimate | Estimate |
| | £'m | £'m | £'m | £'m |
| Communities | 9.7 | 6.7 | 9.7 | 6.8 |
| Place | 7.4 | 7.1 | 7.4 | 9.0 |
| Corporate | -12.2 | -5.6 | -12.2 | -5.5 |
| **Total Service Directorates** | **4.9** | **8.2** | **4.9** | **10.3** |
| Management of Change | 0.3 | 0.0 | 0.3 | 0.0 |
| Risk Contingency | 0.3 | 0.0 | 0.3 | 0.0 |
| Impact of lease surrender | 0.0 | -1.9 | 0.0 | -3.0 |
| Pay Provision | 0.0 | 0.1 | 0.0 | 0.1 |
| Council Tax Hardship Scheme | 0.0 | 0.1 | 0.0 | 0.1 |
| Reduction in M&A recharge to HRA | 0.0 | 0.3 | 0.0 | 0.4 |
| Other | 0.0 | 0.1 | 0.0 | 0.1 |
| PFI Unitary Charge Equalisation | 0.2 | 0.2 | 0.2 | 0.2 |
| Investment Programme items funded from revenue | 0.1 | 0.0 | 0.1 | 0.0 |
| **Net cost of Services** | **5.8** | **7.1** | **5.8** | **8.2** |
| Minimum Revenue Provision | 7.5 | 8.1 | 363.9 | 105.4 |
| Interest payable | 54.5 | 64.0 | 54.5 | 64.0 |
| Interest receivable* | -43.3 | -47.7 | -1.3 | -1.4 |
| **Net Financing Costs** | **18.7** | **24.4** | **417.1** | **168.0** |
| **Amounts to be met from Local Taxation, Government Grants, and Reserves** | **24.5** | **31.5** | **422.9** | **176.2** |
| **External Finance - Settlement Funding Assessment** | | | | |
| Business Rates | -2.2 | -4.5 | -2.2 | -4.3 |
| Business Rates Surrey Pool | -1.1 | -0.3 | -1.1 | -0.3 |
| Business Rates (Surplus)/Deficit | 0.0 | -0.3 | 0.0 | -0.7 |
| Council Tax (Surplus)/Deficit | -0.2 | -0.2 | -0.2 | -0.1 |
| Revenue Support Grant | -0.1 | -0.1 | -0.1 | -0.1 |
| New Homes Bonus Grant | -1.2 | 0.0 | -1.2 | 0.0 |
| Services Grant | -0.1 | 0.0 | -0.1 | 0.0 |
| Minimum Funding Guarantee Grant | 0.0 | -1.5 | 0.0 | -1.6 |
| **Total - External Finance** | **-4.9** | **-6.9** | **-4.9** | **-7.1** |

| | | | | |
|---|---|---|---|---|
| **Reserves and Asset Management Budget Adjustments** | | | | |
| Reserves reinstated | 0.0 | 0.0 | 0.0 | 12.0 |
| Asset repair and maintenance provision | 0.0 | 0.0 | 0.0 | 20.0 |
| Prior Years Capitalisation Directive | 0.0 | 0.0 | 184.7 | 0.0 |
| **Council Tax income** | **-11.2** | **-12.2** | **-11.2** | **-12.2** |
| | | | | |
| **Deficit** | **8.4** | **12.4** | **591.5** | **188.9** |

**NOTES:** table 3 shows the £780.4m (previously £785m) for Capitalisation across the years 2023/24 (£591.5m) and 2024/25 (£188.9m).

* Note that most of the interest receivable (£46m of the £47m in 2024/25) is due from ThamesWey and Victoria Square companies where there is currently an arrangement in place to suspend payment. The cost of this suspension is included in the Capitalisation Directive.

2024/25 Base Budget – Changes Since 8 February Report

5.7 The change in the 2024/25 net deficit from the 8 Feb report is £176.5m, as set out in the table and narrative below. This movement can be covered within the Capitalisation Directive, which has reduced overall to £780.4m. Note that the underlying business as usual deficit has changed slightly from £12.4m to £13.3m, as shown in in the table below.

**Table 4: Summary of Budget Movements**

| | £m | £m |
|---|---|---|
| **2024/25 Budget DEFICIT per PREVIOUS REPORT** | | **12.4** |
| Changes | | |
| Victoria Gate - Removal of refinancing gain* | 0.9 | |
| Additional retained Business Rates** | 0.1 | |
| Additional Business Rates surplus** | -0.4 | |
| Reduction in Council Tax surplus | 0.1 | |
| Additional external audit fees*** | 0.3 | |
| Additional finance settlement grants | -0.2 | |
| Reduction in ICT software license costs | -0.2 | |
| Additional interest payable | 0.1 | |
| Revision of Afghan refugee grant income | 0.2 | |
| | | 0.9 |
| ESF | | |
| MRP | 97.3 | |
| Balance of Capitalisation Directive (see note below****) | 78.3 | |
| | | 175.6 |
| **Total Net Change** | | **176.5** |
| | | |
| **Restated 2024/25 Budget DEFICIT** | | **188.9** |

* The September report included a £1.9m saving from a potential lease surrender paid 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. The £1.9m saving was a net amount of a £2m reduction in rent, offset by an annual lease surrender premium (available for four years) of £3m: a £1m saving. However, the September MTFS report also assumed a £900k saving from the reduction in debt arising from the capital receipt from the sale. This assumption has been reviewed and a prudent approach will be taken for now of only assuming a £1m saving, because further work is needed on the debt reduction plan. Further savings in capital financing costs are possible, not only from debt reduction, but secondly if the Government agrees to WBC not paying the 1% premium on the Capitalisation Directive and thirdly the Council owned companies may be able to pay some of the suspended interest (work is ongoing on this), but the budget will not pre-empt any of these savings at this point in time.

** Based on updated forecasts of business rate income [having regard to reliefs funding by Government section 31 grants, appeals and allowances for non-collection], the budgets for retained business rates has decreased by £93k and declared business rates surplus has increased £441k.

*** The Public Sector Audit Appointments (PSAA) body both appoints and sets the fees for WBC's external audit. Due to the backlog of audits the Council has (in common with many other Councils), but also the very specific issues and risks in WBC's budgets and accounts, the PSAA has set a significantly higher audit fee for the new auditors, Grant Thornton: their total estimated fee is £306k. This does not include the cost of the VFM review, which will have to be treated as an exceptional item.

****The total potential Capitalisation Directive is £95.6m as per Table 1. The balance shown here of £78.3m differs because part of the Capitalisation Directive requirement is already included in the budget i.e. the deficit of £13.3m, plus the interest costs of the company business cases (£5.2m), less the HRA recharge of £0.4m less other minor amendments.

## 6.0 Expenditure Budgets

Service Budgets

6.1 The updated analysis of the gross and net spend of the Council is shown in the table in Appendix 3.

6.2 The service budgets are inclusive of the changes previously agreed as part of the Fees and Charges Report which went to Council on 30 November 2023, and the savings agreed by Council on 8 February, plus changes to since the 8 February report set out in section 5 above. The most significant change is including the proper accounting for MRP, prior to the Government support package.

6.3 The Council's gross budget can be described at several levels: in 2024/25 including all debt costs it is £263.2m. However, gross service spend is shown as £61.2m, but this includes benefit payments which the Council administers for Government and receives 100% funding for. The level of gross spend on services controlled by the Council excluding this is £40.3m.

6.4 The 8th February Report that includes the service savings schedule can be viewed on the Council's website.

6.5 Appendix 11 shows the breakdown of gross and net spend for the Council's main divisions of service. Further work is needed as part of improving budget monitoring during to re-set how the staffing budgets are organised to make the provision of financial information to Members and managers more meaningful and accessible. The attached analysis of costs is a starting point for that work and represents work in progress. Note that the Net Cost of Services line differs from Table 3 due to the way certain corporate items are shown.

Corporate Items

6.6 Alongside the service budgets the following corporate provisions [see table 3 above] have been made:

- £3m for Victoria Gate. This is the lease premium received by the Council that is reflected in the general fund budget over a 4-year period until 2027/28. This will be used to support the Council's overall budget position.

- A £82k provision to meet the costs of the commitment to meet the Real Living Wage Increase. This will be allocated to the service budgets in the first quarter of 2024/25.

- £100k hardship budget – this is the allowance for the additional discretionary hardship support for residents following the council tax increase. Full details are set out later in the report.

- £428k Reduction in recharge to HRA – this increase in cost to the general fund arisen through a review to ensure the recharges of costs better reflect the service areas that management and administration staff are supporting.

- £200k PFI credits for the Council's (non-HRA) housing scheme with a local Housing Association

Capital Financing Budget

6.7 The Capital Financing Budget has now been restated to show the full amounts of MRP and interest payable.

6.8 The table below sets out the full MRP position.

**Table 5: MRP Provision**

| | 2023/24 £m | 2024/25 £m | 2025/26 £m |
|---|---|---|---|
| Woking MRP Budget | - | 8.12 | 8.57 |
| MRP on Business Cases | | 1.95 | 2.09 |
| Understated MRP | 356.40 | 80.46 | 59.96 |
| **Sub Total** | **356.40** | **90.53** | **70.62** |
| MRP on CD | | 14.86 | 19.34 |
| **Total** | | **105.39** | **89.95** |
| **Amount to be deferred under regulations** | **356.40** | **97.27** | **81.38** |

6.9 The total interest payments for the Council's current debt and anticipated borrowing (either for refinancing, as part of the capitalisation directive or approved capital expenditure) have been included in the budget estimates. The actual costs may vary depending on the PWLB rates chargeable at the point borrowing is incurred. The gross estimated interest is £64m, with £1.4m interest received from loans to organisations other than the Councils companies.

## 7.0 Flexible Use of Capital Receipts

7.1 In 2023/24 Government agreed the use of up to £3.5m of capital receipts to enable a comprehensive Improvement and Recovery Programme to be developed and an update is provided in Appendix 7 on spend to date and proposed spending in 2024/25.

7.2 Set in the context of government intervention, this first year of transformation largely focussed on establishing the vision for a smaller organisation, focussed on delivering core services within its means. Extensive engagement and consultation was carried out with staff and residents, leading to the decision by members on a 2024/25 revenue budget savings of £8.4m.

7.3 The Council's companies have all been reviewed against a commercial governance framework and actions are now being delivered to address identified issues. An asset rationalisation strategy and plan have been developed and the actions will now be implemented. Spend this year has totalled £1.9m as set out in Appendix 7.

7.4 The second year of transformation will build on the strong foundations that have been put in place during 23/24 and will move into an implementation phase - of savings and change. The focus for the organisation will be on developing the culture to support the delivery of the vision. Key projects will include the channel shift programme, Organisational Development, improvement to the core functions (process, people, platforms) and delivering the changes required to companies, the reduction in the level of debt and further move toward sustainable financial management Approval is now sought for the planned level of spend set out in Appendix 7 for the remaining transformation of £1.5m in 2024/25.

## 8.0 Asset Management

8.1 The S114 notice included £45m was likely to be required to maintain the Council's property portfolio. This was an estimate based on an asset valuation formula which sets out the proportion of asset values that should be spent on repairs. An asset repair maintenance programme itself is usually derived from the detailed work carried out on condition surveys. The Council does not hold this information. Whilst the £45m has not been required in 2023/24, it is highly likely that some expenditure will be required in the future so a provision of £20m has been allowed for to support asset maintenance and the developing Asset Rationalisation Plan.

8.2 As asset rationalisation work progresses it is likely expenditure will be ready on both making assets fit for sale and on the costs of sale (fees etc). There will be full transparency with Government on any required spend in order to realise the receipt. All receipts from the asset rationalisation work will be applied to reduce the need to borrow (Capital Financing Requirement or CFR) in accordance with the Debt Reduction Plan. The expenditure is covered in the request for EFS, but this will only be used if required.

## 9.0 Reserves

9.1 The Council's reserves are currently negative, due to prior year underspends and incorrect accounting. However, if this report is approved and the Government provides the requested Capitalisation Directive, the Council will be able to reconstitute a prudent level of general and earmarked reserves. This will be a critical step towards creating future financial resilience.

9.2 The recommended reserves are set out in the table below. The earmarked reserves are either restating previous reserves held that are deemed to be required, or to cover new risks including the clawback costs and provision to correct incorrectly charged costs to the HRA.

9.3 The Town Centre Management reserve was previously committed to specific costs that have now been met in 2023/24, so the reserve will be given a broader purpose of covering the risks arising in year from voids on the town centre commercial estate budget.

**TABLE 6: Summary of Reserves**

| £m | |
|---|---|
| 5.0 | **General Fund Reserve** – the Guiding Principles set out in the September MTFS indicated a need to maintain an unearmarked General Fund Reserve of 5% of revenue spend (c£0.8m). However, the Council is still in financial discovery mode and there may be further issues uncovered. Therefore a £5m reserve is recommended during this period to ensure all risks can be met without the need to request additional EFS. The level of reserve required will be reduced for future years. |
| **Earmarked Reserves** | |
| 2.7 | **PFI reserve:** to meet liabilities arising from the Council's Housing (General Fund) PFI. |
| 2.8 | **HS2 reserve**: for the maintenance of HS2 graves at Brookwood cemetery: this figure will be updated for interest due on the balance as part of the 2023/24 accounts |
| 7.0 | **Project Risk Reserves**: to address potential abortive cost or clawback risks on regeneration and s106 project costs. |
| 5.1 | **Other Earmarked Reserves** (£5.142m)<br>- Business Rate Equalisation Reserve £3.196m<br>- Syrian Refugee support grant £1.193m<br>- Homelessness costs reserve £183k<br>- Town centre management reserve £570k |
| 4.6 | £5m has been allowed to address potential incorrect recharges to the HRA. The correction for 2024/25 of £0.4m (£0.3m in 8 Feb report) has been included in the budget. The remainder will be allocated as part of the final accounts work. |
| **27.3** | **Total Earmarked Reserves** |

9.4 The reserves, in addition to confirming that funds for any s106 agreements or Community Infrastructure Levy (CIL) projects will be met in full, should reassure Members that adequate funds for fall known future liabilities have been assessed and provided for.

9.5 As part of the request for government support, a request for a Direction under the 1989 Housing Act has been sought to correct the budgets within the HRA reserve for incorrectly recharged revenue costs.

**10.0 Government Settlement Funding Assessment**

10.1 The Council receives a formula driven Settlement Funding Assessment (SFA) from Government which comprises of their assessment of the level of Business Rates income, or Business Rates Baseline. The Council's SFA for 2024/25 is £2.426m.

10.2 Core Spending Power (CSP) is a measure of the resources available to local authorities to fund service delivery. It sets out the money that has been made available to local authorities through the final Settlement and includes SFA, indexation grant relating to business rates, an assumed Council Tax requirement, New Homes Bonus, and the Minimum Funding Guarantee.

10.3 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, SFA or business rate. The Council's CSP is £16.942m. This has increased since the Provisional Finance Settlement for the change in the minimum funding guarantee from 3% to 4% (worth £151k). The main increase is the change in the Council Tax increase from 3% to 10%.

10.4 The table below sets out Woking Borough Council's 2024/25 final settlement in comparison to provisional settlement.

**TABLE 7: Summary of Government Grant Settlement**

| | 2024/25 Settlement - Provisional | 2024/25 Settlement – Final | Variance | |
|---|---|---|---|---|
| | £m | £m | £m | % |
| **Core Spending Power** | 15.999 | 16.942 | 0.943 | 5.89% |
| Grants | | | | |
| Revenue Support Grant | 0.099 | 0.099 | - | 0.00% |
| New Homes Bonus Grant | 0.025 | 0.025 | - | 0.00% |
| Services Grant | 0.014 | 0.015 | 0.001 | 7.14% |
| Minimum Funding Guarantee Grant | 1.466 | 1.617 | 0.151 | 10.30% |
| **Total Grants** | **1.604** | **1.756** | **0.152** | **9.48%** |

## 11.0 Business Rates and Council Tax

11.1 The Collection Fund is an account all authorities collecting Council Tax and Business Rates ("billing authorities") are required to maintain separately as it contains funds collected for both the billing authority itself and "precepting" authorities i.e. in Woking that is Surrey County Council and Surrey Police (which actually make up nearly 90% of the council tax raised).

11.2 Each year the Council is required to declare the surplus or deficit on the Collection Fund and also the Council Tax base, and retained business rates, which represents the total tax raising power of the area. These calculations are technical ones made by officers but are key to setting the level of precepts so they are required to be shared with precepting authorities in January.

Business Rates

11.3 The Business Rates funding regime is becoming increasingly complicated and is make up of a number of different elements, including Business Rates Income, Business Rates Top-up or tariffs, levy, and Section 31 grants including an element for under indexation from government. All income in relation to business rates yield is accounted for within the business rates collection fund account, with tariff and Section 31 grant being outside the collection fund. In order to have a complete picture of the business rates position the income from the collection fund and the grants have to be viewed together.

11.4 Business rates income would usually increase in line with the September CPI through an upward adjustment to the multiplier. In the Autumn Statement the Chancellor confirmed that for 2024/25 the small and standard multiplier would be 'decoupled' and would not both increase by inflation; with the small multiplier remaining at 49.9p and the standard multiplier increasing by CPI to 54.6p. However, Indexation grant will be provided to authorities for the freeze on the small multiplier, ensuring they would still benefit overall from a CPI increase.

11.5 The Government also confirmed the continuation of the Retail, Hospitality and Leisure Relief offering 75% discount in 2024/25 with a national cap of £110k per business. The Council is compensated for the loss of business rates income due to these changes through a S31 grant payment.

The Business Rates Baseline

11.6 The business rates baseline sets the level of business rates yield government expects billing authorities to generate. The information in setting the 2024/25 base is returned to Government in the NNDR1 return which includes assumptions on the levels of mandatory and discretionary relief and provisions for appeals and bad debt.

Retained Business Rates

11.7 The calculation of income to be received through business rates retention is critical in determining the amount of resources that the Council will have available to fund general fund services.

11.8 The Council has undertaken an assessment of the amount of business rates that it expects to collect during 2024/25, based on this and after allowing for the allocation of resources to Government and to the County Council, and the tariff and levy, it is estimated that £4.284m of the £52.988m of business rates generated within the borough, will be retained by the Council. The technical calculation for the Council's estimated 2024/25 retained business rates is shown below:

| | **£m** |
|---|---|
| Total Business Rates collected | 52.988 |
| Woking Share of Business rates collected (40%) | 21.195 |
| Tariff | -19.439 |
| Section 31 Grants | 3.584 |
| Levy | -1.056 |
| **Retained Business Rates** | **4.284** |

Collection Fund Surplus/Deficit - Business Rates

11.9 Billing authorities are required under section 32 of The Local Government Finance Act 1992 to estimate any surplus or deficit on their collection fund for the year. The estimated surplus or deficit is shared between the billing authority and its major precepting authorities.

11.10 Business Rates - The Council's 40% share of the declared Business Rates surplus of £1.747m, is £699k.

Business Rates Pool

11.11 Woking Borough Council is a member of the Surrey and Sutton Business Rates Pool, along with Epsom and Ewell, Runnymede, Spelthorne, Surrey County, Surrey Heath, and Sutton. There has been a business rates pool in Surrey since 2013/14 (first year of the scheme).

11.12 The benefit of pooling is that authorities in the pool can be better off collectively through a reduction in the amount of levy [being growth in business rates above a certain threshold]. The arrangements for the Surrey and Sutton Business Rates Pool are that this retained levy is allocated 50% (split based on levy) to the districts and 50% (split based top-up) to the County Council and Sutton.

11.13 The 2024/25 estimated pool gain attributable to Woking is £300k.

Business Rates Discretionary Relief Policy

11.14 The Council has statutory powers for the granting of mandatory and discretionary rate relief under the Local Government Finance Act 1988 and the Local Government and Rating Act 1997. The Localism Act 2011 also permits the granting of discretionary relief to any premises where the Council believes that the granting of such relief would be of benefit to the local community. The provisions are designed to give the Council flexibility in granting relief where it would be of benefit generally to the area and be reasonable given the financial effect to Council Taxpayers.

11.15 Previously, the Council did not have consistent and clear approach to reliefs, so the attached new policy at Appendix 4 recommended for approval provides for a consistent policy-based approach to all current and future applications for relief in future.

11.16 Each case will be assessed on its own merits having regard to:

1. The eligibility criteria set out in this policy,
2. The benefit that the organisation or business brings to the local community and
3. The cost to the Council Taxpayer of awarding the discretionary rate relief.

11.17 Members having agreed this policy, all applications for relief will be assessed by a Panel chaired by the s151 Officer. Existing reliefs will be reviewed on a rolling basis – all those receiving reliefs were informed of this in March 2023. All reliefs over £5,000 in value will now be re-assessed on an annual basis, starting from 1 April 2024 and ratepayers are being written to again alongside their 2024/15 bills to inform them of the application process. Existing reliefs under £5k will be reviewed every three years, commencing April 2025.

Council Tax

11.18 Council Tax Base – The S151 Officer has made the decision under delegated powers to determine the Council Tax base for 2024/25 as 42,255.5 Band D equivalents. This reflects the number of dwellings in a billing area falling within each valuation band represented as Band D equivalents. This is adjusted for discounts and exemptions, such as single occupancy, unoccupied houses, various disregards and student exemptions. A further reduction is made to reflect Council Tax Support claimants.

11.19 The forecast council tax collection rate is 98% in 2024/25.

11.20 Council Tax Collection Fund Surplus / Deficit - the Council's share of the declared Council Tax surplus is £126k.

Council Tax on Second and Empty Home

11.21 Under the Levelling Up and Regeneration Bill from 1 April 2024 authorities can apply a 100% premium (i.e. double charge) on unoccupied and unfurnished (empty) properties after one year, updated from two years. This is also estimated to generate an additional £42k in 2024/25.

11.22 The same bill, from 1 April 2025 authorities are permitted to apply a 100% premium to unoccupied and furnished properties second homes. This is estimated to generate an additional £68k per annum from 2025/26.

<u>Setting the Council Tax for 2024/25</u>

11.23 The Council Tax referendum limit is 3% for most local authorities without social care responsibilities. 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 previously been implemented as part of dealing with budget gaps**.** Thurrock and Slough Councils increased their tax by 10% and Croydon increased theirs by 15%.

11.24 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 recommendation in this report is to set a tax increase for Woking of 9.99%, which raises £1m of income above the level in 2023/4.

11.25 Woking Borough Council is the billing Authority for the borough area and is required to set a Council Tax that will cover not only its own requirements, but also those of the County Council and Police and Crime Commissioner.

11.26 The following 2024/25 precept increases have proposed by the respective organisation:

- Surrey County Council, 4.99% (2.99% General Council Tax, plus 2.0% Adult Social Care (ASC) Precept), and
- Surrey Police and Crime Commissioner, 4.19%

11.27 The level of Council Tax will vary between households throughout the borough and will depend upon which Band the property falls within.

11.28 Taking account of the above demands, the Council Tax at Band D for 2024/25 is as follows:

| | **£** | **% Share** |
|---|---|---|
| Woking Borough Council | 289.43 | 12.20% |
| Surrey County Council | 1,758.60 | 74.15% |
| Surrey Police & Crime Commissioner | 323.57 | 13.64% |
| **Total Band D Charge** | **2,371.60** | **100.00%** |

11.29 Appendix 10 sets out the statutory calculation and recommendation of the 2024/25 Council Tax for Woking Borough Council, and precepts for Surrey County Council and Surrey Police and Crime Commissioner.

## 12.0 Hardship Scheme

12.1 The Minister's Letter of 18 December 2023 asked the Council to consider mitigation measures for any hardship created by a 10% tax increase. 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%. In addition, Woking offers a Council Tax Support Scheme which covers 100% of council tax for the vulnerable or those on low incomes.

12.2 The mitigation proposal recommended, costing up to £100k will therefore consider wider hardship issues than just Council Tax and provide links with debt advice partners in the Borough. Appendix 5 provides further detail of the scheme, but in summary the recommended scheme will provide:

- £25k for a Council Tax hardship fund (policy for approval at Appendix 6).

- £50k of funding for Citizen Advice Woking to provide a Hardship Support Coordination package.

- £25k funding for grants that replicates the Government's Household Support Fund (which is likely to end in 2024/25), to be administered by the WBC Living Well Team.

**13.0 Prior Year Costs and Impact on Budget Setting**

13.1 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.

13.2 Normally, prior year overspends must 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 revised £13.3m deficit on the 2024/25 business as usual budget. The impact of this is included the Capitalisation Directive of £331million.

**14.0 Medium Term Financial Analysis and Budget Monitoring**

14.1 This report deals with the 2024/25 budget: further work is needed on a Medium-Term Financial Analysis and a framework for commencing 2025/26 budget planning. This will need to cover both the business-as-usual budget and the debt related issues. The Asset Rationalisation and Debt Reduction Plans will need to move the level of debt to a level sustainable within the budget, for example considering the level of commercial estate that can be sustained in the longer term by a Council if Woking's size. A report on the medium term will need to be brought back via Executive in the first quarter of next financial year.

14.2 Given the level of savings to be delivered, early monitoring of savings delivery will commence in March, using a RAG rating to be reported monthly to the Corporate Leadership Team (CLT). This early delivery monitoring will then form part of the monthly budget monitoring reporting to CLT starting in April and reported through to Executive every quarter.

**15.0 Section 25 Statement**

15.1 The s25 Statement is appended in full in Appendix 8. The Statement has been prepared in two parts, the first setting out the assessment made by Commissioners and the Chief Financial (s151) Officer, which considers the overall financial position of the Council, the scale of the historic and 2024/25 deficit, alongside the request for Exceptional Financial Support to Government.

15.2 The second part of the statement focuses on the fiduciary and statutory considerations, explained below, that the Commissioners and S151 Officer must make in determining that the budget being set is reasonable and prudent. 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.

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

- the robustness of the estimates made for the purposes of the calculations; and
- the adequacy of the proposed financial reserves.

15.4 The Council has a statutory duty to have regard to the CFO's report when making decisions about the calculations.

15.5 The financial position the Council is in is extremely challenging. The s114 notice issued in May 2023 at the start of intervention set out a number of issues including:

- The understatement of Minimum Revenue Provision (MRP) for debt repayment
- Loans funded by borrowing paid to its companies for revenue purposes which would need to be written off to revenue
- A requirement to significantly impair other loans made to companies
- An understated repairs and maintenance budget
- An in year and ongoing budget shortfall

15.6 The circumstances facing the Council are unprecedented. The solutions that will be required are complex and are likely to require regulatory changes. The formal intervention has been in place for less than 12 months and has not reached the position to determine the way forward at this stage that provides a sustainable long-term solution.

15.7 Despite the challenges faced, it is the opinion of the Commissioners and CFO that the budget reports are based on prudent and reasonable assessments of the position. In reaching this assessment the following should be noted:

- Due to the levels of uncertainty around the HRA position, a revised HRA budget and the 30 year business plan will be brought back to Executive and Council during 2024/25.
- The position against the Financial Management Code, Prudential Code and Treasury Management Code has been set out in the attached appendix and reports on this agenda. The Council is taking all possible steps to ensure compliance with the Codes.
- The Council is still in 'Discovery mode' and any new issues identified will be reported as part of the IRP arrangements and it will be ensured that corrective action is identified. The assumptions on which the budget has been proposed, whilst challenging, are reasonable and can be sustained within the overall level of resources available including the EFS.
- Measures have been put in place and risk assessed by Commissioners and the CFO to restate a General Fund Reserve and some required earmarked reserves for known commitments and risks. These arrangements are felt to be reasonable and prudent in the circumstances the Council is facing.
- The approach to the Council's debt position and the support required from Government has been agreed as part of the 2024/25 budget, as set out below

15.8 It is a condition of the Exceptional Financial Support that the Council does everything possible to reduce its levels of debt, in line with the EFS conditions and with the need to achieve best consideration and good progress is being made to ensure these requirements can be met. All of the above work is being closely monitored by the Improvement and Recovery Board, which is now chaired by the Lead Commissioner.

15.9 Despite the work carried out and the significant programme of savings approved by Council on 8 February, the level of historic debt mean that a balanced budget cannot be achieved without Government support. A request for Exceptional Finance Support has been submitted to Government and this will need to be finalised by Government prior to the 4 March to enable the Council to set a budget for 2024/25. It is important to note that this is an interim finance support arrangement, pending further discussions with Government to reach a way forward that addresses the issues outlined above.

15.10 The request for the exceptional financial support is in two parts:

- A Capitalisation Direction
- As Minimum Revenue Provision (MRP) cannot be capitalised, using the principles set out in the draft MRP guidance that a local authority can take into account government support to defer the payment of MRP on both the historic MRP that needs to be made good and the new MRP that becomes payable in 2024/25.

15.11 The Council has also requested that the additional 1% ‘premium’ on the costs of PWLB borrowing is waived, in recognition of the work underway to reduce levels of historic debt and the fact that this work alone will not be sufficient to resolve the legacy debt issues.

15.12 On the basis of that support, it is believed to be reasonable to set a legal budget for 2024/25. This includes the fact:

- The capitalisation directive regularises/addresses the historic issues of loans for revenue purposes and budget deficits prior to 2024/25.
- The capitalisation directive provides access to funds for the local authority to be a going concern in 2024/25.
- Assurances have been received from government that enable the council to place reliance on the draft MRP guidance and that in any event, the MRP guidance is guidance and it is the Council’s interpretation is that judgement has to be used and the approach taken is believed to be reasonable in the light of the ongoing discussions with government. The Council’s MRP policy, set out in the Treasury Management Strategy report is drafted on this basis.

15.13 Discussions with Government are ongoing and there is a commitment to reach a more sustainable solution that will provide assurance that a legal budget can be set for 2025/26 within the statutory timescales.

**16.0 Implications**

<u>Finance and Risk</u>

16.1 There are no additional financial implications to those set out in the report.

<u>Equalities and Human Resources</u>

16.2 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.

16.3 The Council has sought to understand the equalities impacts of proposed service changes and any potential mitigations which can be offered as part of the report on service savings to 8 February. The only proposal requiring an Equality Impact Assessment (EqIA) in this report is the level of Council Tax and the related hardship proposal which is attached as Appendix 9.

Legal

16.4 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.

16.5 Council must agree to set the budget and do so by no later than 11th March 2024. This legal duty arises from the Local Government Act 2000, Local Authorities (Functions & Responsibilities) Regulations 2000 and the Local Government Finance Act 1992. This duty is both individually owned and collectively shared between all elected Members that make up the Council.

16.6 In deciding how to exercise its duty to set a lawful budget, the Council must have regard to the advice of the Chief Finance Officer and the Monitoring Officer. The Council must act in accordance with the Council's statutory duties, common law duties and administrative law principles.

16.7 Failure to meet the 11th March 2024 deadline to set a budget would have significant financial, legal, and reputational impact on the Council and its residents. The Council would be acting unlawfully.

16.8 With no agreement on the budget, no budgetary allocations exist and there can be no provision for services, staff, or contractual commitments of the Council. The Council's ability to perform its statutory responsibilities, would be in jeopardy and would in effect 'grind to a halt'. This would have a significant impact on most residents. At its basic level, bills and staff wages would not be able to be paid, new contracts could not be entered into and there would be a breach of existing contracts.

16.9 In addition, the Council would not be able to process and send out council tax bills to residents, direct debits would not be set up and payment demands could not be sent out. The whole council tax payment process will be delayed, and not just for the Council but also for Surrey County Council, and the Police. Delays in billing and chasing council tax collection reduces the probability of fully collecting what is due. This would also include what is due to Surrey County Council and the Police who would expect Woking to compensate it for losses of income given that the delay would be entirely of Woking's making.

16.10 This would also mean that the initial council tax payments the Council receives would be significantly delayed. This would obviously significantly worsen the Council's financial position and at a time when revenue is most needed. All this and the uncertainty that follows would damage the Council's reputation locally and nationally and with central government, other local authorities, staff, partners, businesses, contractors, residents, and potential investors in the borough. The Council and Members would be at risk of litigation in these circumstances.

16.11 Member's fiduciary duty (i.e., legal duty as trustee of the public purse)[1] is a material consideration to reflect upon. This includes the duty to council taxpayers to avoid unlawful action (i.e., not to set a budget by 11th March 2024) that would result in the loss of significant revenue to the Council or a failure to deliver services with consequential litigation and adverse financial implications to the Council. Personal liability may arise in the form of misfeasance in public office[2] depending on the nature and extent of conduct at the Council meeting and its impact.

[1] *Bromley London Borough Council v Greater London Counci1*[2] "It is well established . . . that a local authority owes a fiduciary duty to the ratepayers from whom it obtains moneys needed to carry out its statutory functions, and that this includes a duty not to expend those moneys thriftlessly but to deploy the full financial resources available to it to the best advantage (Lord Diplock)" *Roberts v Hopwood*[3] "… [a] body charged with the administration for definite purposes of funds contributed in whole or in part by persons other than the members of that body, owes, in my view, a duty to those latter persons to conduct that administration in a fairly business like manner with reasonable care, skill and caution, and with a due and alert regard to the interest of those contributors who are not members of the body. Towards these latter persons the body stands somewhat in the position of trustees or managers of the property of others. (Lord Atkinson)"

[2] Misfeasance in public office is an action against a holder of public office. It provides a remedy for persons who are injured by the actions of a public officer who has exercised his powers in bad faith. It is an unusual tort in that the prime focus is on the motivation of the defendant. There are similarities between the tort of misfeasance in public office and the criminal offence of misconduct in public office. However, the two are not the same and care should be taken before transferring principles between them. The ingredients of the tort a) The defendant must be a public officer; b) The defendant must have exercised power as a public officer; c) The defendant must have acted with malice or in bad faith, either with the intention of injuring the claimant or, being aware of the risk of such injury, without an honest belief that his conduct was lawful; d) That conduct must have caused the claimant material injury or damage of a sort foreseen by the defendant.

REPORT ENDS

## APPENDIX 1

In undertaking its financial operations over the period of the Medium-Term Financial Planning, the Council adopted from July 2023 the following Guiding Principles ('The Principles'). The Principles are based on sound management and professional practice. They are presented as *Guiding* Principles because there may be occasions where – after careful consideration - the exigencies of strategic or operational management may necessitate from time to time a departure from the Principles.

| No. | Guiding Principles |
|---|---|
| 1 | Fees & Charges will be reviewed annually and adjusted for inflation, comparability, and competitiveness. |
| 2 | As a compassionate Council, in setting charges, the impact on vulnerable groups will be considered carefully. |
| 3 | Service level spend will be benchmarked regularly with a suitable peer group and proposals to align with the benchmark will be brought forward. |
| 4 | The Council will adopt a policy of Digital First in service delivery but as a compassionate Council will be mindful of the risks of *digital exclusion* in doing so. |
| 5 | A rolling programme of Service Reviews launched as part of the *Budget Gateway* process will continue within the timeframe of the MTFS and will be used to ensure that operating models, organisational design and cost footprints are subject to regular review and adjustment across the Council. |
| 6 | Service developments, savings and investment will be brought forward on the basis of business cases that must demonstrate feasibility, deliverability, and appropriate financial pay back and other investment appraisal techniques. |
| 7 | The Council will consult with residents and other stakeholders in the Borough in forming budget proposals |
| 8 | Where business cases are prepared for decision, a proactive approach will operate encompassing review in depth prior to such presentation; this will include rigorous application of investment appraisal techniques, peer review and use of the Scrutiny function to achieve searching review and challenge before business cases are adopted. |
| 9 | The Council will welcome approaches from regional and other partners for joint working and joint management initiatives. |
| 10 | The Council presently has a *negative* balance on the General Fund. The Council will seek to re-balance the General Fund through (a) its own endeavours generally (b) a programme of property rationalisation and (c) with support to be sought from Government. The Council will seek to reach for Unearmarked Reserves at a level of 5% of Net Expenditure (i.e. £0.8m based on current core funding of £16m), [Addendum Feb 2024: but adjusted for the level of risk required] |
| 11 | Given the financial position of the Council and the need to maintain key statutory services the Council will seek to maximise receipts from all funding streams including Council Tax and income over the period of the MTFS. |
| 12 | Growth in service budgets must be funded from (a) grants or other contributions, (b) realistic estimates of commercial income or fees and charges (c) or revenue savings. No other growth will be adopted into the Budget within the period of the MTFS. |

| | |
|---|---|
| 13 | Council will develop enhanced means of assessing and managing risks at both strategic and operational levels and these will be used to inform the annual Budget process. |
| 14 | The Council will seek to make Value for Money decisions and be mindful of its obligations to obtain best value for the 'public purse' generally. |

# APPENDIX 2

## REQUEST FOR EXCEPTIONAL FINANCIAL SUPPORT

## (AS SUBMITTED TO GOVERNMENT JANUARY 2024)

this note sets out the elements of the debt support package requested from Government, including an analysis of which are one off and which ongoing and to link this to the longer-term core service budget deficit at WBC. This includes an analysis in detail of the two elements of the request for Government support, as submitted to DLUHC on 12 January i.e.:

The figures in this note are the ones in the January request and a maximum: they will be finalised as part of the 2023/24 accounts as some of the figures will change (e.g. the outturn spending figure for 2023/24 and any changes to the final budget deficit for 2024/25).

The exceptional financial support is in two parts:

1. A capitalisation direction of £454m
2. As Minimum Revenue Provision (MRP) cannot be capitalised, using the principles set out in the draft MRP guidance that a local authority can take into account government support to defer the payment of MRP on both backdated MRP and the new MRP that becomes payable in 2024/25.

A summary of the EFS ask is set out below:

| | 2023/24 and Historic Pressures £M | 2024/25 £m | Total £m |
|---|---|---|---|
| Capitalisation Directive | 235.1 | 95.6 | 330.7 |
| MRP | 356.4 | 97.3 | 453.7 |
| Total | 591.5 | 192.9 | 784.4 |

MRP

The amount of MRP that Woking is required to pay is included in the table below. The table includes the MRP provision that the Council was and will continue to make for its internal capital programme. The intention is to apply the new draft MRP policy to the external capital expenditure on company loans where MRP provision had not been made.

| **MRP Provision** | **2023/24 £m** | **2024/25 £m** |
|---|---|---|
| Woking MRP Budget (correctly accounted for) | - | 8.12 |
| MRP on Business Cases | | 1.95 |
| Understated MRP | 356.40 | 80.46 |
| **Sub Total** | **356.40** | **90.53** |

| | | |
|---|---|---|
| MRP on CD | | 14.86 |
| **Total** | | **105.39** |
| **Amount to be deferred under regulations** | **356.40** | **97.27** |

*Historic MRP* – the required corrections to MRP predate the last set of audited accounts and the amount required up to and including 2023/24 is £356.4m. The more detailed work means that this figure has changed slightly from that previously used in the S114 notice. The Council are currently reviewing in which years accounts the adjustment should be made with a preference to work with the new external auditors to correct in the 2023/24 accounts.

*2024/25+* - The ongoing MRP required had the draft guidance not been applied equates to £80.46m in 2024/25 and £59.96m in 2024/25. In addition, the MRP required for the business cases for VSWL and Thameswey has now been included. These are the business cases for new capital expenditure funded by borrowing. The amount deferred in 2024/25 i.e. £97m excludes the proper provision of MRP that WBC was making i.e. £8m.

Summary of the CD Request

A breakdown of the different factors behind the CD request are set out in the table below. 2025/26 is an illustrative figure and not included in the ask but is used below as a starting point to explain the ongoing deficit.

Note that the figures below are as submitted to Government on 12th January a maximum estimate for the CD and will be updated for the 4 March Council. The figures with an asterix (*) are the most likely to change i.e. the reserve deficit brought forward, the 2023/24 outturn and 2024/25 budget deficit and the HRA recharge adjustments.

| | 2023/24 & Prior Yrs £M | 2024/25 £M | 2025/26 £M |
|---|---|---|---|
| Legacy issues | | | |
| 9. Repay borrowing for revenue | 155.0 | - | - |
| *10. Correct legacy recharges to HRA** | 5.0 | - | - |
| Capital financing costs | | | |
| 11. Costs previously met by Revolving Credit Facility | 44.0 | 46.0 | 46.0 |
| 12. VSWL & Sheerwater business case interest | 2.0 | 5.2 | 5.2 |
| Revenue budget issues | | | |
| *13. Opening 2023/24 reserve deficit** | 19.7 | - | - |
| *14. Estimated 2023/24 overspend** | 8.7 | - | - |
| *15. Correct in year incorrect recharges to HRA** | 0.8 | 0.8 | - |
| *16. Budget gap 2024/25** | - | 11.6 | 11.6 |
| 17. Restate a general fund reserve | - | 5.0 | - |
| 18. Reserve for grant clawback risks | - | 7.0 | - |

| | | | |
|---|---|---|---|
| 19. Provision for Asset repair & maintenance | - | 20.0 | 20.0 |
| | | | |
| **Total** | **235.1** | **95.6** | **82.8** |

The issues are explained below.

Legacy Issues

1. *Repay borrowing for revenue* – this represents the loans paid to VSWL (a joint venture with the Council) and Thameswey Group of Companies (wholly owned council companies) that was used to then pay the Council for their debt and some limited principal repayments. The figure was initially calculated by CIPFA and has been verified and updated by a more detailed review of the payments made by the companies to the Council.

2. *(and line 7) Incorrect recharges to the HRA* – Work has been undertaken to quantify what has been incorrectly recharged to the HRA. The figures shown here were based on earlier estimates of the 2023/24 adjustment and a further allowance of £5m for prior years back to the last accounts being signed off in 2019/20. The total adjustments have now been confirmed as lower (£2.1m as reported to 8 February Council), but further work is still ongoing to confirm whether adjustments are required in years prior to 2019/20.

Capital Financing Costs

3. *Costs previously met by the revolving credit facility (RCF)* - This relates to interest payments due from VSWL and Thameswey. It should be noted that a number of the VSWL loans are on an annuity basis where there is mix of interest and principal within the repayments. Given the complexity of the loan book this is hard to accurately quantify. The total budget in 2023/24 is £44m of which £1m is the interest from smaller loans which is still being received.

   As part of the Asset Rationalisation workstream, work is being carried out to quantify how much VSWL and Thameswey can afford to contribute towards these costs as part of a refinancing prior to exit/disposal. This should start to reduce the £46m figure from 2024/25.

4. V*SWL and Thameswey business cases* – associated interest payments for the agreed borrowing to complete the hotel at VSWL and the housing under construction at Sheerwater. As part of the commercial workstream of the Improvement and Recovery Plan, work is being completed on both the exit and disposal strategies and on the cashflow positions. The latter will determine affordable financing payments to the Council.

Revenue Budget Issues

*Opening 2023/24 revenue deficit*

5. The S114 statement and 2023/24 Medium Term Financial Plan (MTFP) had assumed the council had £30m of reserves on the balance sheet that would provide support to the 2022/23 budget and the 2023/24 budget positions.

6. The updated reconciliation and changes are summarised in the table below. The items in red have been identified as part of the detailed budget review undertaken with support by PWC and are explained underneath the table.

| | Sept MTFS Table £'000 |
|---|---|
| **Reserves Reconciliation** | |
| Revenue Reserves at 31 March 2022 | |
| General Fund Revenue Reserves | 28,640 |
| Less: Ringfenced Reserves | (5,142) |
| Restatement of required ringfenced reserves | (5,900) |
| General Fund Balance | 1,500 |
| Revenue Reserves add General Fund | |
| Usable Revenue Reserves at 31 March 2022 | 19,098 |
| | |
| 2022/23 budget use of reserves | (5,421) |
| Investment Programme revenue projects | (684) |
| Development income recognised | 6,000 |
| Car Park Management Fee saving | 1,466 |
| Forecast additional use of reserves for overspend | (3,420) |
| Additional allowance for outturn as per Sept 2023 | (4,938) |
| Additional Use of Reserves to Cover Service Pressures | (4,000) |
| Company debt suspension | (12,800) |
| £6m development income not available | (6,000) |
| Required use of Reserves 2022/23 | (29,797) |
| **Forecast usable reserves at 31 March 2023** | **(10,699)** |
| | |
| Investment Programme revenue projects | (612) |
| Planned Use of reserves 2023/24 | (8,345) |
| **Opening 2023/24 Reserves Corrected Position** | **(19,656)** |

7. *Restatement of ringfenced reserves (£5.9m)* - this relates to two ringfenced reserves where expenditure is likely to be required. It includes £2.7m in the PFI reserve and £3.2m for HS2 funding which will be required to maintain some graves which needed to be relocated. This increased overspend is mainly due to additional loss of Commercial rent and service charges in Estate management.

8. *Additional allowance for outturn as per September 2023* – the 2022/23 outturn report published in September showed a deficit of £13.9m, an increase of £8.4m on the budgeted use of reserves of £5.4m. This figure will be updated

9. *Additional Use of Reserves to Cover Service Pressures (£4m).* Late in the 2023/24 budget process the Council added additional use of reserves. The source of these is still being investigated as part of work on the accounts. For this Capitalisation Direction the uncertainty requires a provision to be made to cover this.

10. *Company debt suspension (£12.8m)* - no payments were received for interest and principal from VSWL and Thameswey during the final quarter of 2022/23. The accruals and accounting entries made meant that this was not immediately clear in the accounts.

11. *Development income not available (£6m)* - The additional income added to the reserves for 2023/24 related to funding for planning obligations which are legal obligations entered into to mitigate the impacts of a development proposal. This is usually via a planning agreement entered into under S106 of the Town and Country Planning Act 1990 by a person with an interest in the land and the local planning authority. These are legally binding and enforceable and commonly referred to as 'section 106'. In this case the S106 receipts were linked to a housing development and the Council had incorrectly assumed the obligations had been discharged.

12. *Forecast 2023/24 Overspend*

    The £7.6m is the forecast outturn overspend is as at the last published monitoring report (quarter 2). Note the Q3 is showing a reduced overspend of £3.3m, so this figure will be updated.

13. *Current Year HRA recharge* – see note above item 1

14. *2024/25 Budget Shortfall*

    The September MTFS report had a residual gap after the £8.5m savings of £11m. That gap is now £12m, after savings and taking into account a proposed 10% increase in council tax so the number will be updated. Of the gap, a net £5m is now for additional capital interest costs, including the costs of the capitalisation directive.

15. *Provision for a general fund reserve* – an allowance has been made for a general fund reserve to cover in year risks of £5m.

16. *Reserve for clawback risks* – as part of the detailed budget work the following risks have been identified:

- Potential challenge on use of a S106 receipt - c£1m
- grant clawback risk and potential abortive costs (£6m)

17. *Asset Management Plan (AMP)* - The S114 notice included £45m was likely to be required to maintain the Council's property portfolio. This was an estimate based on an asset valuation formula which sets out the proportion of asset values that should be spent on repairs. The asset management programme itself is usually derived from the detailed work carried out on condition surveys. The Council does not hold this information. This has not been required in 2023/24. However, it is likely that some expenditure will be required in the future so a provision of £20m has been allowed for. How this is treated in the CD (as it could be capital) still needs to be agreed.

As asset Rationalisation work progresses it is likely expenditure will be ready on both making assets fit for sale and on the costs of sale (fees etc).

January 2024

# APPENDIX 3

## GROSS EXPENDITURE AND GROSS INCOME ANALYISIS

| | Restated 2023-24 £m | Restated 2024-25 £m | Budget Change £m |
|---|---|---|---|
| **Gross Expenditure** | | | |
| Employee Costs | 20.9 | 17.3 | -3.6 |
| Benefits payments | 20.7 | 20.9 | 0.2 |
| Other Non-Employee Costs | 21.4 | 23.0 | 1.6 |
| **Gross Service Spend** | **63.0** | **61.2** | **-1.8** |
| Management of Change | 0.3 | 0.0 | -0.3 |
| Risk Contingency | 0.3 | 0.0 | -0.3 |
| Pay Provision | 0.0 | 0.1 | 0.1 |
| Mid-point Vacancies | 0.0 | -0.1 | -0.1 |
| HRA Recharge Adjustment | 0.0 | 0.4 | 0.4 |
| PFI Unitary Charge Equalisation | 0.2 | 0.2 | 0.0 |
| Investment Programme items funded from revenue | 0.1 | 0.0 | -0.1 |
| Minimum Revenue Provision | 363.9 | 105.4 | -258.5 |
| Interest payable | 54.5 | 64.0 | 9.5 |
| Reserves Reinstated | 0.0 | 12.0 | 12.0 |
| Asset repair and maintenance provision | 0.0 | 20.0 | 20.0 |
| Prior Years Capitalisation Directive | 184.8 | 0.0 | -184.8 |
| **Total Gross Expenditure** | **667.1** | **263.2** | **-403.9** |
| | | | |
| **Gross Income** | | | |
| Fees and Charges | -12.1 | -12.3 | -0.2 |
| Commercial Rents | -20.0 | -13.5 | 6.5 |
| Service Specific Grants | -21.1 | -22.7 | -1.6 |
| Other Income | -5.0 | -5.1 | -0.1 |
| Interest Receivable | -1.3 | -1.4 | -0.1 |
| Business Rates | -2.2 | -4.3 | -2.1 |
| Business Rates Surrey Pool | -1.1 | -0.3 | 0.8 |
| Business Rates (Surplus)/Deficit | 0.0 | -0.7 | -0.7 |
| Council Tax | -11.2 | -12.2 | -1.0 |
| Council Tax (Surplus)/Deficit | -0.2 | -0.1 | 0.1 |
| Revenue Support Grant | -0.1 | -0.1 | 0.0 |
| New Homes Bonus Grant | -1.2 | 0.0 | 1.2 |
| Services Grant | -0.1 | 0.0 | 0.1 |
| Minimum Funding Guarantee Grant | 0.0 | -1.6 | -1.6 |
| **Total Gross Income** | **-75.6** | **-74.3** | **1.3** |
| | | | |
| **(Surplus)/Deficit** | **591.5** | **188.9** | **-402.6** |

# APPENDIX 4

## DISCRETIONARY BUSINESS RATES POLICY

### 1.1 Legislation

The Council has statutory powers for the granting of mandatory and discretionary rate relief under the Local Government Finance Act 1988, and the Localism Act 2011. The list of regulations is not exhaustive and regulations may be amended. This policy is subject to the most up to date legislation as enacted by the UK Parliament.

The Localism Act 2011 permits the granting of discretionary relief to any premises where the Council believes that the granting of such relief would be of benefit to the local community. The provisions are designed to give the Council flexibility in granting discretionary Business Rates relief where it would be of benefit generally to the area and be reasonable given the financial effect to Council Taxpayers.

Business Rate payers will need to ensure compliance with the UK's subsidy control regime established by the Subsidy Control Act 2022 and will not be able to receive any more than the de minimis levels which are set by the legislation.

This policy sets out the Council's position as to how it will deal with discretionary Business Rates relief under the Localism Act 2011. These regulations may not be exhaustive.

### 1.2 Overarching principles for all types of discretionary rates relief

1. The principle consideration is that any relief is in the best long-term interests of the Council Tax payers of Woking Borough Council as a whole because the Borough Council, Surrey County Council and central Government bear the cost of any relief granted.
2. The use of the property must contribute to one or more of the Council's key strategies as contained in the Council's current Corporate Plan, which may be updated from time to time.
3. Additional principles may apply to specific types of discretionary rate relief.
4. Each application will be considered on its own merits.

### 2 Discretionary rates relief (for charities, community amateur sports clubs (CASCs) and not for profit organisations)

### 2.1 Additional principles

1. The policy applies to registered charities and CASCs. Any Organisations which are set up for charitable or amateur sports purposes, but not officially registered as such, must explain why they are not registered as charities or CASCs. Discretionary rate relief to any unregistered organisation will only be offered in extenuating circumstances, if there is an evidence based, proven business case.

### 2.2 Definitions

Charity – an institution or other organisation established for charitable purposes only, or any persons administering a trust established for charitable purposes only.

Organisations established or conducted as not for profit, whose main objectives are charitable, philanthropic, religious or concerned with education, social welfare, science, literature or the fine arts, will also be considered. Relief will only be awarded in exceptional circumstances.

Community amateur sports club (CASCS), which are not for profit.

**2.3 Criteria**

| Properties considered for discretionary rate relief | Relief type | Amount of relief |
|---|---|---|
| 1) Occupied property that is wholly or mainly used for charitable purposes which is:<br>a) occupied by a charity, or<br>b) a charity shop selling mainly donated goods, or<br>c) certain not for profit organisations, as defined in 2.2, or<br>d) occupied by a registered community amateur sports club (CASC) | a) Mandatory<br>b) Discretionary | 80%<br>Up to a further 20% |

**2.4 Applications and decisions**

1. Applications should be made promptly, but as long as applications are made in good time to allow a decision to be made before the end of September in the current year, they will be applied from the beginning of the previous financial year if appropriate.
2. Applications will be considered after receipt of a completed application form. Supporting information should be attached when requested.
3. There must be a good reason why a not-for-profit organisation is not registered, or considered, as a charity or CASC.
4. Applications will be considered by a panel chaired by the Council's 151 Officer and consisting of a Finance Manager, Revenues Manager, Revenues Team Leader or Recovery Team leader. The panel will meet annually and more frequently when required.
5. Notification about the outcome of the decision will be provided in writing, or via email, within 14 days of the decision being made.
6. Business Rates remain due and payable while a decision is pending.

**2.5 Award period**

1. Applications for less than 20% but more than £5,000 discretionary relief must apply annually.  Continuation of relief will be subject to reapplication or review.
2. Applications for less than 20% and less than £5,000 discretionary relief will be required to apply every three years. Continuation of relief will be subject to reapplication or review.

**2.6 Allocation of the relief**

If an account is in credit after the award, it will be transferred to debts on other bills or accounts. Any remaining credit will be offered as a refund, at the Council's discretion.

**3 Hardship relief**

The Local Government Finance Act 1988 permits discretionary relief to be awarded on the basis of hardship, with consideration to the interest of local Council Tax payers.

ENDS

**APPENDIX 5**

# HARDSHIP SCHEME

## Introduction

1. Woking Borough Council (WBC) has been asked by Government to consider a Council Tax increase of 10%. The Minister for Local Government has also asked WBC to mitigate the impact of any potential Council tax increase on those on those least able to pay. This paper put forwards the proposed approach to mitigating the impact of the proposed Council tax increase, considering how Woking differs from other Councils in intervention and with high tax increases. The proposal suggests that the Council puts in a place a holistic resource to deal with debt issues, not just a Council tax scheme.

## Impact of this Change on Household Bills

2. Woking is a lower tier Council, whereas other Councils in intervention with high Council tax proposals are unitary, so the impact of a 10% increase will be relatively small on individual household bills, in comparison to other areas. For example:

- Woking Borough Council's precept currently accounts for 12% of the overall Council Tax charge. Surrey Police and Crime Commissioner accounts for 13% and Surrey County Council 75%.

- Woking Brough Council's precept for a band D property is £263.12. A 10% increase would represent a yearly increase of £26, equivalent to 50p per week, for households paying the full band D charge.

3. However, although the impact of the Council tax rise on household bills is relatively small in comparison to other areas, the Council recognises that the increase will be implemented at the same time as a number of other changes to its services, which may have an impact on those from lower socio-economic backgrounds. Therefore, the Council is allocating 10% of the additional proceeds from the proposed Council tax rise to support those struggling with additional costs. This means that there is a total of £100,000 allocated to the Council's Hardship Fund.

## Current Council Tax Hardship Arrangements in Woking

4. A discretionary Hardship Relief Scheme already exists, which can reduce the amount of Council Tax that has to be paid by certain households, that have exhausted all other options. Payments can cover up to 100% of the bill, capped to a maximum equivalent of a band D charge.

5. Woking Borough Council also has a Council Tax Support scheme that covers up to 100% of the Council Tax bill, for some households on low incomes. The scheme is means tested, with payments restricted to a maximum value of a band D charge for working age residents, who must be eligible to at least £5 per week. Other than being means tested, restrictions do not apply to pensioners.

6. Since 2019, the current Hardship Relief Scheme has awarded less that £5,000. The current scheme is quite restrictive, and the following amendments have been suggested by the Revenue and Benefits Manager, to extend access to the Scheme:

- Expand 1.4: Has applied for other help and must be in receipt of Council Tax Support
- Remove the restriction in 2(iv): that applicants do not own their own property

- Remove the restriction in 2(vi): payments are capped to band D equivalent

7. It is suggested that the Council sets a budget of £25,000 for the Hardship Relief Scheme, to ensure payments are not excessive and are affordable. However, a significant expansion of the hardship scheme would not be well targeted to the issue of Woking's Council tax – as stated above the increase is relatively small on the overall bill and any hardship scheme would remit taxes that largely cover Surrey County Council's element of the bill. In addition, there would be additional overhead costs for a small revenues team in administering a discretionary scheme. Therefore, a small expansion of the scheme is proposed but as part of a wider approach to debt

**Development of a Wider Debt Proposal**

8. Alongside the proposal listed above, the Council is proposing two other uses of the Hardship Fund which are intended to provide a more holistic and person-centred approach to dealing with debt issues rather than simply increasing the Council Tax Hardship Relief Scheme.

**Resourcing of Hardship Support Coordination**

9. Firstly, the Council is proposing resourcing Citizen's Advice Woking (CAW) to provide a Hardship Support Coordination package. The full details of the package are still being scoped, but high-level objectives are likely to include:
    - Supporting volunteers from CAW to continue to provide advice services (related to debt, money management, employment etc) within their new business model.
    - Working with partners and community groups to identify and map the range of hardship support services available across Woking, in order to produce a comprehensive directory.
    - Delivering an "Advice First Aid" approach to upskill volunteers within faith and community groups to expand knowledge locally of the range of services that customers can be signposted to.
    - Actively signposting clients to a range of providers of hardship support.
    - Facilitating a network of hardship support providers across Woking, bringing together the variety of voluntary, community and faith organisations, and ensuring that information is shared and voluntary capacity maximised.
    - Monitor the impacts of the increased Council tax and gaps in service provision, building community capacity where required.

10. CAW will identify a lead contact to oversee the delivery, but the package will be delivered by multiple staff and volunteers. It is anticipated that the outcomes of this package will be two-fold – supporting residents immediately with advice services whilst also strengthening the wider support offer in Woking so that it is sustainable and can continue to assist residents in future years.

**Extension of the Household Support Fund**

11. For the past two years, Government has provided funding to Local Authorities known as the 'Household Support Fund'. Funding is aimed at anyone who is vulnerable or cannot pay for essentials. Indications suggest that Government will no longer provide this funding in 2024/2025, therefore it is proposed that the Council uses the remaining 25k of the Hardship Fund to continue to provide an equivalent offer to the Household Support Fund. This would enable fuel and food to be provided to residents in crisis, following the same criteria as the Household Support Fund. The Fund will be administered by the Living Well Business Support Team.
12. To summarise, the Council is committed to support residents who may have difficulty paying their Council tax. This proposal sets out a holistic approach to support vulnerable

residents who may struggle with paying increased bills. The Council will monitor the effectiveness of these interventions on a quarterly basis.

ENDS

**APPENDIX 6**

**COUNCIL TAX HARDSHIP RELIEF**

s13A, Local Government Finance Act 1992 as amended by Local Government Act 2003, section 76.

## 1.0 Introduction

1.1 Section 76 of the Local Government Act 2003 gives a billing authority discretion to remit the payment of Council Tax where it is satisfied that the taxpayer would sustain hardship if it did not do so, and it is unreasonable to do so having regard to the interests of its Council Tax payers.

1.2 The granting of hardship relief (HR) is wholly discretionary; the only requirement being that the Council must consider every case on its merits. Guidance to officers exercising this discretion is that reduction or remission of Council Tax on grounds of hardship should be the exception rather than the rule.

1.3 It also agreed the criteria to be used in assessing relief and the appeals procedure for applicants whose request for HR is refused and wish to appeal against the refusal to have the matter referred to committee for review.

1.4 Other ways of reducing or remitting the Council Tax must be considered. Relief is not to be granted where the amount is outstanding as a result of wilful refusal or culpable neglect on the part of the taxpayer.

1.5 Relief is not to be granted in order to prevent recovery action being instigated by the Council or to stop bankruptcy or committal proceedings commenced by the Council or any other body.

1.6 The policy adopted is restrictive, it specifies the maximum amount of relief that can be given to any taxpayer, and takes into account the fact that cash limited budget exists to fund the relief.

## 2. WHAT IS HARDSHIP

The legislation does not give a firm definition of hardship however the following is to be adopted.

i) the taxpayer is able to satisfy the billing authority that they are not able to meet their full Council Tax liability or part of their liability.

ii) the taxpayer is able to demonstrate that all reasonable steps have been taken to meet their full Council Tax liability including applications for alternative lines of credit and benefit

iii) the taxpayer can prove that the current circumstances are unlikely to improve in the following 12 months making payment of the Council Tax impossible.

iv) the taxpayer is not in employment and has no other funding except for that available through public funds.

v) enforced payment of their full Council Tax liability would result in severe hardship as defined by insufficient money being available for basic needs such as food or medical prescriptions.

vi) HR will be capped to a maximum award to any one individual equivalent to the equivalent band D charge for the financial year in which the application was received. However remitting the whole Band D charge, which would be considered a significant sum, needs to be in extreme cases only.

vii) HR will be granted only on the basis that money is available in the relevant Hardship fund for the financial year in which an application is received.

## GUIDANCE FOR OFFICERS

### PURPOSE & CRITERIA OF POLICY

This policy has been agreed by the Council to ensure all taxpayers making applications for this relief are treated in a fair, consistent and equal manner.

### PROCESS

Claimants liable for Council Tax in Woking should make an application in writing or online and include a copy of:

- Their income and expenditure
- Evidence to support their claim.

### THE PURPOSE OF SCHEME

The scheme's aim is to award hardship relief towards Council Tax payable by the claimant who is suffering financial hardship.

The award may be all of the Council Tax outstanding, if this is less than the relevant band D charge for the year in which the application was received, or a percentage of the total Council Tax outstanding, but relief must not exceed the stated band D equivalent figure for the year in question.

### AWARD ARRANGEMENTS

The Revenues/Benefit Managers will review the application, in accordance with the policy.

### CAPS FOR RELIEF

Two caps will operate for hardship relief. The first cap is linked to the relevant budget allocation for HR in any one year and total awards will not exceed this allocation. The second cap is in respect of individual awards. In this respect, this will be the equivalent of the band D charge for the year in which the application was received.

### REVIEW PROCESS

Review requests to be made by the original applicant. An appellant may appoint an agent act on their behalf and in such cases the Council will require written authorisation from the appellant before dealing with their agent.

Decision reviews will be considered by a Senior Revenues or Benefits Officer within the appropriate Section. This officer must not be the officer who made the original decision. Decisions on reviews will be final.

Applicants must make a request for review within four weeks of the letter or email notifying them of the original decision. These must be made in writing or via an online form and must give the reasons why it is believed the decision should be amended. New or additional information may be included, but only if it is relevant to the decision making process.

Each application will be considered individually on its merit.

The Council's internal review process will not affect any statutory process that the applicant maybe entitled to pursue.

**NOTIFICATION OF AWARDS**

The Council will consider applications within six weeks of the application and all supporting information being received or as soon as practicable thereafter.

Notification of the outcome of the decision will be made in writing or via email within fourteen days of the decision being made.

**ACTION TO RECOVER UNPAID COUNCIL TAX WHILST A DECISION IS PENDING**

Receipt of an application for relief will not negate in any way the taxpayer's obligation to pay the Council Tax as demanded.

ENDS

## APPENDIX 7

### Flexible use of capital receipts (Improvement and Recovery Plan)

To address the £8m budget gap and future years savings, a transformation programme (Fit for the Future Programme, part of the Improvement and Recovery Plan) has been developed. This programme will address the gap in the Council's delivery capacity. A summary of projects that form the Transformation programme, and therefore eligible for capital receipts funding (In agreement with Government) is summarised below, with a description of the project, project objectives, and potential planned use of receipts. This list is not definitive and further potentially eligible projects could be identified during the course of the year – if this is the case, further revisions will be made to the Strategy as part of reporting the progress in the Improvement and Recovery Plan.

| Summary | 2023/24 | 2024/25 | 2025/26 |
|---|---|---|---|
| Commercial expertise to review companies governance and performance and provide commercial capability to ensure vfm, security and confidence in decision making. Improve procurement and contract performance and practice to deliver additional savings, control cost and ensure vfm; | £445,994 | £300,000 | |
| Development and delivery of Strategic asset management strategy and plan to ensure the councils estate is fit for purpose, efficient and performing well. Development and delivery of the debt reduction plan. | £93,409 | £169,000 | £46,591 |
| Channel shift - improving service delivery and web offer, freeing up vital resources to assist those who cannot use digital channels or have complex enquiries. Will lead to further efficiencies | £101,850 | £205,000 | |
| Vision for organisation, service restructure and implementation of staffing change delivering £2.4m savings in staff budget (including exit costs) | 402,612 | £750,000 | |
| Savings (£8.4m) implementation and service redesign and transformation | £36,500 | £253,000 | £36,500 |
| | | | |
| Transformation team (temporary) to manage and monitor the change | £186,055 | £135,000 | £27,000 |
| Contingency | | £311,490 | |
| **TOTALS** | **£1,266,420** | **£2,123,490** | **£110,091** |

# APPENDIX 8

## Section s25 Statement and Risk Assessment

The first part of this Section 25 Report will set out the assessment made by Commissioners and the Chief Financial (s151) Officer concluding that the Council can set a legal budget for 2024/25. The Council submitted a request for Exceptional Financial Support (EFS) to Government on 12 January 2024, on the basis set out earlier in this report and reflected below. The formal response to this request is not expected from the Minister until Friday 1 March, the week after this paper is dispatched for the 4 March meeting. If necessary, there will be an addendum report to the meeting on 4 March from the s151 Officer and Finance Commissioner.

The second part of the statement focuses on the more fiduciary and statutory considerations, explained below, that the Commissioners and s151 Officer must make in determining that the budget being set is reasonable and prudent.

Fiduciary and Statutory Considerations

In making decisions in relation to the revenue budget and council tax the Council has various legal and fiduciary duties, summarised below.

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

- the robustness of the estimates made for the purposes of the calculations; and
- the adequacy of the proposed financial reserves.

The Council has a statutory duty to have regard to the CFO's report when making decisions about the calculations.

Section 28 of the Local Government Act 2003 also imposes a statutory duty on the Council to monitor during the financial year its expenditure and income against the budget calculations. If the monitoring establishes that the budgetary situation has deteriorated, the Council must take such action as it considers necessary to deal with the situation. This might include, for instance, action to reduce spending in the rest of the year, or to increase income, or to finance the shortfall from reserves.

Under Section 114 of the Local Government Finance Act 1988, where it appears to the CFO that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure, the CFO has a duty to make a report to the Council.
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 and savings in the budget report to Council of 8 February.

Part One – Assessment of whether a legal budget can be set

The financial position the Council is in is extremely challenging. The s114 notice issued in May 2023 at the start of intervention set out a number of issues including:

- The understatement of Minimum Revenue Provision (MRP) for debt repayment
- Loans funded by borrowing paid to its companies for revenue purposes which would need to be written off to revenue
- A requirement to significantly impair other loans made to companies
- An understated repairs and maintenance budget
- An in year and ongoing budget shortfall

Subsequent work has identified the depth of the issues. The Council's spending power is £19m in 2024/25 but:

- The level of outstanding debt is £2.1bn as at 31 March 2024 and the value of the associated assets is materially less.
- MRP provision has not historically been made on the debt related to the commercial activities of its companies on the assumption that the debt would be repaid.
- As set out earlier in the report in detail, the backdated MRP that needs to be addressed is £356m, with an MRP requirement in 2024/25 of £80m related to historic debt, £1.95m for new capital expenditure approved in 2024/25 and £8m of existing MRP provision in the budget: a total ongoing business as usual MRP provision of £91m.
- In addition, the MRP costs for the Capitalisation Directive are £15m from 2024/25, making a total MRP requirement of £105m, £97m (i.e. all but the existing £8m provision) of which is to be deferred is part of the Government support package.
- The associated interest costs are £64m in 2024/25.

The consolidated budget position when all of the above are considered, is as per the table below is set out in the General Fund Budget report.

The circumstances facing the Council are unprecedented. The solutions that will be required are complex and are likely to require regulatory changes. The formal intervention has been in place for less than 12 months and has not reached the position to determine the way forward at this stage that provides a sustainable long-term solution.

A request for Exceptional Finance Support has been submitted to Government and this will need to be finalised by Government prior to the 4 March to enable the Council to set a budget for 2024/25. It is important to note that for the reasons outlined above this is an interim finance support arrangement, pending further discussions with Government to reach a way forward that addresses the issues outlined above.

The request for the exceptional financial support is in two parts:

1. A Capitalisation Direction
2. As Minimum Revenue Provision (MRP) cannot be capitalised, using the principles set out in the draft MRP guidance that a local authority can take into account government support to defer the payment of MRP on both the historic MRP that needs to be made good and the new MRP that becomes payable in 2024/25.

The total EFS package is £785million, broken down as set out below, with more detail is provided within this report.

| | 2023/24 and Historic Pressures £'000 | 2024/25 £'000 |
|---|---|---|
| Capitalisation Directive | 235.1 | 95.6 |
| MRP | 356.4 | 97.3 |
| **Total** | **591.5** | **192.9** |

The capitalisation directive will serve the following purposes:

- Regularises historic issues prior to 2024/25. These include the £155m debt made for revenue purposes and the revenue deficits incurred and addressing historic deficits which have been met from the Council's overall cashflow position. No new debt will be required to address the historic issues.

- Provides access to funding in 2024/25 to cover suspended company interest, the cost of the capital financing budget associated with the high levels of debt, addressing the revenue budget deficit and allowing provision to restate a General Fund Reserve, earmarked reserves to cover specific financial risks associated with grant clawback risks and provision for asset management costs which have not previously been provided for. Borrowing may have to be undertaken for the 2024/25 element of the capitalisation.

There will be restrictions on future borrowing, including the fact the Council can only borrow from the Public Works Loan Board (PWLB), along with regular reporting to Government and ensuring approval before borrowing is accessed. These measures provide assurance that borrowing will not be undertaken for anything other than essential purposes.

Borrowing for the Capitalisation Directive could be up to the £95.6m provision for 2024/25. MRP provision will be required, and the borrowing costs are at the PWLB certainty rate plus a 1% premium. The estimated MRP provision required during 2024/25 to cover the Capitalisation Directive is £14.86m and the costs of the borrowing (these are all included in the proposed budget for 2024/5). The Council has requested that the 1% premium on debt is not levied and a response this is expected from Government on the Minister's letter of 1 March. This will be too late to be included in the budget, so any benefit will be picked up in budget monitoring and would give increased resilience to the capital financing budget next year.

The purpose of a capitalisation directive acts as a bridging mechanism while the Council delivers budget savings and disposes of assets to reduce its debt to sustainable levels. The Council has a significant 'overhanging debt' which is not met by asset values and the Council will not be able to reach a position where the costs of the Capitalisation Directive can be met, and it is sustainable.

Minimum Revenue Provision (MRP)

The understated MRP required had paragraph 46 of the draft guidance not been applied equates to £80m in 2024/25 and £60m in 2024/25, in addition to the existing £8m MRP in the budget. In addition the MRP cost of the CD would be £15m in 2024/25 and £19m in 2025/26.

DLUHC published a consultation on changes to the Capital Finance Regulations and Statutory Guidance in respect of MRP in December 2023. This follows two earlier consultations in November 2021 and February 2022. The aim of the changes proposed is to strengthen the requirement for local authorities to make a prudent MRP provision, in response to two issues which have led to underpayment of MRP at a number of authorities, including Woking. The guidance does give provision to exclude a proportion of debt from the MRP determination in two areas:

- firstly, debt associated with investment properties or investments defined as capital expenditure, on the basis that such assets retain their capital value and that the asset can be sold at any time in the future to repay the associated debt. The Government have stated that this is not prudent. The proposals will amend the 2003 Capital Finance Regulations to make clear that MRP is required on such expenditure;

- secondly, debt associated with making loan advances to third parties for a capital purpose. The argument put forward by authorities exempting such debt from MRP calculations is that the repayments of principal would be used to repay debt. This was an argument used by the Council in previous years' MRP Statements, but never actually was applied in practice. The proposed changes will require local authorities to continue to set aside MRP on "commercial loans" (defined as a loan undertaken for profit) but allows local authorities an exemption from charging MRP for non-commercial loans. However, it will require local authorities to set aside as MRP an amount for any expected credit loss calculated under IFRS9. In other words, for non-commercial loans as soon as there is evidence that the debtor might be unable to repay all or some of the loan, the authority would be required to set aside the full amount of the estimated loss.

In addition, paragraph 46 of the draft MRP Guidance states that for local authorities where the Government has decided to intervene and has, or is in the process of, putting in place financial support arrangement for the authority, that it may be appropriate to reflect the nature of any such financial support when determining a prudent level of MRP for the forthcoming financial year. The draft Guidance goes onto state that the authority must seek agreement from the Government on how any such assumptions with respect to support are reflected in the determination of MRP. The draft Guidance goes onto explain that paragraph 46 is not a new policy but clarifies an issue that previous editions of the Guidance was silent on. As such, the Government expects this to apply to prior periods (or MRP from prior periods).

The above changes have been reflected in this report. Hence, earlier in this report the full deficit allowing for the changes to properly account for MRP has been shown (both the backdated £356m adjustment and the additional £97m for 2024/25). This ensures that the draft policy provisions set out above relate to all MRP provision that should be in place for the commercial debt where MRP has not been previously applied. It has been assumed that the existing budgeted £8m of MRP will continue to be paid.

Part One – Conclusion

**In determining whether it is reasonable to set a budget the following has been taken into account:**

- **The capitalisation directive regularises/addresses the historic issues of loans for revenue purposes and budget deficits prior to 2024/25.**

- **The capitalisation directive provides access to funds for the local authority to be a going concern in 2024/25.**

- **Following assurances from government, reliance is placed on the draft MRP guidance that because the Council is in exceptional circumstances and in discussion with government about a longer-term support package, it is reasonable to defer making MRP provision at this stage. It is recognised that this is not viable in the longer term.**

- **In any event, the MRP guidance is guidance and it is the Council's interpretation of current guidance that judgement has to be used and the judgement is that the above is a reasonable approach in the light of the ongoing discussions with government.**

**The situation facing the Council and the scale of the financial challenges faced are unprecedented. Discussions with Government are ongoing and there is a commitment to reach a more sustainable solution that will provide assurance that a legal budget can be set for 2025/26 within the statutory timescales.**

**The Council accepts that is must do everything within its power to reduce its debt in line with the EFS conditions and achieving best consideration.**

**The conditions of the EFS and assurances to work with the Council to find a more sustainable solution that support this conclusion are summarised below and appended in full.**

Part Two – Assessment on whether the budget is reasonable and prudent

The second part of this s25 statement focuses on the more fiduciary and statutory considerations that the Commissioners and s151 Officer must make in determining the budget being set is reasonable and prudent.

In setting the budget the Council has a duty to ensure:
- It continues to meet its statutory duties
- Governance processes are robust and support effective decision making
- Its Medium-Term Financial Strategy reflects the significant challenges being faced and remains responsive to the uncertainties in the economy by continuing to deliver against its savings targets
- Its savings plans are clearly communicated and linked to specific policy decisions, with the impact on service provision clearly articulated
- It understands profile of existing and forecast liabilities and makes sufficient provision for repayment
- It has the appropriate levels of reserves and that it closely monitors its liquidity to underpin its financial resilience
- It continues to provide support to members and officers responsible for managing budgets
- It prepares its annual statement of accounts in an accurate and timely manner

Following the issuing of the Section 114 notice in June 2023, immediate steps were taken to control expenditure and the Council's Improvement and Recovery Plan (IRP), was subsequently approved by Council in August 2023. The workstreams of the IRP follow from the recommendations of the original review and intervention notice as well as resolving the related issues in the S114 notice. The key workstreams are to:

- Reduce service expenditure to 'live within the Council's means' and ensure robust financial management is in place.
- Asset rationalisation to reduce the levels of outstanding debt.
- A safe withdrawal and exit from commercial ventures.

*Robustness of the Estimates*

The Council has a duty to act reasonably considering all relevant considerations and not considering anything which is irrelevant. This Report together with the other budget related reports on the agenda set out a total picture of the proposals from which members can consider the risks and the arrangements for mitigation set out below.

Given the extremely challenging circumstances facing the Council, a robust and evidenced assessment of financial governance and future resilience critical. The Chief Financial (s151) Officer has examined the major assumptions used within the budget calculations.

The key risks identified to the delivery of a balanced budget and their mitigation are set out in the table below.

| Risk | Mitigation |
|---|---|
| General Fund Revenue Budget | |
| Non-Delivery of Savings | The savings included in the MTFS are supported by business cases and have been widely consulted on.<br>Robust monitoring arrangements for the actions are required to deliver the savings, and to ensure the expected reductions in spend are being achieved. This will enable early corrective action to be taken if savings are not deliverable as planned. |
| Volatility of resource base including business rates and council tax | In addition to the normal volatility Issues, potential accounting errors have been identified with how business rates and council tax are accounted for within the Collection Fund. Whilst the position for setting the budget is believed to be robust a full review will be carried out during 2024/25. |
| Further issues emerge as work continues to improve the quality of financial information. | The Council is still 'in discovery' with regards to its financial systems and the management reporting from them. Further improvements to regular budget monitoring and making management information more meaningful to budget managers and Members are part of the Finance IRP workstream for next financial year |
| Delivery of a balanced budget beyond 2024/25 | As well as the ongoing discussions with Government referenced in the first half of this s25 statement, longer term scenario planning will be carried out to ensure that the financial position beyond 2024/25 is well understand. Further work will be carried out to identify new savings measures to support balancing the budget and addressing future pressures and a full 3-5 year MTFS will be developed. |
| Overspends on the Capital Programme or on significant capital projects | The Capital Strategy developed supports essential expenditure only – either within the HRA, the council's asset stock and the final works being carried out in VSWL and Thameswey Group of Companies. All projects will be being tightly monitored to ensure that overspends are not incurred. Any small amounts of spend for transformation to deliver future savings are subject to a robust business case and monitoring arrangements.<br>The governance arrangements around commercial and capital decision making have been strengthened considerably. In previous years the Council did not have robust and regular |

| | |
|---|---|
| | reporting of its capital programme and this will be put in place next year alongside improved revenue budget monitoring The capital programme will be monitored monthly, with quarterly reports to Executive. There are already programme and risk management arrangements in place for individual projects, and this will be aggregated to support the management of risks across the programme, such as inflation risks. |
| Housing Revenue Account or HRA | |
| Expenditure is incorrectly charged to the HRA | Action is being taken to correct expenditure which has previously been incorrectly charged to the HRA (central recharges and a Thameswey fuel cell in Woking Park). This work is ongoing and should it be identified that material levels of expenditure have been mischarged to the HRA prior to the last set out audited accounts in 2028/19 a direction will be sought from Government to correct the position. |
| The capital programme overspends or is inadequate to meet regulatory requirements | The Council is under direction from the Regulator to ensure that statutory requirements relating to achieving Decent Homes Standards and statutory maintenance requirements with regards to fire risk assessments, damp and mould and adequate and timely repairs are being achieved. Estimated budgetary provision has been made for the works required and this will continue to be developed as more information becomes available. |
| Payment of balances outstanding from Thameswey Housing is not forthcoming | The planned payments are within the Thameswey Group of Companies business plan and should be forthcoming.<br><br>A full review of the HRA and the preparation of the 30 year business plan are underway. A report with the updated Budget along with the Business Plan is due in the first quarter of 2024/25. |
| Capital Financing Costs and Debt Reduction | |
| Capital financing costs increase beyond that budgeted for | The budget provides for full suspension of the repayment of debt from VSWL and Thameswey. Work on the cashflows is being completed to inform the interest repayment measures that will be agreed for 2024/25.<br>The cashflow and borrowing forecast provides for the capital strategy elsewhere on the agenda. Capital expenditure is tightly controlled, and further expenditure will only be approved in exceptional circumstances.<br>The cashflow allows for the refinancing required during 2024/25 and associated increase in interest costs.<br>It is assumed that MRP payments are suspended during 2024/25 (apart from those already budgeted for) in line with the first part of this report.<br>The capital financing budget will be monitored each month and reported to Executive on a quarterly basis. |
| Interest rates rise increasing financing costs | This is deemed unlikely given the economic forecasts. The capital financing budget is based on current rates but and if PWLB rates increase it will put pressure on the budget position. However, there is some flexibility as the budget allows for full suspension of debt repayment from the companies. |
| | |

The Council has a corporate risk register that is reported to CLT on a quarterly basis as part of a wider corporate assurance framework.

It is the opinion of the Commissioners and CFO that any significant budget risks to the General Fund should have been identified and that suitable proposals are being put in place to mitigate against these risks where possible. The Council's budget monitoring procedures are improving and are designed to monitor high level risks and the delivery of financial savings. It is acknowledged that there is still further work to do in ensuring all the financial issues are discovered and resolved and any new issues identified will be reported as part of the IRP arrangements and it will be ensured that corrective action is identified.

It is the opinion of the Commissioners and CFO that considerable progress is being made on developing a sustainable HRA. Again, considerable work has been carried out to improve the quality of the financial information and monitoring arrangements.

The statutory requirement to have a 30-year sustainable business plan is not in place and this work is being carried out as part of the Housing workstream of the IRP.

Due to the levels of uncertainty around the HRA position a revised HRA budget and the 30-year business plan will be brought back to Executive and Council during 2024/25.

<u>Debt Reduction and Capital Financing Costs</u>

It is a condition of the Exceptional Financial Support that the Council does everything possible to reduce its levels of debt, in line with the EFS conditions and with the need to achieve best consideration.

The Asset Rationalisation and Debt Reduction Plans are due to be completed in the first quarter of 2024/25 and reported to Executive and Council. This is in line with government expectations and close working with officials will ensure there is a shared understanding of both what the plans need to cover and what is deliverable. The imperative to reduce debt levels, but to do so in such a way that maximises receipts whilst protecting the public purse and achieve best consideration, is well understood.

Good progress is being made on the development of the plan. The work is being closely monitored by the Improvement and Recovery Board. The first major asset sale has been achieved during 2023/24 and a pipeline for future receipts has been identified and is being delivered.

*Adequacy of the proposed Financial Reserves*

At the point the s114 was issued it was identified the historic issues including the lack of prudent MRP provision, capital loans made for revenue purposes and historic deficits meant the Council technically had no remaining reserves. Subsequent work has ensured:

- That statutory commitments including s106 and CIL payments are included in the cashflow so funding is available to meet commitments.
- Potential liabilities that would require an earmarked reserve – for example potential grant clawbacks, are understood.
- Historic reserves that were held have been reviewed to ensure clarity on where these have been held to meet specific commitments – such as the HS2 funding commitment, which will still need to be met.

The Capitalisation Directive includes provision to:

- Establish a General Fund Reserve, which is the only non-ring-fenced reserve of £5m to meet costs arising from any unplanned event.

- Establish earmarked reserves for the know risks outlined above. A reserves statement is included in this report but further work will be required to develop a Reserves Policy.

The measures that have been put in place have been risk assessed by the CFO and are felt to be reasonable and prudent in the circumstances the Council is facing.
It is therefore considered that the assumptions on which the budget has been proposed, whilst challenging, are reasonable and can be sustained within the overall level of resources available. However, to the degree that the budget savings are not achieved in a timely manner or new issues are identified, further savings will need to be identified and implemented in order to ensure the Council's future financial stability is maintained.

*Leadership and Governance*

The Council's governance arrangements are set out in the Annual Governance Statement were reported to Audit Committee in November 2023. This report recognised that the AGS process needed to be improved and strengthened in future years, so the Governance workstream of the Improvement and Recovery Plan now includes this requirement for the 2024/25 process. Arrangements for revenue and capital budget planning, monitoring and delivery are believed to be robust. The Council complies with the requirements set out in the CIPFA Statement on the role of the Chief Finance Officer. The s151 duties lie with the CFO who reports directly to the Chief Executive, is a full member of the Corporate Leadership Team and fully involved in the Council's governance and decision-making processes.

Considerable steps have been taken to improve the general financial governance and 'client side' role in overseeing commercial activities. The work is all under the remit of the IRP and includes:

- The establishment of a Commercial Board, supported by a new Commercial protocol, shareholder governance and decision-making processes.
- A monthly cashflow monitoring and borrowing approval process.
- New arrangements to oversee capital and asset management.
- Revised monthly performance and financial monitoring arrangements and reporting
- A review of the constitution and Financial Regulations
- A review of the operation of the Councils committee structures

*Assessment of value for money in the delivery of services*
The council is starting to develop arrangements to ensure value for money is achieved and to be able to demonstrate this. During 2023/24 a detailed assessment of all services to identify areas for efficiency, and discretionary services which should be ceased or transferred to other public sector bodies to deliver has been carried out. A set of principles has been developed for the MTFP which will ensure discretionary services are self-financing and help secure future VfM.

It is also important that VfM is achieved in statutory service provision. Initial benchmarking has been carried out to inform budget decisions. A programme of service transformation is also underway to support channel shift and improve how the Council interacts with residents and businesses.

Arrangements to demonstrate VfM will be further developed during 2024/25.

*Financial Management Code*

The Financial Management Code (FM Code) sets out the standards of financial management expected for local authorities. The Code builds on the CIPFA Prudential and Treasury Management Codes which require local authorities to demonstrate the long-term financial sustainability of their capital expenditure, associated borrowing and investments. The FM Code was launched in 2019 with the first full year of compliance from 2021/22.

Demonstrating this compliance with the FM Code is a collective responsibility of elected members, the CFO and their professional colleagues in the leadership team. It is for all the Corporate Leadership Team to work with elected members in ensuring compliance with the FM Code and so demonstrate the standard of financial management to be expected of a local authority.

The FM Code applies a principle-based approach. The principles are:

- Organisational leadership – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
- Accountability – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
- Financial management is undertaken with transparency at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.
- Adherence to professional standards is promoted by the leadership team and is evidenced.
- Sources of assurance are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.

Section Three of the code is particularly important as it covers the need for a long-term approach to the evaluation of financial sustainability, recognising that short-termism runs counter to both sound financial management and sound governance. The following paragraphs set out the Financial Management standards in this area and how they apply to the Council.

<u>*Standard F - The authority has carried out a credible and transparent financial resilience assessment and standard G - The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members*. –</u> A considerable amount of work has been carried out to understand the budget position and to inform the request for EFS. The Council is not currently in a financially sustainable position but is taking all the steps possible to identify a sustainable revenue budget, to rationalise assets and reduce its debt levels and to secure the best exit possible from its commercial ventures. Discussions continue with government on how a sustainable budget can be set from 2025/26 and beyond.

<u>*Standard H -The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities -*</u> as detailed in the Capital and Treasury Management Strategies the Council is now working within the requirements of the Prudential Code.

Historically the MRP policy has not been prudent and MRP has not been made on the loans made to companies and neither has an amount for MRP been set aside to cover an amount for any expected credit loss calculated under IFRS9. The amounts required to correct the position both historically and on an ongoing basis have been calculated and a revised MRP policy is included as part of the suite of budget reports.

The Council is not in a position to make provision for MRP in line with the above and is relying on the draft guidance issued which states that 'for local authorities where the Government has made arrangements to intervene and has, or is in the process of, put in place financial support arrangement for the authority, that it may be appropriate to reflect the nature of any such financial support when determining a prudent level of MRP for the forthcoming financial year.' Agreement is in place with Government that this approach should be taken, and this is also reflected in the MRP Policy. As outlined in the first part of this report it has been concluded it is reasonable for the Council to take this approach.

The Investment Statement and Capital Strategy include information based on the proposed revenue and capital budgets, such as authorised and operational boundaries for debt and the maturity structure of the Council's borrowing as required by the Codes.

*Standard I - The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.* It is recommended best practice that Local Authorities have a longer-term strategy for financial resilience and a multi-year financial plan.

The General Fund Budget and Council Tax setting report provides a budget for 2024/25. The underpinning work also sets out the likely position for 2025/26. Due to the exceptional circumstances the Council is facing it has not been possible to set out a longer term rolling MTFP. However, work is underway to ensure that the budget will be underpinned by a robust multi-year budget model. Discussions are also ongoing with Government on how the Council can achieve a more financially sustainable position. In addition, there is:

- A five-year Capital Strategy (and financing arrangements) focussed on essential spend only
- Work is progressing well on the development of a five year Asset Rationalisation Plan and Debt Reduction Strategy.
- Work has started to restate reserves including provision for known risks and an unringfenced General Fund Reserve which will inform the future Reserves Strategy.

The budget is underpinned by service plans to support the delivery of Woking for All and the MTFP and arrangements are being put in place for tracking the delivery of savings. Officers have satisfied themselves that the new savings and mitigations identified are deliverable and these will be monitored monthly and quarterly to Executive. The quarterly Integrated Performance Report aligns financial and operational performance.

Section Five requires that *'The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget'.* The priorities for the Borough are being reset due to the significant financial challenges faced and a new vision being developed which will inform Woking for All and the future MTFS. The budget savings put forward have been extensively consulted on with residents, businesses and partners as part of the two stage consultation outlined in the MTFS.

The second standard within this section is 'The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.' As outlined earlier, the Council is putting in place measures to understand VFM analysis which includes benchmarking of outcomes and the principles developed. In addition, the governance and decision making processes for investment and funding decisions for the Council's capital programme requires a clear and detailed business case for any proposed investment, which must explain the benefits of the project to the organisation, both financial and otherwise, alongside the funding requirement. This allows Commissioners and senior officers and members to make decisions on proposals based on value for money and other concerns, for example statutory requirements.

*Annual Statement of Accounts*

Further work is required within the Council and with the external Auditors to achieve completion of the 2022/23 Final Accounts and progress on the audit of accounts outstanding since 2019/20. Discussions with the incoming auditors are very positive and continue with all relevant parties on how the position can be resolved.

Overall Conclusion

It is the opinion of the Commissioners and CFO that the budget reports are based on prudent and reasonable assessments of the position.

The position against the Financial Management Code, Prudential Code and Treasury Management Code has been set out. The Council is taking all possible steps to ensure compliance with the Codes.

It is acknowledged that the Council is still in 'Discovery mode' and any new issues identified will be reported as part of the IRP arrangements and it will be ensured that corrective action is identified. The assumptions on which the budget has been proposed, whilst challenging, are reasonable and can be sustained within the overall level of resources available including the EFS.

It is a condition of the Exceptional Financial Support that the Council does everything possible to reduce its levels of debt, in line with the EFS conditions and with the need to achieve best consideration and good progress is being made to ensure these requirements can be met.

Due to the levels of uncertainty around the HRA position a revised HRA budget and the 30 year business plan will be brought back to Executive and Council during 2024/25.

All of the above work is being closely monitored by the Improvement and Recovery Board which is now chaired by the Lead Commissioner.

Measures have been put in place and risk assessed by Commissioners and the CFO to restate a General Fund Reserve and some required earmarked reserves for known commitments and risks. These arrangements are felt to be reasonable and prudent in the circumstances the Council is facing.

Finally, the first part of this report has set out why it is believed to be reasonable to set a legal budget for 2024/25. This includes the fact:

- The capitalisation directive regularises/addresses the historic issues of loans for revenue purposes and budget deficits prior to 2024/25.

- The capitalisation directive provides access to funds for the local authority to be a going concern in 2024/25.

- Assurances have been received from government that enable the council to place reliance on the draft MRP guidance and that in any event, the MRP guidance is guidance and it is the Council's interpretation is that judgement has to be used and the approach taken is believed to be reasonable in the light of the ongoing discussions with government.

- Discussions with Government are ongoing and there is a commitment to reach a more sustainable solution that will provide assurance that a legal budget can be set for 2025/26 within the statutory timescales.

# APPENDIX 9

## Equality Impact Assessment – Council Tax increase

| | |
|---|---|
| **Officer responsible for completing EIA:** Head of Resident Experience | **Manager responsible for EIA:** Head of Resident Experience |
| **Strategic Director responsible for EIA:** Strategic Director - Communities | **Date last updated: 22 February 2024** |

### 1. Introduction

This Equality Impact Assessment (EIA) seeks to identify impacts and effect of this proposal with the aim of assessing whether it would have a disparate impact on persons with a protected characteristic under the Equality Act 2010. As part of this assessment, consideration will be given to ways in which any such impact can be avoided or mitigated, any negative impacts arising from this proposal will be assessed and where this could be reduced in their impact this will be noted in the attached action plan.

The Council also recognises that it may not completely remove all negative impacts.



The purpose is to provide impartial information to assist in the decision-making process and inform rather than determine policy. The objective is not to make the decision but to assist decision makers through the provision of relevant information. This Equality Impact Assessment seeks to identify the impacts and effects on local Council Taxpayers of a proposed increase of 10% (Woking element and to detail any mitigating actions that will be put into place to support those least able to pay.

The Council faces a critical financial shortfall owing to its historic investment strategy which has resulted in unaffordable borrowing, inadequate steps to repay that borrowing and high values of irrecoverable loans. To address these severe financial challenges the Council must make significant saving alongside taking steps to ‘live within its means’ in the future. The proposed Council Tax increase will support balancing the budget for 2024/25 and is considered appropriate and proportionate by the Government. The Secretary of State has agreed special measures to allow Woking Borough Council to increase its Council Tax element by 10%, without having a referendum, that would otherwise be required for an increase of that scale.

### 2. Impact on services:

The number of Council Tax properties across all Bands (A to H) is currently c.44,000. All will be impacted by the 10% increase of the Woking element.

Woking is a lower tier Council, consequently the 10% increase to the Woking Borough Council element equates to just over a 1% increase on the overall charge. Woking Borough Council’s element currently accounts for 12% of the overall Council Tax charge. Surrey Police and Crime Commissioner accounts for 13% and Surrey County Council 75%.

Woking Brough Council's element for a band D property is £263.12. A 10% increase would represent a yearly increase of £26, equivalent to 50p per week, for households paying the full band D charge.

The current Council Tax Support Scheme provides help towards Council Tax bills for those on low incomes. Woking has a 100% Council Tax Support Scheme in place to protect the vulnerable. This supports over 3,600 households to both working age and pensioners.

Any increase in the Council Tax charge will result in relevant increases in the Council Tax Support award to claimants, thus negating the increases to these charge payers.

## 3. Engagement and consultation

The Council has carried out engagement on ensuring a balanced budget for the 2024/25 financial year.

The **first phase of the engagement** took place in **summer 2023**. Residents and businesses had the opportunity to have their say on how to tackle the budget shortfall. Help shape the future of discretionary council services | Woking Community Forum 10% of respondents supported an increase Council Tax for everyone.

| | | *Positive impact?* | | | **Negative impact?** | **No specific impact** | **What will the impact be? If the impact is negative how can it be mitigated? (action)** This section needs to be completed as evidence of what the positive impact is or what actions are being taken to mitigate any negative impacts |
|---|---|---|---|---|---|---|---|
| | | *Eliminate discrimination* | *Advance equality* | *Good relations* | | | |
| **Gender** | Men | | | | | x | |
| | Women | | | | | x | Lone parents more likely to be women. If they are on low income, support will be provided via the Council Tax Support scheme. |
| **Gender Reassignment** | | | | | | x | |
| **Race** | White | | | | | x | No information is held on the ethnicity of households or those claiming support with Council Tax. However, there is unlikely to be any specific impact on this group. |
| | Mixed/Multiple ethnic groups | | | | | x | As above |
| | Asian/Asian British | | | | | x | As above |
| | Black/African/Caribbean/ Black British | | | | | x | As above |
| | Gypsies / travellers | | | | | x | As above |
| | Other ethnic group | | | | | x | As above |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Disability** | Physical | | | | | x | 13.6 % of Woking residents are disabled (2021 Census) A significant proportion will not be working or be on a low income.<br><br>**Mitigations:**<br>A discretionary Hardship Relief Scheme already exists, which can reduce the amount of Council Tax that has to be paid by certain households, that have exhausted all other options. Payments can cover up to 100% of the bill, capped to a maximum equivalent of a band D charge.<br><br>Woking Borough Council also has a Council Tax Support scheme that covers up to 100% of the Council Tax bill, for some households on low incomes. The scheme is means tested, with payments restricted to a maximum value of a band D charge for working age residents, who must be eligible to at least £5 per week. Other than being means tested, restrictions do not apply to pensioners.<br><br>You may qualify if you are:<br><br>• on Income Support, Jobseekers' Allowance, Employment and Support Allowance or Universal Credit<br>• on Pension Credit, Guaranteed Credit and in some cases Savings Credit<br>• working and on low pay (including people who are self-employed)<br>• on a low income, for example, you might only get a retirement pension or be getting social security benefits, like Incapacity Benefit.<br><br>Discretionary Council Tax support can be considered, in exceptional circumstances, for households in need of additional support, to pay their Council Tax bills. To be eligible applicants must be in receipt of an award of Council Tax Support. |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | | | Assistance is available to individuals to enable them to claim support.<br>• A **Visiting Officer** is available for those most in need and unable to attend the Civic Offices.<br>• WBC Customer Services provide guidance via phone and in person (e.g. assistance with completing forms is provided on an appointment basis).<br>• **Computers** are available in WBC reception for people to use if they do not have access at home and support is available from customer services staff.<br>• Advice and assistance on financial wellbeing and support is available from **voluntary sector organisations**, e.g. CAW, The Lighthouse and other faith-based organisations in Woking.<br>• Referrals for support will be made to **Social Prescribing Team** if appropriate.<br><br>Appeals and revision processes are in place for decisions concerning Council Tax reductions Appeals and revisions \| Woking Borough Council<br><br>The Council is proposing resourcing Citizens Advice Woking (CAW) to provide a Hardship Support Coordination package. See Action Plan below. |
| | Sensory | | | | | x | As above |
| | Learning Difficulties | | | | | x | As above |
| | Mental Health | | | | | x | As above |

| | | Positive impact? | | | Negative impact? | No specific impact | What will the impact be? If the impact is negative how can it be mitigated? (action) This section needs to be completed as evidence of what the positive impact is or what actions are being taken to mitigate any negative impacts |
|---|---|---|---|---|---|---|---|
| | | Eliminate discrimination | Advance equality | Good relations | | | |
| **Sexual Orientation** | Lesbian, gay men, bisexual | | | | | x | |
| **Age** | Older people (50+) | | | | | x | 16.5% of Woking residents are aged 65 and over. Approx 40% of those claiming Council Tax support are pensioners.<br>**Mitigation:**<br>As Above |
| | Younger people (16 - 25) | | | | | x | 12% of children living in poverty (DWP, Dec 2022). 8.8% of households in Woking are lone parent household (2021 Census), who are more likely to have children living in poverty.<br>**Mitigation:**<br>As above<br>Support for families with children is provided by the Council's family support services, Surrey County Council and local voluntary organisations such as Homestart Woking & Runnymede. |
| **Religion or Belief** | Faith Groups | | | | | x | |
| **Pregnancy & maternity** | | | | | | x | |
| **Marriage & Civil Partnership** | | | | | | x | |

| | | | | | |
|---|---|---|---|---|---|
| **Socio-economic Background** | | | x | | Approx 1,600 people aged 16 and over in Woking were unemployed in the year ending June 2023. This is a rate of 3.0%. (DWP).<br>Approx 9,300 people or about 15.3% of the population aged 16 to 64 years in Woking were "economically inactive" in the year ending June 2023 (small sample so likely to be under representative). (DWP) In the 2021 Census the figure was 33.4%.<br>**Mitigation:**<br>As above |
| **Carers** | | | | x | 8.3% of Woking residents are carers. (2021 Census).<br>**Mitigation:**<br>It will be as above for those on low income or in receipt of benefits. |
| **Other identified groups** | (Please specify) | | | | Non identified |

**ACTION PLAN:**

| Actions identified from EIA | Target completion date | Responsible Officer | Comments |
|---|---|---|---|
| It is suggested that the Council sets a budget of £25,000 for the Hardship Relief Scheme, to ensure payments are not excessive and are affordable. | 1 April 2024 | Head of Resident Experience | |
| It is suggested that the Council sets up a flexible hardship fund of £25,000 (replicating the Household Support Fund) to support wider hardship issues that may result from increased Council Tax payments. | 1 April 2024 | Head of Living Well | |
| Ensure information, support and advise is accessible to all. Customer Services provide support via telephone and face to face (e.g. appointments for completing forms) | 1 April 2024 | Head of Resident Experience | |
| The Council is proposing resourcing Citizen's Advice Woking (CAW) to provide a Hardship Support Coordination package. The full details of the package are still being scoped, but high-level objectives are likely to include:<br><br>- Supporting volunteers from CAW to continue to provide advice services (related to debt, money management, employment etc) within their new business model.<br>- Working with partners and community groups to identify and map the range of hardship support services available | 1 April 2024 | Strategic Director - Communities | |

| | | | |
|---|---|---|---|
| across Woking, in order to produce a comprehensive directory.<br>- Delivering an "Advice First Aid" approach to upskill volunteers within faith and community groups to expand knowledge locally of the range of services that customers can be signposted to.<br>- Actively signposting clients to a range of providers of hardship support.<br>- Facilitating a network of hardship support providers across Woking, bringing together the variety of voluntary, community and faith organisations, and ensuring that information is shared and voluntary capacity maximised.<br>- Monitor the impacts of the increased Council tax and gaps in service provision, building community capacity where required. | | | |

## APPENDIX 10

## COUNCIL TAX SETTING

**Introduction**

The Local Government Finance Act 1992 sets out the legislative powers for each billing authority to levy and collect Council Tax which shall be payable in respect of dwellings situated in its area.

The Council is required to set a balanced budget each year. The Local Government Finance Act 1992 (as amended by the Localism Act 2011) requires the Council to estimate revenue expenditure and income for the forthcoming year from all sources, together with government grant and contributions from reserves, in order to determine a net budget requirement to be met by government grant, Business Rates and Council Tax.

By virtue of its status as a billing authority, Woking Borough Council in accordance with Section 30 of the Local Government Finance Act 1992 is required to set amounts of council tax for each financial year for each category of dwellings in its area before 11 March in the preceding financial year.

**Woking Borough Council Requirement 2024/25**

The net general fund budget requirement[1] as set out in table 3 totals £176,250,641.

For 2024/25 a council tax increase of 10% has been applied.

The council tax requirement for 2024/25 is £12,229,980.

By reference to Band D level, the 2024/25 council tax would rise by £10.31 to £289.43. The range of council taxes will be [includes 2023/24 for comparison]:

| Band | 2023/24 Council Tax £ | 2024/25 Council Tax £ |
|---|---|---|
| A | 175.41 | 192.95 |
| B | 204.65 | 225.11 |
| C | 233.88 | 257.27 |
| **D** | **263.12** | **289.43** |
| E | 321.59 | 353.75 |
| F | 380.06 | 418.07 |
| G | 438.53 | 482.38 |
| H | 526.21 | 578.86 |

**County Council and the Police & Crime Commissioner Requirements 2024/25**

Surrey County Council have recommended a 4.99% increase (2.99% General Council Tax, plus 2.0% Adult Social Care (ASC) Precept), and Surrey Police and Crime Commissioner an increase of 4.19%.

At Band D council tax these are as follows:

| | |
|---|---|
| Surrey County Council | £1,758.60 |
| Surrey Police & Crime Commissioner | £323.57 |

[1] Referenced as 'Amounts to be met from local taxation, government grants and reserves'

**Total Council Tax 2024/25**

The council tax requirements for all the authorities for 2024/25 is summarised as follows:

| | £ | % Share |
|---|---|---|
| Woking Borough Council | 289.43 | 12.20% |
| Surrey County Council | 1,758.60 | 74.15% |
| Surrey Police & Crime Commissioner | 323.57 | 13.64% |
| **Total Band D Charge** | **2,371.60** | **100.00%** |

**Formal Council Tax Recommendation 2024/25**

That the following, as submitted, be approved

1) Acceptance that the Council Tax Base for 2024/25, as calculated in accordance with The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, to be 42,255.40

2) That the following amounts be calculated for the year 2024/25 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992 (the Act):

   a) £263,275,427

      Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act. *(This represents the gross expenditure)*

   b) £251,045,447

      Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act. *(This represents the gross income received by the Council including utilisation of reserves and the finance settlement).*

   c) £12,229,980

      Being the amount by which the aggregate at 2. a) above exceeds the aggregate at 2. b) above, calculated by the Council, in accordance with Section 31A(4) of the Act, as its council tax requirement for the year.

   d) £289.43

      Being the amount at 2. c) divided by the amount at 1. a) above, calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its council tax for the year.

   e) £0

      Being the aggregate amount of all special items referred to in Section 34(1) of the Act.

   f) £289.43

      Being the amount at 2. c) less the amount in 2. e) all divided by the amount at 1. a) above, calculated by the Council, in accordance with Section 31(1) of the Act, as the basic amount of its council tax for the year

g) Woking Borough Council

| **A** | **B** | **C** | **D** |
|---|---|---|---|
| £192.95 | £225.11 | 257.27 | 289.43 |
| **E** | **F** | **G** | **H** |
| £353.75 | £418.07 | 482.38 | 578.86 |

being the amounts given by multiplying the amount at 2. f) above by the number which, in proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular band divided by the number which in proportion is applicable to dwellings listed in Valuation Band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken for the year in respect of categories of dwellings listed in different bands.

3) Surrey County Council have stated the following amounts in precepts issued to the Council, in accordance with the dwelling bandings shown below:

| **A** | **B** | **C** | **D** |
|---|---|---|---|
| £1,172.40 | £1,367.80 | £1,563.20 | £1,758.60 |
| **E** | **F** | **G** | **H** |
| £2,149.40 | £2,540.20 | £2,931.00 | £3,517.20 |

4) Surrey Police and Crime Commissioner have stated the following amounts in precepts issued to the Council, in accordance with the dwelling bandings shown below:

| **A** | **B** | **C** | **D** |
|---|---|---|---|
| £215.71 | £251.67 | £287.62 | £323.57 |
| **E** | **F** | **G** | **H** |
| £395.47 | £467.38 | £539.28 | £647.14 |

5) That, having calculated the aggregate in each case of the amounts at 2. g), 3 and 4 above, the Council, in accordance with Sections 30(2) of the Local Government Finance Act 1992, hereby sets the following as the amounts of Council Tax for the year 2024/25, in accordance with the dwelling bandings shown below:

| **A** | **B** | **C** | **D** |
|---|---|---|---|
| £1,581.06 | £1,844.58 | £2,108.09 | £2,371.60 |
| **E** | **F** | **G** | **H** |
| £2,898.62 | £3,425.65 | £3,952.66 | £4,743.20 |

**APPENDIX 11**

## SERVICE BUDGETS

A PDF copy of the Service Budgets is attached separately.

**REVENUE ESTIMATES 2024/25**

**SUMMARY OF SERVICE PLANS**

| | ORIGINAL ESTIMATE 2023/24 £ | ORIGINAL ESTIMATE 2024/25 £ |
|---|---|---|
| **PLACE** | | |
| ENVIRONMENTAL QUALITY | | |
| Building Control | 128,269 | 166,268 |
| Emergency Planning | 66,311 | 72,766 |
| Environmental Health | 673,509 | 767,154 |
| Environmental Maintenance | 4,170,138 | 3,580,812 |
| Waste & Recycling | 2,506,587 | 2,422,712 |
| PLACE MAKING | | |
| Development Management | 869,402 | 544,955 |
| Green Infrastructure | 108,858 | 68,843 |
| Planning Policy | 464,908 | 933,749 |
| SUSTAINING THE LOCAL ECONOMY | | |
| Parking Services | (3,452,695) | (2,893,767) |
| **COMMUNITIES** | | |
| COMMUNITY SUPPORT | | |
| Centres For The Community / Community Services | 1,409,291 | 833,984 |
| Community Safety | 284,156 | 149,440 |
| Family Support | 380,836 | (133,840) |
| Support To Organisations / Grants | 565,651 | 61,817 |
| HEALTH, WELLBEING & CULTURAL | | |
| Arts, Heritage And Events | 626,003 | 396,770 |
| Health And Wellbeing | 681,399 | 233,066 |
| Leisure Services | 2,852,790 | 2,000,490 |
| HOUSING | | |
| Housing Needs | 1,729,027 | 2,723,761 |
| Housing Standards | 381,262 | 322,506 |
| Housing Strategy & Enabling | 482,610 | 666,235 |
| INDEPENDENT LIVING | 308,286 | 588,425 |
| **CORPORATE RESOURCES** | | |
| DEMOCRATIC SERVICES | | |
| Civic Functions And Expenses | 179,528 | 127,422 |
| Corporate Management & Members | 3,732,245 | 4,528,956 |
| Elections | 515,088 | 629,197 |
| Marketing Communications | 258,450 | 197,311 |
| CUSTOMER SUPPORT SERVICES | | |
| Housing Benefits & Council Tax | 436,339 | 574,996 |
| Licensing | 48,730 | (49,870) |
| Local Land Charges | (105,600) | (24,476) |
| Revenue Collection | 893,077 | 900,641 |
| | 21,194,454 | 20,390,323 |
| Property Services | (12,734,789) | (4,914,313) |
| **NET COST OF SERVICES** | 8,459,665 | 15,476,010 |
| BUDGET ADJUSTMENTS | | |
| Brockhill Extra Care (was GF, now transferred to HRA) | 429,677 | 0 |
| Corporate adjustments not incorporated in individual Service Plans | (14,137) | (432,510) |
| **SERVICE PLANS - TOTAL** | **8,875,205** | **15,043,500** |

# BUILDING CONTROL

**REVENUE ESTIMATES**

| | ORIGINAL ESTIMATE 2023/24 £ | ORIGINAL ESTIMATE 2024/25 £ |
|---|---|---|
| Expenditure | | |
| Employees | 465,888 | 320,674 |
| Premises | | |
| Transport | | |
| Supplies & Services | 19,000 | 13,000 |
| Third Party Payments | | |
| Transfer Payments | | |
| Support Costs | 99,466 | 112,594 |
| Capital Charges | | |
| GROSS EXPENDITURE | 584,354 | 446,268 |
| Income | | |
| Government Grants | | |
| Other Grants | | |
| Sales | | |
| Fees & Charges | (456,085) | (280,000) |
| Rents | | |
| Other Income | | |
| TOTAL INCOME | (456,085) | (280,000) |
| NET EXPENDITURE | 128,269 | 166,268 |

**SUMMARY OF VARIATIONS**

| | | |
|---|---|---|
| Original Estimate 2023/24 | | 128,269 |
| General Budget Pressures | | |
| Changes in Management and Administration costs | (132,086) | |
| Changes in Capital Charges | | |
| Contractual Inflation | | |
| Changes in FM, Cleaning & Security Contracts | | |
| Changes in Energy Costs | | |
| Business Rates Changes | | |
| Changes in Insurance | | |
| Changes in Fees and Charges | 176,085 | |
| Cost Reductions / Fit For The Future Savings | (6,000) | |
| Other Minor Variations | | |
| | | 37,999 |
| Specific Service Issues | | |
| Original Estimate 2024/25 | | 166,268 |

Directorate: Place
Service Plan: Building Control

# EMERGENCY PLANNING

## REVENUE ESTIMATES

| | ORIGINAL ESTIMATE 2023/24 £ | ORIGINAL ESTIMATE 2024/25 £ |
|---|---|---|
| Expenditure | | |
| Employees | 29,981 | 25,095 |
| Premises | | |
| Transport | | 650 |
| Supplies & Services | 11,000 | 21,162 |
| Third Party Payments | | |
| Transfer Payments | | |
| Support Costs | 25,329 | 25,859 |
| Capital Charges | | |
| GROSS EXPENDITURE | 66,311 | 72,766 |
| Income | | |
| Government Grants | | |
| Other Grants | | |
| Sales | | |
| Fees & Charges | | |
| Rents | | |
| Other Income | | |
| TOTAL INCOME | | |
| NET EXPENDITURE | 66,311 | 72,766 |

## SUMMARY OF VARIATIONS

| | | |
|---|---|---|
| Original Estimate 2023/24 | | 66,311 |
| General Budget Pressures | | |
| Changes in Management and Administration costs | (4,356) | |
| Changes in Capital Charges | | |
| Contractual Inflation | | |
| Changes in FM, Cleaning & Security Contracts | | |
| Changes in Energy Costs | | |
| Business Rates Changes | | |
| Changes in Insurance | | |
| Changes in Fees and Charges | | |
| Cost Reductions / Fit For The Future Savings | | |
| Other Minor Variations | 10,812 | |
| | | 6,456 |
| Specific Service Issues | | |
| Original Estimate 2024/25 | | 72,766 |

Directorate: Place
Service Plan: Emergency Planning

# ENVIRONMENTAL HEALTH

## REVENUE ESTIMATES

| | ORIGINAL ESTIMATE 2023/24 £ | ORIGINAL ESTIMATE 2024/25 £ |
|---|---|---|
| Expenditure | | |
| Employees | 574,292 | 579,254 |
| Premises | 34,895 | 30,170 |
| Transport | | |
| Supplies & Services | 60,664 | 64,266 |
| Third Party Payments | | |
| Transfer Payments | | |
| Support Costs | 122,296 | 156,077 |
| Capital Charges | | |
| GROSS EXPENDITURE | 792,147 | 829,766 |
| Income | | |
| Government Grants | | |
| Other Grants | | |
| Sales | | |
| Fees & Charges | (58,413) | (60,512) |
| Rents | | |
| Other Income | (60,225) | (2,100) |
| TOTAL INCOME | (118,638) | (62,612) |
| NET EXPENDITURE | 673,509 | 767,154 |



## SUMMARY OF VARIATIONS

| | | |
|---|---|---|
| Original Estimate 2023/24 | | 673,509 |
| General Budget Pressures | | |
| Changes in Management and Administration costs | 38,742 | |
| Changes in Capital Charges | | |
| Contractual Inflation | (4,725) | |
| Changes in FM, Cleaning & Security Contracts | | |
| Changes in Energy Costs | | |
| Business Rates Changes | | |
| Changes in Insurance | 124 | |
| Changes in Fees and Charges | (2,099) | |
| Cost Reductions / Fit For The Future Savings | (6,790) | |
| Other Minor Variations | 9,918 | |
| | | 35,170 |
| Specific Service Issues | | |
| Removal of recharges to control of dogs | | 58,475 |
| Original Estimate 2024/25 | | 767,154 |

Directorate: Place
Service Plan: Environmental Health

# ENVIRONMENTAL MAINTENANCE

## REVENUE ESTIMATES

| | ORIGINAL ESTIMATE 2023/24 £ | ORIGINAL ESTIMATE 2024/25 £ |
|---|---|---|
| Expenditure | | |
| Employees | 332,715 | 234,440 |
| Premises | 3,131,635 | 2,709,493 |
| Transport | 6,900 | 23,000 |
| Supplies & Services | 208,448 | 124,903 |
| Third Party Payments | | |
| Transfer Payments | | |
| Support Costs | 224,195 | 249,310 |
| Capital Charges | 442,660 | 442,660 |
| GROSS EXPENDITURE | 4,346,553 | 3,783,806 |
| Income | | |
| Government Grants | | |
| Other Grants | | (10,034) |
| Sales | | |
| Fees & Charges | (30,180) | (40,195) |
| Rents | (23,079) | (16,839) |
| Other Income | (123,156) | (135,926) |
| TOTAL INCOME | (176,415) | (202,994) |
| NET EXPENDITURE | 4,170,138 | 3,580,812 |

## SUMMARY OF VARIATIONS

| | | |
|---|---|---|
| Original Estimate 2023/24 | | 4,170,138 |
| General Budget Pressures | | |
| Changes in Management and Administration costs | (73,159) | |
| Changes in Capital Charges | | |
| Contractual Inflation | 228,926 | |
| Changes in FM, Cleaning & Security Contracts | | |
| Changes in Energy Costs | 5,960 | |
| Business Rates Changes | (5,893) | |
| Changes in Insurance | 2,385 | |
| Changes in Fees and Charges | (10,015) | |
| Cost Reductions / Fit For The Future Savings | (820,043) | |
| Other Minor Variations | 25,854 | |
| | | (645,985) |
| Specific Service Issues | | |
| Environmental Car Hire | | 16,100 |
| Repair works on Countryside | | 31,260 |
| SCC Emergency Planning Support | | 9,300 |
| Original Estimate 2024/25 | | 3,580,812 |

Directorate: Place
Service Plan: Environmental Maintenance

# WASTE & RECYCLING



**REVENUE ESTIMATES**

| | ORIGINAL ESTIMATE 2023/24 £ | ORIGINAL ESTIMATE 2024/25 £ |
|---|---|---|
| Expenditure | | |
| Employees | 59,085 | 105,921 |
| Premises | 125,426 | 125,428 |
| Transport | | |
| Supplies & Services | 5,000 | 5,000 |
| Third Party Payments | 3,021,825 | 3,207,425 |
| Transfer Payments | | |
| Support Costs | 34,247 | 49,579 |
| Capital Charges | 350,330 | 350,330 |
| GROSS EXPENDITURE | 3,595,913 | 3,843,684 |
| Income | | |
| Government Grants | | |
| Other Grants | | |
| Sales | (3,220) | (2,000) |
| Fees & Charges | (976,783) | (1,314,565) |
| Rents | | |
| Other Income | (109,323) | (104,407) |
| TOTAL INCOME | (1,089,326) | (1,420,972) |
| NET EXPENDITURE | 2,506,587 | 2,422,712 |

**SUMMARY OF VARIATIONS**

| | | |
|---|---|---|
| Original Estimate 2023/24 | | 2,506,587 |
| General Budget Pressures | | |
| Changes in Management and Administration costs | 62,169 | |
| Changes in Capital Charges | | |
| Contractual Inflation | 185,600 | |
| Changes in FM, Cleaning & Security Contracts | | |
| Changes in Energy Costs | | |
| Business Rates Changes | | |
| Changes in Insurance | 2 | |
| Changes in Fees and Charges | (337,782) | |
| Cost Reductions / Fit For The Future Savings | | |
| Other Minor Variations | 6,136 | |
| | | (83,875) |
| Specific Service Issues | | |
| Original Estimate 2024/25 | | 2,422,712 |

Directorate: Place
Service Plan: Waste & Recycling

# DEVELOPMENT MANAGEMENT

**REVENUE ESTIMATES**

| | ORIGINAL ESTIMATE 2023/24 £ | ORIGINAL ESTIMATE 2024/25 £ |
|---|---|---|
| Expenditure | | |
| Employees | 1,383,018 | 1,146,241 |
| Premises | 20,830 | 13,350 |
| Transport | | |
| Supplies & Services | 28,700 | 28,700 |
| Third Party Payments | | |
| Transfer Payments | | |
| Support Costs | 376,283 | 495,164 |
| Capital Charges | | |
| GROSS EXPENDITURE | 1,808,831 | 1,683,455 |
| Income | | |
| Government Grants | | |
| Other Grants | | |
| Sales | | |
| Fees & Charges | (939,429) | (1,138,500) |
| Rents | | |
| Other Income | | |
| TOTAL INCOME | (939,429) | (1,138,500) |
| NET EXPENDITURE | 869,402 | 544,955 |



**SUMMARY OF VARIATIONS**

| | | |
|---|---|---|
| Original Estimate 2023/24 | | 869,402 |
| General Budget Pressures | | |
| Changes in Management and Administration costs | (117,896) | |
| Changes in Capital Charges | | |
| Contractual Inflation | | |
| Changes in FM, Cleaning & Security Contracts | | |
| Changes in Energy Costs | | |
| Business Rates Changes | | |
| Changes in Insurance | 20 | |
| Changes in Fees and Charges | (199,071) | |
| Cost Reductions / Fit For The Future Savings | (7,500) | |
| Other Minor Variations | | |
| | | (324,447) |
| Specific Service Issues | | |
| Original Estimate 2024/25 | | 544,955 |

Directorate: Place
Service Plan: Development Management

# GREEN INFRASTRUCTURE

## REVENUE ESTIMATES

| | ORIGINAL ESTIMATE 2023/24 £ | ORIGINAL ESTIMATE 2024/25 £ |
|---|---|---|
| Expenditure | | |
| Employees | 83,432 | 47,766 |
| Premises | | |
| Transport | | |
| Supplies & Services | 50,685 | 45,885 |
| Third Party Payments | | |
| Transfer Payments | | |
| Support Costs | 50,626 | 49,077 |
| Capital Charges | | |
| GROSS EXPENDITURE | 184,743 | 142,728 |
| Income | | |
| Government Grants | | |
| Other Grants | | |
| Sales | | |
| Fees & Charges | (30,000) | (28,000) |
| Rents | | |
| Other Income | (45,885) | (45,885) |
| TOTAL INCOME | (75,885) | (73,885) |
| NET EXPENDITURE | 108,858 | 68,843 |

## SUMMARY OF VARIATIONS

| | | |
|---|---|---|
| Original Estimate 2023/24 | | 108,858 |
| General Budget Pressures | | |
| Changes in Management and Administration costs | (37,215) | |
| Changes in Capital Charges | | |
| Contractual Inflation | | |
| Changes in FM, Cleaning & Security Contracts | | |
| Changes in Energy Costs | | |
| Business Rates Changes | | |
| Changes in Insurance | | |
| Changes in Fees and Charges | 2,000 | |
| Cost Reductions / Fit For The Future Savings | (4,800) | |
| Other Minor Variations | | |
| | | (40,015) |
| Specific Service Issues | | |
| Original Estimate 2024/25 | | 68,843 |

Directorate: Place
Service Plan: Green Infrastructure

# PLANNING POLICY

**REVENUE ESTIMATES**

| | ORIGINAL ESTIMATE 2023/24 £ | ORIGINAL ESTIMATE 2024/25 £ |
|---|---|---|
| Expenditure | | |
| Employees | 326,767 | 284,280 |
| Premises | | |
| Transport | | |
| Supplies & Services | 53,276 | 550,000 |
| Third Party Payments | | |
| Transfer Payments | | |
| Support Costs | 84,864 | 99,468 |
| Capital Charges | | |
| GROSS EXPENDITURE | 464,908 | 933,749 |
| Income | | |
| Government Grants | | |
| Other Grants | | |
| Sales | | |
| Fees & Charges | | |
| Rents | | |
| Other Income | | |
| TOTAL INCOME | | |
| NET EXPENDITURE | 464,908 | 933,749 |



**SUMMARY OF VARIATIONS**

| | | |
|---|---|---|
| Original Estimate 2023/24 | | 464,908 |
| General Budget Pressures | | |
| Changes in Management and Administration costs | (27,883) | |
| Changes in Capital Charges | | |
| Contractual Inflation | | |
| Changes in FM, Cleaning & Security Contracts | | |
| Changes in Energy Costs | | |
| Business Rates Changes | | |
| Changes in Insurance | | |
| Changes in Fees and Charges | | |
| Cost Reductions / Fit For The Future Savings | (53,276) | |
| Other Minor Variations | | |
| | | (81,159) |
| Specific Service Issues | | |
| Local Plan (previously in Capital Programme) | | 550,000 |
| Original Estimate 2024/25 | | 933,749 |

Directorate: Place
Service Plan: Planning Policy

# PARKING SERVICES

**REVENUE ESTIMATES**

| | ORIGINAL ESTIMATE 2023/24 £ | ORIGINAL ESTIMATE 2024/25 £ |
|---|---|---|
| Expenditure | | |
| Employees | 666,129 | 632,018 |
| Premises | 2,127,125 | 2,644,625 |
| Transport | 9,312 | 15,955 |
| Supplies & Services | 576,944 | 569,136 |
| Third Party Payments | | |
| Transfer Payments | | |
| Support Costs | 364,071 | 440,775 |
| Capital Charges | 426,485 | 426,485 |
| GROSS EXPENDITURE | 4,170,066 | 4,728,994 |
| Income | | |
| Government Grants | | |
| Other Grants | | |
| Sales | | |
| Fees & Charges | (7,364,531) | (7,364,531) |
| Rents | (1,090) | (1,090) |
| Other Income | (257,140) | (257,140) |
| TOTAL INCOME | (7,622,761) | (7,622,761) |
| NET EXPENDITURE | (3,452,695) | (2,893,767) |

**SUMMARY OF VARIATIONS**

| | | |
|---|---|---|
| Original Estimate 2023/24 | | (3,452,695) |
| General Budget Pressures | | |
| Changes in Management and Administration costs | 42,593 | |
| Changes in Capital Charges | | |
| Contractual Inflation | 133,693 | |
| Changes in FM, Cleaning & Security Contracts | | |
| Changes in Energy Costs | 113,439 | |
| Business Rates Changes | 342,784 | |
| Changes in Insurance | 7,459 | |
| Changes in Fees and Charges | | |
| Cost Reductions / Fit For The Future Savings | (116,741) | |
| Other Minor Variations | 14,201 | |
| | | 537,428 |
| Specific Service Issues | | |
| New budget for Vandalism repairs | | 10,000 |
| Additional budget for water usage | | 11,500 |
| Original Estimate 2024/25 | | (2,893,767) |

Directorate: Place
Service Plan: Parking Services

## CENTRES FOR THE COMMUNITY / COMMUNITY SERVICES



**REVENUE ESTIMATES**

| | ORIGINAL ESTIMATE 2023/24 £ | ORIGINAL ESTIMATE 2024/25 £ |
|---|---|---|
| Expenditure | | |
| Employees | 545,268 | 205,450 |
| Premises | 316,091 | 246,475 |
| Transport | 2,000 | |
| Supplies & Services | 23,861 | 15,811 |
| Third Party Payments | | |
| Transfer Payments | | |
| Support Costs | 697,945 | 449,114 |
| Capital Charges | 89,233 | 89,233 |
| GROSS EXPENDITURE | 1,674,398 | 1,006,082 |
| Income | | |
| Government Grants | | |
| Other Grants | | |
| Sales | (1,500) | |
| Fees & Charges | (126,135) | (180,146) |
| Rents | (53,970) | (52,570) |
| Other Income | (83,502) | 60,618 |
| TOTAL INCOME | (265,107) | (172,098) |
| NET EXPENDITURE | 1,409,291 | 833,984 |

**SUMMARY OF VARIATIONS**

| | | |
|---|---|---|
| Original Estimate 2023/24 | | 1,409,291 |
| General Budget Pressures | | |
| Changes in Management and Administration costs | (588,649) | |
| Changes in Capital Charges | | |
| Contractual Inflation | | |
| Changes in FM, Cleaning & Security Contracts | (2,140) | |
| Changes in Energy Costs | (31,904) | |
| Business Rates Changes | 1,272 | |
| Changes in Insurance | (1,594) | |
| Changes in Fees and Charges | (54,011) | |
| Cost Reductions / Fit For The Future Savings | | |
| Other Minor Variations | (1,000) | |
| | | (678,026) |
| Specific Service Issues | | |
| Transfer of Richardson Centre to Catalyst | | (13,750) |
| Community Centres change of use | | (38,382) |
| Removal of WITS (Translation Service) | | 77,852 |
| Fit For The Future saving not achievable | | 77,000 |
| Original Estimate 2024/25 | | 833,984 |

Directorate: Communities
Service Plan: Centres For The Community

# COMMUNITY SAFETY

**REVENUE ESTIMATES**

| | ORIGINAL ESTIMATE 2023/24 £ | ORIGINAL ESTIMATE 2024/25 £ |
|---|---|---|
| Expenditure | | |
| Employees | 469,832 | 82,373 |
| Premises | | |
| Transport | 1,200 | 50 |
| Supplies & Services | 49,100 | 11,000 |
| Third Party Payments | | |
| Transfer Payments | | |
| Support Costs | 79,124 | 56,017 |
| Capital Charges | | |
| GROSS EXPENDITURE | 599,256 | 149,440 |
| Income | | |
| Government Grants | (30,000) | |
| Other Grants | (145,000) | |
| Sales | | |
| Fees & Charges | | |
| Rents | | |
| Other Income | (140,100) | |
| TOTAL INCOME | (315,100) | |
| NET EXPENDITURE | 284,156 | 149,440 |



**SUMMARY OF VARIATIONS**

| | | |
|---|---|---|
| Original Estimate 2023/24 | | 284,156 |
| General Budget Pressures | | |
| Changes in Management and Administration costs | (410,566) | |
| Changes in Capital Charges | | |
| Contractual Inflation | | |
| Changes in FM, Cleaning & Security Contracts | | |
| Changes in Energy Costs | | |
| Business Rates Changes | | |
| Changes in Insurance | | |
| Changes in Fees and Charges | | |
| Cost Reductions / Fit For The Future Savings | | |
| Other Minor Variations | (3,550) | |
| | | (414,116) |
| Specific Service Issues | | |
| Womens Support Centre - Moved to Catalyst | | 279,400 |
| Original Estimate 2024/25 | | 149,440 |

Directorate: Communities
Service Plan: Community Safety

# FAMILY SUPPORT

**REVENUE ESTIMATES**

| | ORIGINAL ESTIMATE 2023/24 £ | ORIGINAL ESTIMATE 2024/25 £ |
|---|---|---|
| Expenditure | | |
| Employees | 51,878 | |
| Premises | 36,060 | 19,960 |
| Transport | 1,150 | 250 |
| Supplies & Services | 103,590 | 10,950 |
| Third Party Payments | | |
| Transfer Payments | | |
| Support Costs | 505,747 | |
| Capital Charges | | |
| GROSS EXPENDITURE | 698,424 | 31,160 |
| Income | | |
| Government Grants | | |
| Other Grants | (185,000) | (165,000) |
| Sales | | |
| Fees & Charges | | |
| Rents | | |
| Other Income | (132,588) | |
| TOTAL INCOME | (317,588) | (165,000) |
| NET EXPENDITURE | 380,836 | (133,840) |



**SUMMARY OF VARIATIONS**

| | | |
|---|---|---|
| Original Estimate 2023/24 | | 380,836 |
| General Budget Pressures | | |
| Changes in Management and Administration costs | (557,624) | |
| Changes in Capital Charges | | |
| Contractual Inflation | | |
| Changes in FM, Cleaning & Security Contracts | | |
| Changes in Energy Costs | | |
| Business Rates Changes | | |
| Changes in Insurance | | |
| Changes in Fees and Charges | | |
| Cost Reductions / Fit For The Future Savings | | |
| Other Minor Variations | 2,850 | |
| | | (554,774) |
| Specific Service Issues | | |
| Family Centres moving to Barnardo's | | 84,098 |
| Youth Development ended | | (44,000) |
| Original Estimate 2024/25 | | (133,840) |

Directorate: Communities
Service Plan: Family Support

# SUPPORT TO ORGANISATIONS / GRANTS

**REVENUE ESTIMATES**

| | ORIGINAL ESTIMATE 2023/24 £ | ORIGINAL ESTIMATE 2024/25 £ |
|---|---|---|
| Expenditure | | |
| Employees | 8,883 | 3,853 |
| Premises | | |
| Transport | | |
| Supplies & Services | 496,743 | |
| Third Party Payments | | |
| Transfer Payments | | |
| Support Costs | 60,025 | 57,964 |
| Capital Charges | | |
| GROSS EXPENDITURE | 565,651 | 61,817 |
| Income | | |
| Government Grants | | |
| Other Grants | | |
| Sales | | |
| Fees & Charges | | |
| Rents | | |
| Other Income | | |
| TOTAL INCOME | | |
| NET EXPENDITURE | 565,651 | 61,817 |



**SUMMARY OF VARIATIONS**

| | | |
|---|---|---|
| Original Estimate 2023/24 | | 565,651 |
| General Budget Pressures | | |
| Changes in Management and Administration costs | (7,091) | |
| Changes in Capital Charges | | |
| Contractual Inflation | | |
| Changes in FM, Cleaning & Security Contracts | | |
| Changes in Energy Costs | | |
| Business Rates Changes | | |
| Changes in Insurance | | |
| Changes in Fees and Charges | | |
| Cost Reductions / Fit For The Future Savings | (496,743) | |
| Other Minor Variations | | |
| | | (503,834) |
| Specific Service Issues | | |
| Main grants budget removed for 2024/25 (above) | | |
| Original Estimate 2024/25 | | 61,817 |

Directorate: Communities
Service Plan: Support To Organisations

# ARTS, HERITAGE & EVENTS



**REVENUE ESTIMATES**

| | ORIGINAL ESTIMATE 2023/24 £ | ORIGINAL ESTIMATE 2024/25 £ |
|---|---|---|
| Expenditure | | |
| Employees | 19,828 | 11,452 |
| Premises | 21,250 | 19,750 |
| Transport | | |
| Supplies & Services | 497,750 | 306,600 |
| Third Party Payments | | |
| Transfer Payments | | |
| Support Costs | 103,175 | 85,968 |
| Capital Charges | | |
| GROSS EXPENDITURE | 642,003 | 423,770 |
| Income | | |
| Government Grants | | |
| Other Grants | (1,000) | |
| Sales | | |
| Fees & Charges | (15,000) | (27,000) |
| Rents | | |
| Other Income | | |
| TOTAL INCOME | (16,000) | (27,000) |
| NET EXPENDITURE | 626,003 | 396,770 |

**SUMMARY OF VARIATIONS**

| | | |
|---|---|---|
| Original Estimate 2023/24 | | 626,003 |
| General Budget Pressures | | |
| Changes in Management and Administration costs | (25,583) | |
| Changes in Capital Charges | | |
| Contractual Inflation | | |
| Changes in FM, Cleaning & Security Contracts | | |
| Changes in Energy Costs | | |
| Business Rates Changes | | |
| Changes in Insurance | | |
| Changes in Fees and Charges | (12,000) | |
| Cost Reductions / Fit For The Future Savings | | |
| Other Minor Variations | | |
| | | (37,583) |
| Specific Service Issues | | |
| New Victoria Theatre - payment in line with contract | | 75,000 |
| The Lightbox - Review of Service Agreement | | (189,000) |
| Arts Development activity reduced | | (77,650) |
| Original Estimate 2024/25 | | 396,770 |

Directorate: Communities
Service Plan: Arts, Heritage & Events

# HEALTH & WELLBEING

**REVENUE ESTIMATES**

| | ORIGINAL ESTIMATE 2023/24 £ | ORIGINAL ESTIMATE 2024/25 £ |
|---|---|---|
| Expenditure | | |
| Employees | 246,386 | 68,466 |
| Premises | 10,770 | 3,832 |
| Transport | | |
| Supplies & Services | 205,050 | 20,700 |
| Third Party Payments | | |
| Transfer Payments | | |
| Support Costs | 234,395 | 138,819 |
| Capital Charges | 21,349 | 21,349 |
| GROSS EXPENDITURE | 717,949 | 253,166 |
| Income | | |
| Government Grants | | |
| Other Grants | (9,150) | |
| Sales | | |
| Fees & Charges | (27,400) | (20,100) |
| Rents | | |
| Other Income | | |
| TOTAL INCOME | (36,550) | (20,100) |
| NET EXPENDITURE | 681,399 | 233,066 |



**SUMMARY OF VARIATIONS**

| | | |
|---|---|---|
| Original Estimate 2023/24 | | 681,399 |
| General Budget Pressures | | |
| Changes in Management and Administration costs | (273,496) | |
| Changes in Capital Charges | | |
| Contractual Inflation | | |
| Changes in FM, Cleaning & Security Contracts | | |
| Changes in Energy Costs | | |
| Business Rates Changes | | |
| Changes in Insurance | 3,182 | |
| Changes in Fees and Charges | 7,300 | |
| Cost Reductions / Fit For The Future Savings | | |
| Other Minor Variations | (16,970) | |
| | | (279,984) |
| Specific Service Issues | | |
| Woking Community Transport end of SLA | | (150,000) |
| Kingfield Football Club contribution ended | | (10,000) |
| Removal of voluntary grants and sponsorship | | 9,150 |
| Downsizing of Sports Development activity | | (17,500) |
| Original Estimate 2024/25 | | 233,066 |

Directorate: Communities
Service Plan: Health & Wellbeing

# LEISURE SERVICES

**REVENUE ESTIMATES**

| | ORIGINAL ESTIMATE 2023/24 £ | ORIGINAL ESTIMATE 2024/25 £ |
|---|---|---|
| Expenditure | | |
| Employees | 106,320 | 92,292 |
| Premises | 2,760,637 | 2,355,747 |
| Transport | | |
| Supplies & Services | 45,947 | 119,577 |
| Third Party Payments | | |
| Transfer Payments | | |
| Support Costs | 244,830 | 238,243 |
| Capital Charges | 535,143 | 535,143 |
| GROSS EXPENDITURE | 3,692,877 | 3,341,002 |
| Income | | |
| Government Grants | | |
| Other Grants | | |
| Sales | | (9,500) |
| Fees & Charges | | |
| Rents | | |
| Other Income | (840,087) | (1,331,012) |
| TOTAL INCOME | (840,087) | (1,340,512) |
| NET EXPENDITURE | 2,852,790 | 2,000,490 |

**SUMMARY OF VARIATIONS**

| | | |
|---|---|---|
| Original Estimate 2023/24 | | 2,852,790 |
| General Budget Pressures | | |
| Changes in Management and Administration costs | (20,615) | |
| Changes in Capital Charges | | |
| Contractual Inflation | | |
| Changes in FM, Cleaning & Security Contracts | (2,797) | |
| Changes in Energy Costs | (358,983) | |
| Business Rates Changes | | |
| Changes in Insurance | 44,890 | |
| Changes in Fees and Charges | | |
| Cost Reductions / Fit For The Future Savings | (444,600) | |
| Other Minor Variations | | |
| | | (782,105) |
| Specific Service Issues | | |
| Leisure Contract changes | | (72,366) |
| SportsBox budgets reviewed | | 26,041 |
| Sale of Electricity | | (9,500) |
| New Equipment budget reset | | (14,370) |
| Original Estimate 2024/25 | | 2,000,490 |

Directorate: Communities
Service Plan: Leisure Services

# HOUSING NEEDS

**REVENUE ESTIMATES**

| | ORIGINAL ESTIMATE 2023/24 £ | ORIGINAL ESTIMATE 2024/25 £ |
|---|---|---|
| Expenditure | | |
| Employees | 690,604 | 1,031,049 |
| Premises | 639,274 | 804,326 |
| Transport | 95 | 2,000 |
| Supplies & Services | 1,030,874 | 1,489,792 |
| Third Party Payments | | |
| Transfer Payments | 773,523 | 981,065 |
| Support Costs | 338,958 | 507,893 |
| Capital Charges | 690,731 | 690,731 |
| GROSS EXPENDITURE | 4,164,059 | 5,506,857 |
| Income | | |
| Government Grants | (1,357,320) | (1,631,123) |
| Other Grants | | |
| Sales | | |
| Fees & Charges | (322,515) | (457,907) |
| Rents | (107,024) | (70,650) |
| Other Income | (648,173) | (623,416) |
| TOTAL INCOME | (2,435,032) | (2,783,096) |
| NET EXPENDITURE | 1,729,027 | 2,723,761 |



**SUMMARY OF VARIATIONS**

| | | |
|---|---|---|
| Original Estimate 2023/24 | | 1,729,027 |
| General Budget Pressures | | |
| Changes in Management and Administration costs | 509,381 | |
| Changes in Capital Charges | | |
| Contractual Inflation | | |
| Changes in FM, Cleaning & Security Contracts | 147,781 | |
| Changes in Energy Costs | (20,000) | |
| Business Rates Changes | | |
| Changes in Insurance | | |
| Changes in Fees and Charges | | |
| Cost Reductions / Fit For The Future Savings | (31,611) | |
| Other Minor Variations | (4) | |
| | | 605,547 |
| Specific Service Issues | | |
| Grant for Sanctuary Scheme and Domestic abuse expenses | | (2,500) |
| Increase in Bed & Breakfast expenditure | | 493,193 |
| Homelessness Directorate Funding | | (166,917) |
| Bed & Breakfast income | | (136,147) |
| Temporary accomodation rents | | 61,131 |
| Temporary accomodation subsidy budget reviewed | | 140,427 |
| Original Estimate 2024/25 | | 2,723,761 |

Directorate: Communities
Service Plan: Housing Needs

# HOUSING STANDARDS

## REVENUE ESTIMATES

| | ORIGINAL ESTIMATE 2023/24 £ | ORIGINAL ESTIMATE 2024/25 £ |
|---|---|---|
| Expenditure | | |
| Employees | 179,585 | 139,543 |
| Premises | | |
| Transport | | |
| Supplies & Services | 16,675 | 6,500 |
| Third Party Payments | | |
| Transfer Payments | | |
| Support Costs | 218,505 | 222,319 |
| Capital Charges | | |
| GROSS EXPENDITURE | 414,766 | 368,363 |
| Income | | |
| Government Grants | | |
| Other Grants | | |
| Sales | | |
| Fees & Charges | (33,504) | (45,857) |
| Rents | | |
| Other Income | | |
| TOTAL INCOME | (33,504) | (45,857) |
| NET EXPENDITURE | 381,262 | 322,506 |

## SUMMARY OF VARIATIONS

| | | |
|---|---|---|
| Original Estimate 2023/24 | | 381,262 |
| General Budget Pressures | | |
| Changes in Management and Administration costs | (36,228) | |
| Changes in Capital Charges | | |
| Contractual Inflation | | |
| Changes in FM, Cleaning & Security Contracts | | |
| Changes in Energy Costs | | |
| Business Rates Changes | | |
| Changes in Insurance | | |
| Changes in Fees and Charges | (12,353) | |
| Cost Reductions / Fit For The Future Savings | | |
| Other Minor Variations | (10,175) | |
| | | (58,756) |
| Specific Service Issues | | |
| Original Estimate 2024/25 | | 322,506 |

Directorate: Communities
Service Plan: Housing Standards

# HOUSING STRATEGY & ENABLING

**REVENUE ESTIMATES**

| | ORIGINAL ESTIMATE 2023/24 £ | ORIGINAL ESTIMATE 2024/25 £ |
|---|---|---|
| Expenditure | | |
| Employees | 145,400 | 117,221 |
| Premises | 154,607 | 165,061 |
| Transport | | |
| Supplies & Services | 1,079,999 | 1,089,617 |
| Third Party Payments | | |
| Transfer Payments | 712,794 | 764,673 |
| Support Costs | 154,568 | 159,812 |
| Capital Charges | | |
| GROSS EXPENDITURE | 2,247,368 | 2,296,384 |
| Income | | |
| Government Grants | (712,794) | (764,673) |
| Other Grants | | |
| Sales | | |
| Fees & Charges | | |
| Rents | | |
| Other Income | (1,051,964) | (865,476) |
| TOTAL INCOME | (1,764,758) | (1,630,149) |
| NET EXPENDITURE | 482,610 | 666,235 |



**SUMMARY OF VARIATIONS**

| | | |
|---|---|---|
| Original Estimate 2023/24 | | 482,610 |
| General Budget Pressures | | |
| Changes in Management and Administration costs | (22,934) | |
| Changes in Capital Charges | | |
| Contractual Inflation | 12,718 | |
| Changes in FM, Cleaning & Security Contracts | | |
| Changes in Energy Costs | | |
| Business Rates Changes | | |
| Changes in Insurance | | |
| Changes in Fees and Charges | | |
| Cost Reductions / Fit For The Future Savings | (2,264) | |
| Other Minor Variations | (5,000) | |
| | | (17,480) |
| Specific Service Issues | | |
| Increase in Lease payments to landlord | | 14,618 |
| Private Sector Leasing - additional rental income | | 186,488 |
| Original Estimate 2024/25 | | 666,235 |

Directorate: Communities
Service Plan: Housing Strategy & Enabling

## INDEPENDENT LIVING



**REVENUE ESTIMATES**

| | ORIGINAL ESTIMATE 2023/24 £ | ORIGINAL ESTIMATE 2024/25 £ |
|---|---|---|
| Expenditure | | |
| Employees | 752,030 | 743,675 |
| Premises | 75,871 | 66,105 |
| Transport | 85,542 | 101,423 |
| Supplies & Services | 303,775 | 332,270 |
| Third Party Payments | | |
| Transfer Payments | | |
| Support Costs | 366,304 | 460,556 |
| Capital Charges | | |
| GROSS EXPENDITURE | 1,583,522 | 1,704,029 |
| Income | | |
| Government Grants | | |
| Other Grants | (42,200) | (62,200) |
| Sales | (513,637) | (412,918) |
| Fees & Charges | (361,376) | (369,886) |
| Rents | (8,000) | |
| Other Income | (350,023) | (270,600) |
| TOTAL INCOME | (1,275,236) | (1,115,604) |
| NET EXPENDITURE | 308,286 | 588,425 |

**SUMMARY OF VARIATIONS**

| | | |
|---|---|---|
| Original Estimate 2023/24 | | 308,286 |
| General Budget Pressures | | |
| Changes in Management and Administration costs | 85,897 | |
| Changes in Capital Charges | | |
| Contractual Inflation | | |
| Changes in FM, Cleaning & Security Contracts | 200 | |
| Changes in Energy Costs | (12,200) | |
| Business Rates Changes | 268 | |
| Changes in Insurance | 10,816 | |
| Changes in Fees and Charges | 74,058 | |
| Cost Reductions / Fit For The Future Savings | 16,475 | |
| Other Minor Variations | | |
| | | 175,514 |
| Specific Service Issues | | |
| Additional Careline Funding Secured | | (20,000) |
| Digital Hub - New Income | | (74,568) |
| Careline Monitoring Contract | | 12,000 |
| Saving on fuel for meals vehicles (now hybrid) | | (3,000) |
| Loss of income from closure of kitchens | | 100,739 |
| Increase in Leasing Costs | | 10,000 |
| Changes in SLA with other boroughs for recharges | | 79,454 |
| Original Estimate 2024/25 | | 588,425 |

Directorate: Communities
Service Plan: Independent Living

# CIVIC FUNCTIONS & EXPENSES



**REVENUE ESTIMATES**

| | ORIGINAL ESTIMATE 2023/24 £ | ORIGINAL ESTIMATE 2024/25 £ |
|---|---|---|
| Expenditure | | |
| Employees | 81,430 | 64,023 |
| Premises | 2,750 | |
| Transport | 6,060 | 1,149 |
| Supplies & Services | 50,393 | 16,843 |
| Third Party Payments | | |
| Transfer Payments | | |
| Support Costs | 48,896 | 52,407 |
| Capital Charges | | |
| GROSS EXPENDITURE | 189,528 | 134,422 |
| Income | | |
| Government Grants | | |
| Other Grants | | |
| Sales | (10,000) | (7,000) |
| Fees & Charges | | |
| Rents | | |
| Other Income | | |
| TOTAL INCOME | (10,000) | (7,000) |
| NET EXPENDITURE | 179,528 | 127,422 |

**SUMMARY OF VARIATIONS**

| | | |
|---|---|---|
| Original Estimate 2023/24 | | 179,528 |
| General Budget Pressures | | |
| Changes in Management and Administration costs | (13,895) | |
| Changes in Capital Charges | | |
| Contractual Inflation | | |
| Changes in FM, Cleaning & Security Contracts | | |
| Changes in Energy Costs | | |
| Business Rates Changes | | |
| Changes in Insurance | | |
| Changes in Fees and Charges | | |
| Cost Reductions / Fit For The Future Savings | (30,850) | |
| Other Minor Variations | (7,361) | |
| | | (52,106) |
| Specific Service Issues | | |
| Original Estimate 2024/25 | | 127,422 |

Directorate: Corporate
Service Plan: Civic Functions & Expenses

## CORPORATE MANAGEMENT & MEMBERS

**REVENUE ESTIMATES**

| | ORIGINAL ESTIMATE 2023/24 £ | ORIGINAL ESTIMATE 2024/25 £ |
|---|---|---|
| Expenditure | | |
| Employees | 2,462,934 | 2,407,664 |
| Premises | | |
| Transport | | |
| Supplies & Services | 7,666 | 779,235 |
| Third Party Payments | | |
| Transfer Payments | | |
| Support Costs | 1,386,588 | 1,467,000 |
| Capital Charges | | |
| GROSS EXPENDITURE | 3,857,188 | 4,653,899 |
| Income | | |
| Government Grants | | |
| Other Grants | | |
| Sales | | |
| Fees & Charges | | |
| Rents | | |
| Other Income | (124,943) | (124,943) |
| TOTAL INCOME | (124,943) | (124,943) |
| NET EXPENDITURE | 3,732,245 | 4,528,956 |



**SUMMARY OF VARIATIONS**

| | | |
|---|---|---|
| Original Estimate 2023/24 | | 3,732,245 |
| General Budget Pressures | | |
| Changes in Management and Administration costs | 25,142 | |
| Changes in Capital Charges | | |
| Contractual Inflation | | |
| Changes in FM, Cleaning & Security Contracts | | |
| Changes in Energy Costs | | |
| Business Rates Changes | | |
| Changes in Insurance | | |
| Changes in Fees and Charges | | |
| Cost Reductions / Fit For The Future Savings | | |
| Other Minor Variations | (6,663) | |
| | | 18,479 |
| Specific Service Issues | | |
| Procurement savings delivered but reflected in other service plans where the procurement savings are being made | | 550,000 |
| Saving on subscriptions | | (20,000) |
| Original Estimate 2024/25 | | 4,280,724 |

Directorate: Corporate
Service Plan: Corporate Management & Members

# ELECTIONS

**REVENUE ESTIMATES**

| | ORIGINAL ESTIMATE 2023/24 £ | ORIGINAL ESTIMATE 2024/25 £ |
|---|---|---|
| Expenditure | | |
| Employees | 253,675 | 285,846 |
| Premises | 24,000 | 26,000 |
| Transport | 250 | 4,000 |
| Supplies & Services | 57,182 | 129,982 |
| Third Party Payments | | |
| Transfer Payments | | |
| Support Costs | 181,981 | 185,369 |
| Capital Charges | | |
| GROSS EXPENDITURE | 517,088 | 631,197 |
| Income | | |
| Government Grants | | |
| Other Grants | | |
| Sales | (2,000) | (2,000) |
| Fees & Charges | | |
| Rents | | |
| Other Income | | |
| TOTAL INCOME | (2,000) | (2,000) |
| NET EXPENDITURE | 515,088 | 629,197 |

**SUMMARY OF VARIATIONS**

| | | |
|---|---|---|
| Original Estimate 2023/24 | | 515,088 |
| General Budget Pressures | | |
| Changes in Management and Administration costs | 35,559 | |
| Changes in Capital Charges | | |
| Contractual Inflation | | |
| Changes in FM, Cleaning & Security Contracts | | |
| Changes in Energy Costs | | |
| Business Rates Changes | | |
| Changes in Insurance | | |
| Changes in Fees and Charges | | |
| Cost Reductions / Fit For The Future Savings | | |
| Other Minor Variations | (7,130) | |
| | | 28,429 |
| Specific Service Issues | | |
| 2023/24 budget for Borough Elections set too low | | 85,680 |
| Original Estimate 2024/25 | | 629,197 |

Directorate: Corporate
Service Plan: Elections

## MARKETING COMMUNICATIONS

**REVENUE ESTIMATES**

| | ORIGINAL ESTIMATE 2023/24 £ | ORIGINAL ESTIMATE 2024/25 £ |
|---|---|---|
| Expenditure | | |
| Employees | 138,986 | 100,020 |
| Premises | | |
| Transport | | |
| Supplies & Services | 67,747 | 43,690 |
| Third Party Payments | | |
| Transfer Payments | | |
| Support Costs | 51,717 | 53,600 |
| Capital Charges | | |
| GROSS EXPENDITURE | 258,450 | 197,311 |
| Income | | |
| Government Grants | | |
| Other Grants | | |
| Sales | | |
| Fees & Charges | | |
| Rents | | |
| Other Income | | |
| TOTAL INCOME | | |
| NET EXPENDITURE | 258,450 | 197,311 |

**SUMMARY OF VARIATIONS**

| | | |
|---|---|---|
| Original Estimate 2023/24 | | 258,450 |
| General Budget Pressures | | |
| Changes in Management and Administration costs | (37,082) | |
| Changes in Capital Charges | | |
| Contractual Inflation | | |
| Changes in FM, Cleaning & Security Contracts | | |
| Changes in Energy Costs | | |
| Business Rates Changes | | |
| Changes in Insurance | | |
| Changes in Fees and Charges | | |
| Cost Reductions / Fit For The Future Savings | (10,000) | |
| Other Minor Variations | | |
| | | (47,082) |
| Specific Service Issues | | |
| Saving on resident engagement (advertising) | | (4,960) |
| Saving on public relations | | (9,097) |
| Original Estimate 2024/25 | | 197,311 |

Directorate: Corporate
Service Plan: Marketing & Communications

## HOUSING BENEFITS & COUNCIL TAX

### REVENUE ESTIMATES

| | ORIGINAL ESTIMATE 2023/24 £ | ORIGINAL ESTIMATE 2024/25 £ |
|---|---|---|
| Expenditure | | |
| Employees | 684,132 | 689,267 |
| Premises | | |
| Transport | 80 | 80 |
| Supplies & Services | 15,960 | 8,000 |
| Third Party Payments | | |
| Transfer Payments | 18,241,110 | 18,241,110 |
| Support Costs | 379,326 | 426,931 |
| Capital Charges | | |
| GROSS EXPENDITURE | 19,320,608 | 19,365,388 |
| Income | | |
| Government Grants | (18,507,839) | (18,413,962) |
| Other Grants | | |
| Sales | | |
| Fees & Charges | | |
| Rents | | |
| Other Income | (376,430) | (376,430) |
| TOTAL INCOME | (18,884,269) | (18,790,392) |
| NET EXPENDITURE | 436,339 | 574,996 |

### SUMMARY OF VARIATIONS

| | | |
|---|---|---|
| Original Estimate 2023/24 | | 436,339 |
| General Budget Pressures | | |
| Changes in Management and Administration costs | 52,740 | |
| Changes in Capital Charges | | |
| Contractual Inflation | 12,345 | |
| Changes in FM, Cleaning & Security Contracts | | |
| Changes in Energy Costs | | |
| Business Rates Changes | | |
| Changes in Insurance | | |
| Changes in Fees and Charges | | |
| Cost Reductions / Fit For The Future Savings | | |
| Other Minor Variations | (772) | |
| | | 64,313 |
| Specific Service Issues | | |
| Council Tax Admin Allowance now part of RSG | | 82,184 |
| Saving on subscriptions | | (7,840) |
| Original Estimate 2024/25 | | 574,996 |

Directorate: Corporate
Service Plan: Housing Benefits & Council Tax

# LICENSING

**REVENUE ESTIMATES**

| | ORIGINAL ESTIMATE 2023/24 £ | ORIGINAL ESTIMATE 2024/25 £ |
|---|---|---|
| Expenditure | | |
| Employees | 82,024 | 89,509 |
| Premises | | |
| Transport | | |
| Supplies & Services | 14,500 | 11,100 |
| Third Party Payments | | |
| Transfer Payments | | |
| Support Costs | 220,774 | 195,559 |
| Capital Charges | | |
| GROSS EXPENDITURE | 317,299 | 296,168 |
| Income | | |
| Government Grants | | |
| Other Grants | | |
| Sales | | |
| Fees & Charges | (257,158) | (346,038) |
| Rents | | |
| Other Income | (11,411) | |
| TOTAL INCOME | (268,569) | (346,038) |
| NET EXPENDITURE | 48,730 | (49,870) |



**SUMMARY OF VARIATIONS**

| | | |
|---|---|---|
| Original Estimate 2023/24 | | 48,730 |
| General Budget Pressures | | |
| Changes in Management and Administration costs | (17,731) | |
| Changes in Capital Charges | | |
| Contractual Inflation | | |
| Changes in FM, Cleaning & Security Contracts | | |
| Changes in Energy Costs | | |
| Business Rates Changes | | |
| Changes in Insurance | | |
| Changes in Fees and Charges | (88,880) | |
| Cost Reductions / Fit For The Future Savings | | |
| Other Minor Variations | 8,011 | |
| | | (98,600) |
| Specific Service Issues | | |
| Original Estimate 2024/25 | | (49,870) |

Directorate: Corporate
Service Plan: Licensing

# LOCAL LAND CHARGES

**REVENUE ESTIMATES**

| | ORIGINAL ESTIMATE 2023/24 £ | ORIGINAL ESTIMATE 2024/25 £ |
|---|---|---|
| Expenditure | | |
| Employees | 85,416 | 104,369 |
| Premises | | |
| Transport | | |
| Supplies & Services | 32,173 | 32,944 |
| Third Party Payments | | |
| Transfer Payments | | |
| Support Costs | 40,499 | 46,107 |
| Capital Charges | | |
| GROSS EXPENDITURE | 158,089 | 183,420 |
| Income | | |
| Government Grants | | |
| Other Grants | | |
| Sales | | |
| Fees & Charges | (263,689) | (207,896) |
| Rents | | |
| Other Income | | |
| TOTAL INCOME | (263,689) | (207,896) |
| NET EXPENDITURE | (105,600) | (24,476) |



**SUMMARY OF VARIATIONS**

| | | |
|---|---|---|
| Original Estimate 2023/24 | | (105,600) |
| General Budget Pressures | | |
| Changes in Management and Administration costs | 24,560 | |
| Changes in Capital Charges | | |
| Contractual Inflation | | |
| Changes in FM, Cleaning & Security Contracts | | |
| Changes in Energy Costs | | |
| Business Rates Changes | | |
| Changes in Insurance | | |
| Changes in Fees and Charges | 55,793 | |
| Cost Reductions / Fit For The Future Savings | | |
| Other Minor Variations | 771 | |
| | | 81,124 |
| Specific Service Issues | | |
| Original Estimate 2024/25 | | (24,476) |

Directorate: Corporate
Service Plan: Local Land Charges

# REVENUE COLLECTION

**REVENUE ESTIMATES**

| | ORIGINAL ESTIMATE 2023/24 £ | ORIGINAL ESTIMATE 2024/25 £ |
|---|---|---|
| Expenditure | | |
| Employees | 773,253 | 735,975 |
| Premises | | |
| Transport | | |
| Supplies & Services | 3,040 | 1,500 |
| Third Party Payments | | |
| Transfer Payments | | |
| Support Costs | 361,784 | 408,166 |
| Capital Charges | | |
| GROSS EXPENDITURE | 1,138,077 | 1,145,641 |
| Income | | |
| Government Grants | (135,000) | (135,000) |
| Other Grants | | |
| Sales | | |
| Fees & Charges | | |
| Rents | | |
| Other Income | (110,000) | (110,000) |
| TOTAL INCOME | (245,000) | (245,000) |
| NET EXPENDITURE | 893,077 | 900,641 |

**SUMMARY OF VARIATIONS**

| | | |
|---|---|---|
| Original Estimate 2023/24 | | 893,077 |
| General Budget Pressures | | |
| Changes in Management and Administration costs | 9,103 | |
| Changes in Capital Charges | | |
| Contractual Inflation | | |
| Changes in FM, Cleaning & Security Contracts | | |
| Changes in Energy Costs | | |
| Business Rates Changes | | |
| Changes in Insurance | | |
| Changes in Fees and Charges | | |
| Cost Reductions / Fit For The Future Savings | | |
| Other Minor Variations | (1,540) | |
| | | 7,563 |
| Specific Service Issues | | |
| Original Estimate 2024/25 | | 900,641 |

Directorate: Corporate
Service Plan: Revenue Collection

## PROPERTY SERVICES

**REVENUE ESTIMATES**

| | ORIGINAL ESTIMATE 2023/24 £ | ORIGINAL ESTIMATE 2024/25 £ |
|---|---|---|
| Expenditure | | |
| Employees | 1,149,346 | 997,731 |
| Premises | 5,030,679 | 6,441,943 |
| Transport | 3,000 | 3,000 |
| Supplies & Services | 707,359 | 817,270 |
| Third Party Payments | | |
| Transfer Payments | | |
| Support Costs | 624,335 | 484,393 |
| Capital Charges | 354,932 | 354,932 |
| GROSS EXPENDITURE | 7,869,651 | 9,099,268 |
| | | |
| Income | | |
| Government Grants | | |
| Other Grants | | |
| Sales | (37,000) | (37,000) |
| Fees & Charges | (252,448) | (208,579) |
| Rents | (19,777,779) | (13,321,385) |
| Other Income | (537,213) | (446,617) |
| TOTAL INCOME | (20,604,440) | (14,013,581) |
| NET EXPENDITURE | (12,734,789) | (4,914,313) |

**SUMMARY OF VARIATIONS**

| | | |
|---|---|---|
| Original Estimate 2023/24 | | (12,734,789) |
| General Budget Pressures | | |
| Changes in Management and Administration costs | (291,557) | |
| Changes in Capital Charges | | |
| Contractual Inflation | 39,170 | |
| Changes in FM, Cleaning & Security Contracts | (100) | |
| Changes in Energy Costs | 476,890 | |
| Business Rates Changes | 426,061 | |
| Changes in Insurance | 90,483 | |
| Changes in Fees and Charges | 43,869 | |
| Cost Reductions / Fit For The Future Savings | (541,820) | |
| Other Minor Variations | 28,832 | |
| | | 271,828 |
| Specific Service Issues | | |
| Property Services & FM Management software | | 11,868 |
| Utilities Rent non-rechargable | | 20,000 |
| On-going Public Convenience costs (without demolition) | | 10,000 |
| Rent - disposals | | 2,272,829 |
| Rent - lease events (new, terminations and renewals) | | 4,320,912 |
| Water Drainage & Flood Consultants | | 80,000 |
| Service Charge (including void properties) | | 833,040 |
| | | |
| Original Estimate 2024/25 | | (4,914,313) |

Directorate: Corporate
Service Plan: Property Services