

# Public Document Pack



## TO THE CHAIRMAN AND MEMBERS OF THE **EXECUTIVE**

You are hereby summoned to attend a meeting of the Executive to be held on Thursday, 14 September 2023 at 7.00 pm in the Council Chamber, Civic Offices, Gloucester Square, Woking, Surrey GU21 6YL.

Please note the meeting will be filmed and will be broadcast live and subsequently as an archive on the Council's website ([www.woking.gov.uk](http://www.woking.gov.uk)). The images and sound recording will also be used for training purposes within the Council. Generally, the public seating areas are not filmed. However, by entering the meeting room and using the public seating area, you are consenting to being filmed.

The Chairman of the meeting has the discretion to terminate or suspend filming, if in his/her opinion continuing to do so would prejudice the proceedings of the meeting or, on advice, considers that continued filming might infringe the rights of any individual.

As cameras are linked to the microphones, could Members ensure they switch their microphones on before they start to speak and off when finished and do not remove the cards which are in the microphones.

The agenda for the meeting is set out below.

JULIE FISHER  
Chief Executive

## **AGENDA**

### **PART I - PRESS AND PUBLIC PRESENT**

1. Apologies for Absence
2. Declarations of Interest (Pages 5 - 6)
  - (i) To receive declarations of disclosable pecuniary and other interests from Members in respect of any item to be considered at the meeting.
  - (ii) In accordance with the Officer Employment Procedure Rules, the Strategic Director - Corporate Resources, Kevin Foster declares a disclosable personal interest (non-pecuniary) in any items concerning the companies of which he is a Council-appointed director. The companies are listed in the attached schedule. The interests are such that Mr Foster may advise on those items.

- (iii) In accordance with the Officer Employment Procedure Rules, the Strategic Director - Communities, Louise Strongitharm, declares a disclosable personal interest (non-pecuniary) in any items concerning the companies of which she is a Council-appointed director. The companies are listed in the attached schedule. The interests are such that Mrs Strongitharm may advise on those items.
- (iv) In accordance with the Officer Employment Procedure Rules, the Head of Transformation and Digital, Adam Walther, declares a disclosable personal interest (non-pecuniary) in any items concerning the companies of which he is a Council-appointed director. The companies are listed in the attached schedule. The interests are such that Mr Walther may advise on those items.

3. Minutes (Pages 7 - 14)

To approve the minutes of the meeting of the Executive held on 13 July 2023 as published.

4. Urgent Business

To consider any business that the Chairman rules may be dealt with under Section 100B(4) of the Local Government Act 1972.

### **Questions**

5. To deal with any written questions submitted under Section 3 of the Executive Procedure Rules. Copies of the questions and draft replies will be laid upon the table.

### **Matters for Recommendation**

6. Medium Term Financial Strategy (MTFS) EXE23-064 (Pages 15 - 92)

Reporting Person – Eugene Walker

### **Matters for Determination**

7. UK Shared Prosperity Fund (UKSPF) Group – Terms of Reference EXE23-066 (Pages 93 - 96)

Reporting Person – Kevin Foster

### **Performance Management**

8. Financial Monitoring Report EXE23-051 (Pages 97 - 106)

Reporting Person – Eugene Walker

9. Monitoring Reports - Projects EXE23-027 (Pages 107 - 114)

Reporting Person – Kevin Foster

AGENDA ENDS

Date Published - 6 September 2023

For further information regarding this agenda and arrangements for the meeting, please contact Julie Northcote on 01483 743053 or email [julie.northcote@woking.gov.uk](mailto:julie.northcote@woking.gov.uk)



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# Agenda Item 2.

## Schedule Referred to in Declaration of Interests

### Council-appointed directorships

<b>Kevin Foster, Strategic Director – Corporate Resource</b>	
Brookwood Cemetery Limited	VSW Hotel Limited
Brookwood Park Limited	Victoria Square Residential Limited
Export House Limited	Victoria Square Woking Limited
Kingfield Community Sports Centre Limited	Woking Necropolis and Mausoleum Limited
LAC 2021 Limited (Dormant)	Woking Shopping Limited

<b>Louise Strongitharm, Strategic Director – Communities</b>	
Rutland Woking (Carhouse Lane) Limited	Thameswey Developments Limited
Rutland Woking (Residential) Limited	Thameswey Guest Houses Limited
Rutland (Woking) Limited	Thameswey Housing Limited
Thameswey Limited	

<b>Adam Walther, Head of Transformation and Digital</b>	
Brookwood Cemetery Limited	Thameswey Developments Limited
Brookwood Park Limited	Thameswey Energy Limited
Thameswey Central Milton Keynes Limited	Thameswey Limited
Thameswey Sustainable Communities Limited	Thameswey Solar Limited
Woking Necropolis and Mausoleum Limited	



Executive 13 July 2023

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MINUTES  
OF A MEETING OF THE  
**EXECUTIVE**

held on 13 July 2023

Present:

Cllr A-M Barker (Chairman)  
Cllr W Forster (Vice-Chair)

Cllr P Graves                      Cllr E Nicholson  
Cllr I Johnson                    Cllr D Roberts  
Cllr L Lyons

**1. APOLOGIES FOR ABSENCE**

No apologies for absence were received.

**2. DECLARATIONS OF INTEREST**

In accordance with the Officer Employment Procedure Rules, the Strategic Director – Corporate Resources, Kevin Foster, declared a disclosable personal interest (non-pecuniary) in any items concerning the companies of which he was a Council-appointed director. The interests were such that Mr Foster could advise the Executive on those items.

In accordance with the Officer Employment Procedure Rules, the Strategic Director – Communities, Louise Strongitharm, declared a disclosable personal interest (non-pecuniary) in any items concerning the companies of which she was a Council-appointed director. The interests were such that Mrs Strongitharm could advise the Executive on those items.

The interest of the Head of Transformation and Digital, Adam Walther, was referred to in the agenda but it should be noted that Mr Walther was not present at the meeting.

**3. MINUTES**

RESOLVED

That the minutes of the meeting of the Executive held on 15 June 2023 be approved and signed as a true and correct record.

**4. URGENT BUSINESS**

There were no items of Urgent Business under Section 100B(4) of the Local Government Act 1972.

## 5. QUESTIONS

No written questions had been submitted under Section 3 of the Executive Procedure Rules. The Leader highlighted that the Executive welcomed questions from members of the public and explained the submission process. The deadline for written questions from members of the public was 12 noon, seven days before the Executive. The next Executive would be held on 14 September 2023, so the deadline for written questions was 12 noon, 7 September 2023.

## 6. MEDIUM TERM FINANCIAL STRATEGY (MTFS) EXE23-041

Councillor Roberts, Portfolio Holder for Finance, introduced the report which provided an updated Medium Term Financial Strategy (MTFS) for the period 2024/25 to 2028/29 and which also set out a timetable with clear milestones for a further update of the MTFS in September 2023. An updated Budget Timetable (Annex 4 to the report) was tabled at the meeting. It was noted that the Overview and Scrutiny Committee, at its meeting on 10 July 2023, had considered the MTFS report under its remit for pre-decision scrutiny.

The Portfolio Holder explained the background to the report, drawing attention to the Section 114 Notice which had been issued by the Section 151 Officer on 7 June 2023 and the Chief Executive's Response. The Executive was informed that the MTFS set out the strategic financial approach that the Council would adopt in supporting delivery of the Improvement and Recovery Plan. The Plan would be reported to an Extraordinary Council Meeting on 22 August 2023. It was noted that the MTFS and Medium Term Financial Plan (MTFP) would be reported quarterly to the Executive. Regarding the budget shortfall of £11m, the Executive was invited to support the recommendation to undertake consultation and engagement to allow the Council to take decisions on the Budget in September 2023 and February 2024. Engagement with residents had commenced in early July regarding discretionary services, and formal consultation with staff and Unison would commence on 24 July 2023. It was noted that a reduction in staff headcount of approximately 60 FTE in the Council overall was expected given the scale of the savings proposals. The Executive expressed regret at the proposed staff redundancies and gave a commitment for the process to be done in a responsible and compassionate way and to conduct the proper consultations. Regarding the Deficit of £1.2bn, it was noted that engagement with the Government Department (DLUHC) would commence shortly led by Commissioners with the Council's statutory officers.

The Executive acknowledged that it was a difficult and challenging time for residents, business and Council staff. The positive relationship between the Council and the Commissioners appointed by Government was highlighted, noting that the aims of both were fully aligned. Regarding the assumed 20% rise in car park charges in 2024/25, it was highlighted that planning assumptions would be revised following the Parking Strategy due in Autumn 2023 which would consider best value. The Portfolio Holder undertook to review the 14 Guiding Principles with the Interim Director of Finance to ensure that the Council was not undermining its approach to the Greener Woking agenda. It was added that there was a need to review the Woking For All Strategy and that Net Zero would form part of that review. Following a question regarding Community Infrastructure Levy (CIL), it was noted that the Interim Director of Finance was preparing a briefing note on CIL for Members.

The Executive commended Officers for their resilience and commitment during this challenging time. The Leader of the Council advised that the survey on discretionary services would be available for local people to complete until 10 August 2023 and the Leader encouraged residents to complete the survey before the deadline. It was



highlighted that paper copies of the survey were available, such as at the Council's community centres.

**RECOMMENDED to Council**

- That (i) the Budget Timetable, as updated, be noted;**
- (ii) the Guiding Principles be approved;**
- (iii) the Capital Planning Principles be approved;**
- (iv) it be noted that the Capital Planning Methodology will be re-designed before Budget Council on 8 February 2024;**
- (v) it be noted that the Investment Programme has been suspended indefinitely on grounds of affordability;**
- (vi) the savings for consultation (FFP 3(A)) including those relating to possible reductions in the Council's staffing establishment be approved;**
- (vii) it be noted that the Treasury Management Strategy, Financing Strategy, and related documents will be re-set for Budget Council in February 2024;**
- (viii) the MTFS and embedded MTFP as an estimate of the Council's current financial position be approved; noting that the figures will change as further updating takes place; and**
- (ix) the preparation of an Assets Rationalisation Plan be noted.**

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

**7. SHEERWATER REGENERATION EXE23-049**

Councillor Forster, Portfolio Holder for Key Projects, introduced the report which provided an interim position on the Sheerwater regeneration reflecting the very serious financial position of the Council. The Portfolio Holder expressed regret that, given the Council's significant financial challenges, the Council could not afford the future borrowing required to complete the regeneration. The Executive was informed that the report proposed that the current Development Agreement between the Council and ThamesWey for the delivery of the Sheerwater regeneration project be brought to an end. It was noted that it was proposed for ThamesWey to complete the three phases – Copper, Red and Yellow – which were currently mid-construction. The Council would work with housing associations or private developers to complete the Sheerwater regeneration scheme, and/or consider refurbishing and reletting existing homes. The Executive noted that the report also proposed to rebalance the affordable housing ratio in order to achieve the balanced community ambition of the planning consent. The Portfolio Holder highlighted that the Council wrote to residents ahead of the Executive meeting in order to explain the situation. The detrimental effect of the regeneration scheme on Housing Revenue Account (HRA) rental income was raised.

The Executive was sorry that the Council was not in a position to complete the regeneration itself and recognised the ongoing disruption, concern and uncertainty faced by Sheerwater residents. It was confirmed that the Council remained committed to delivering a regenerated Sheerwater and would be seeking the views of the local community on alternative options. A report on the future delivery of the wider Regeneration Scheme would be received by the Executive and Council in the Autumn.

**RECOMMENDED to Council**

- That (i) the existing Development Agreement between the Council and ThamesWey for the delivery of the Sheerwater regeneration project be brought to an end;**
- (ii) ThamesWey do not commence any new phases following those currently under construction;**
- (iii) ThamesWey be authorised to take such actions, including seeking technical and planning approvals as necessary, to bring its involvement in the project to a cost-effective end in consultation with the Council;**
- (iv) authority be delegated to the Chief Executive to give an Executive Undertaking if the Planning Committee approves the changes to the affordable housing as outlined in the report;**
- (v) negotiations between the Council and ThamesWey commence on an unwinding of the previously agreed barter arrangement; and**
- (vi) the Special Lettings Policy adopted in 2017 be temporarily suspended until such as time as the wider scheme and Sheerwater Community Charter have been reviewed.**

Reason: To enable further work to progress that will deliver a sustainable delivery option for the Sheerwater Regeneration project whilst reducing financial risks and exposure to the Council.

**8. HOUSING REVENUE ACCOUNT (HRA) RECOVERY PLAN EXE23-050**

The Executive received a report which provided an update on the Housing Revenue Account (HRA) budget, including forecasts for the coming 5 years, along with actions that were being pursued to deliver a sustainable long-term HRA. Councillor Johnson, Portfolio Holder for Housing, advised that the HRA was in a difficult situation and forecast a deficit up to and including 2026-27. The Executive was advised that the HRA had been adversely impacted by a combination of factors, including lost rental income due to the Sheerwater Regeneration scheme, nationally imposed rents cuts between 2016 and 2020, energy inflation, and internal cross charging practice. The report set out a path to recovery and included the main areas of search for savings. The need to work with Surrey County Council and partners to meet the capital budget shortfall was highlighted. It was noted that the Annual Maintenance Plan (AMP) for 2023/24 had been reviewed and reduced with a focus on essential works only, for example, fire safety remedial works. Due to the

suspension of some works relating to the Decent Homes programme, the Council would be required to self-refer to the Social Housing Regulator.

**RECOMMENDED to Council**

- That (i) **the update on the Housing Revenue Account budgets be noted;**
- (ii) **the Housing Annual Maintenance Plan (AMP) budget for 2023-24, included in the Housing Investment Programme, be increased to £5,330,000 to allow essential and statutory remedial works to be completed, as set out in Appendix 1 to the report;**
- (iii) **the Strategic Director – Communities, in consultation with the Portfolio Holder for Housing, be authorised to agree the disposal of vacant housing assets as required; and**
- (iv) **any capital receipts from disposals of vacant housing assets be held in the Major Repairs Reserve for investment in the maintenance of the Council’s homes.**

Reason: To ensure the Council is able set a sustainable Housing Revenue Account (HRA) budget and deliver on its statutory and regulatory housing duties.

**9. PUBLIC REALM USAGE POLICY EXE23-040**

The Executive received a report which recommended to Council the adoption of the updated Public Realm Usage Policy in order to better manage the town centre spaces open to the public, and the events permitted within the town centre denoted boundary, for the benefit of all users. The Overview and Scrutiny Committee had considered the report at its meeting on 10 July 2023 under its remit for pre-decision scrutiny. A copy of the recommendations of the Committee were before the Executive and set out that the Committee welcomed the Policy, that every effort be made to ensure that such a policy be delivered on a cost neutral basis, and that due consideration be given such that charities not be financially burdened by the policy. The Executive noted the recommendations from the Committee and agreed that Officers should consider how the Policy could be delivered on a cost neutral basis but not financially burden charities.

**RESOLVED**

- That (i) the recommendations of the Overview and Scrutiny Committee be noted;
- (ii) Officers consider how the Public Realm Usage Policy could be delivered on a cost neutral basis but not financially burden charities; and

**RECOMMENDED to Council**

**That the updated Public Realm Usage Policy, attached as Appendix 1 to the report, be adopted.**

Reason: To ensure fair and consistent usage of the town centre to promote footfall and economic prosperity.

**10. TOWN CENTRE MASTERPLAN EXE23-056**

Following the meeting of the Executive on 2 February 2023, Officers had reviewed how the Town Centre Masterplan work could be taken forward, making effective use of the valuable consultation feedback. Councillor Lyons, Portfolio Holder for Planning Policy, explained the three clear options set out in the report along with the benefits and challenges of each option. Due to the Council's financial constraints the third option was the only available option, which was to take forward the Masterplan work as part of the new Local Plan. It was noted that the Council was statutorily obliged to bring forward a new Local Plan following the end of the current plan period (2027) and the approach was recommended by Officers. The Portfolio Holder confirmed that the work carried out to date in terms of overarching principles of the townscape strategy was being used by Officers in discussions with developers, and as evidence to inform the current review of the Core Strategy.

The Overview and Scrutiny Committee had considered the report under its pre-decision scrutiny remit at its meeting on 10 July 2023 and the minute of the Committee was before the Executive. The Portfolio Holder expressed disappointment that he had been unable to attend the Committee due to receiving an invitation at short notice. The Portfolio Holder drew attention to the minute of the Committee and stated that the adoption of the Masterplan, in whatever format, would not affect development in the villages in the outskirts and would not require declassification of Green Belt land.

The Executive welcomed the extensive work carried out to date to guide future development in the town centre and thanked Officers for their efforts. The Executive was supportive of the Masterplan work being taken forward as part of the new Local Plan.

**RESOLVED**

- That (i) the minute of the Overview and Scrutiny Committee held on 10 July 2023 regarding the Town Centre Masterplan, including the individual Members of Committee's concerns, be noted; and
- (ii) the Masterplan work, including a townscape strategy and design code, be taken forward as part of the new Local Plan.

Reason: This is the preferred option to bring forward robust town centre policies, alongside detailed design code to guide development over the next plan period (15 years).

**11. EQUALITIES ANNUAL REPORT 2023 INCLUDING PAY GAP REPORT EXE23-036**

The Executive received the Equalities Annual Report 2023 which set out the progress on the equalities agenda and included the Pay Gap Report. Attention was drawn to the positive news that all staff who had taken maternity leave had returned to work, and all flexible working requests had been accommodated. As discussed earlier in the meeting under the MTFs item, the Executive noted that the Council would need to reduce staff numbers and it would be important for the Council to follow the equality principles and provide support to staff. The Leader commented that positive feedback had been received from staff and the unions on how the situation had been communicated to date. The

Executive highlighted the health and wellbeing work directed at Council staff and welcomed the Supporting Carers Policy.

RESOLVED

That (i) the report be received; and

(ii) the Supporting Carers Policy be noted.

Reason: To meet the requirement to report on annual progress on the equality agenda, report pay gap figures and present the Supporting Carers Policy.

## 12. PERFORMANCE AND FINANCIAL MONITORING INFORMATION

The Executive considered the Performance and Financial Monitoring Information (Green Book) April and May 2023.

RESOLVED

That the Performance and Financial Monitoring Information, April and May 2023, be received.

Reason: To manage the performance of the Council.

<p><b>This document was published on Friday 14 July 2023 and the decisions within it will be implemented on Monday 24 July 2023, subject to call-in.</b></p>
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The meeting commenced at 7.00 pm and ended at 8.44 pm.

Chairman: \_\_\_\_\_

Date: \_\_\_\_\_



EXECUTIVE – 14 SEPTEMBER 2023

## **MEDIUM TERM FINANCIAL STRATEGY (MTFS)**

### **Executive Summary**

The Medium-Term Financial Strategy (MTFS) is a key document in the Council's financial planning cycle. This document sets out the strategic financial approach that the Council needs to take to deliver the Improvement and Recovery Plan (IRP) and respond to the Section 114 Notice, whilst continuing to meet its statutory duties. The paper includes feedback from the recent resident engagement exercise, alongside next steps for public consultation on proposed changes to Council services.

### **Recommendations**

The Executive is requested to:

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

- (i) the MTFS and embedded MTFP are an estimate of the Council's current financial position at Q2, noting that the figures will change as further updating takes place;**
- (ii) it be noted that the Section 114 Deficit continues to be reviewed but is able to be used for conversations with Government to attain financial support and for other sundry purposes as referred in the report;**
- (iii) the Council consults on a number of the proposed savings contained within the MTFS, as set out in Annex 6 to the report; and**
- (iv) the Chief Executive, as Head of Paid Service, has the delegated authority to now proceed with the full implementation of Phase Two of the Fit For the Future Programme and associated staffing restructures.**

### **Reasons for Decision**

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

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

## Medium Term Financial Strategy (MTFS)

**Background Papers:** None.

**Reporting Person:** Eugene Walker, Interim Finance Director & Section 151 Officer  
Email: eugene.walker@woking.gov.uk, Extn: 3070

**Contact Person:** Eugene Walker, Interim Finance Director & Section 151 Officer  
Email: eugene.walker@woking.gov.uk, Extn: 3070

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

**Date Published:** 6 September 2023



### 1.0 Government Intervention

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

### 2.0 Section 114 Notice

- 2.1 On 7 June 2023, the Section 151 Officer issued WBC with a Section 114 Notice. The notice was required because the Council's expenditure was likely to exceed the financial resources available, and therefore it could no longer balance its budget for the remainder of the financial year and subsequent years. The Council faces this extremely serious financial shortfall because of its historic investment strategy that has resulted in unaffordable borrowing, inadequate steps to repay that borrowing and high values of irrecoverable loans. The notice stated that against available core funding of £16m in the 2023/24 financial year, WBC faced a deficit of £1.2bn.

### 3.0 Deficit

- 3.1 Since the publication of the Section 114 Notice, further review work is being undertaken and will be completed in the early Autumn 2023. The Council is proceeding to approach Government to make the case for financial support. However, to access any support, the Council needs to show that it has 'its own house in order' and take steps to meet a significant part of the Deficit from its own resources. This includes divesting from 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 service.

### 4.0 2024/25 Budget Position

- 4.1 Budget savings of £8.5m (detailed in Annex 6) against the previously agreed £12m target have been identified, which would have closed the June budget gap of £10.9m to £2.4m. However, following a detailed review, the latest MTFS has identified additional costs that have increased the scale of the financial challenge in both the current year 2023/24 and also next year 2024/25. The increase in costs identified next year is £8.3m, making the budget gap now £19.3m which, with the £8.5m savings, still leaves a budget shortfall of £10.8m.
- 4.2 These additional costs relate to Woking's historic investments, not services. As it will be difficult to find additional savings above £12m given the size of Woking BC's revenue budget in one year, the focus of financial planning for 2024/25 will need to:
- a) Focus on delivering the maximum possible savings against service budgets, as per the previously agreed £12m target. This will demonstrate the Council's commitment to meeting as much of the deficit as possible.
  - b) Review the options for savings above the £12m from asset management and debt reduction options i.e. to target the historic arrangements that are the source of the pressures. This approach will be part of the Commercial Strategy being developed within the Council's Improvement and Recovery Plan (IRP).
- 4.3 However there will clearly need to be an annual service and financial planning process which will follow the strategic work in refocussing the Council on the essential services it provides to residents. There may be additional pressures identified over the next few months as a result of the Council's investment decisions.

4.4 The reasons for the forecast increase in expenditure are summarised in the MTFS and included in Annex 8 of the report. As stated in the version of the MTFS prepared at Q1, the figures contained in the MTFS will continue to be adjusted as new information is acquired, refined and built into the forecasts.

### **5.0 Investment Programme and Future Commercial Strategy**

5.1 The Council has previously funded a number of capital investment programmes (such as Sheerwater and Victoria Square) through the setting up of group companies, financed through loans provided by the Council - drawn from the Public Works Loan Board. This practice has now been deemed both unsustainable and not compliant with financial regulations and a new Company Governance process has been put in place. The Council has commissioned consultancy advice on a Commercial Strategy, which will include strategic options for key regenerations schemes such as Sheerwater and Victoria Square. The Commercial Strategy is in development with the support of Commissioners and will be reported to Council in the coming months.

### **6.0 Council Tax**

6.1 The Government council tax cap for lower tier councils (including WBC) in 2023/24 was 3%. The level of council tax cap for 2024/25 that will be applied is currently unknown but the Council is working on the assumption that it will again be 3% and this is the percentage used throughout the Medium-Term Financial Plan (MTFP) contained in the MTFS. Council tax increases are subject to public consultation.

### **7.0 Resident Engagement Exercise**

7.1 From July 10 to August 10 2023, WBC undertook a resident engagement exercise to gather feedback on how the Council should deal with its budget shortfall. The survey outlined how the Council would need to make difficult decisions regarding discretionary services, asked residents which services they valued the most and how they could be delivered in the future. The Council received over 8,000 responses.

7.2 According to the engagement exercise:

7.2.1 Residents feel they have a good understanding of the severity of the Council's financial position.

7.2.2 The top three most highly valued services were access to parks, play areas and green spaces (55%); keeping the borough a safe place for everyone (53%) and keeping our streets clean (32%).

7.2.3 Residents felt that Woking Pool in the Park, Woking Leisure Centre and the sports pitches and pavilions were their top three most frequently utilised services.

7.2.4 The majority of residents said they would consider paying an additional charge for discretionary services, with the exception of car parking.

7.2.5 When asked which services the council should consider closing, arts and theatre services was the most frequently select answer (27%), as opposed to leisure (5%) and community centres (5%).

7.2.6 Residents preferred option for tackling the budget shortfall by finding other organisations to deliver services (32%), followed by charging more for discretionary services (20%).

7.3 A full evaluation of the engagement exercise is included in Annex 5(A) and the raw data has been published on the Council's website. The responses to the resident engagement exercise

have helped inform the options put forward for the public consultation, and the responses to that consultation will be considered as part of budget decisions in early 2024. However, the Council acknowledges that the severity of its budget position means that, in some cases, proposals have been put forward which do not align with residents' views.

### 8.0 Budget Savings

8.1 Annex 6 details proposes a number of savings to address the budget shortfall. This includes internal measures such as reducing 'back-office' services, management costs and reviewing Civic Office provision. It also includes proposed reductions to public-facing discretionary services including such as the phased closure of Pool in the Park; removal of funding to arts, cultural and sports development; removal of community grant funding and closure of public conveniences which will be subject to public consultation.

### 9.0 Public Consultation

9.1 Delivering the proposed savings outlined in Annex 6 will impact the delivery of public services in Woking. Where services cannot be self-funded or delivered by other organisations, there is a significant likelihood they will be reduced or closed. Public and/or service user/stakeholder consultation will be carried out to understand the implications of potential reductions and, where possible, seek to mitigate against complete closures for the most valued services.

9.2 The Council has committed to formal public consultation and/or stakeholder/service user consultation, lasting a period of six weeks. The findings of these consultations will be submitted to Executive and Council in February 2024, alongside final budget recommendations. Further details regarding consultation are included in Annex 5(B).

### 10.0 Partnership Arrangements

10.1 When asked how WBC should tackle its budget shortfall, 32% of respondents to the resident engagement exercise said that the Council should find other organisations to deliver services. Following constructive conversations with partners, the Council is in the process of agreeing the transfer of the following services:

10.1.1 Social prescribing – team to transfer to another council partner and service to residents retained.

10.1.2 Hospital discharge – team to transfer to another council partner and service to residents retained.

10.1.3 Family centres – Surrey County Council (SCC) to select new provider to deliver service from 1 April 2024.

10.2 Conversations continue to take place with partners regarding potential alternative arrangements for other services.

### 11.0 Implications

#### Finance and Risk

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

Equalities and Human Resources

- 11.2 The delivery of the MTFS will require the review of many of the Council's services. These will include the development of an Equality Impact Assessment (EIA) where appropriate prior to decisions being made.
- 11.3 Staffing changes because of the Organisational re-design are being careful managed and a formal consultation approach is being taken. Full EIAs are being carried out as part of this process.

Legal

- 11.4 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.

**12.0 Engagement and Consultation**

- 12.1 The results of the recent residents engagement exercise and the next steps for consultation are detailed in Annex 5(A) and Annex 5(B) of this report.

REPORT ENDS

# Medium Term Financial Strategy

2024/25 to 2028/29

Woking Borough Council



## Medium Term Financial Strategy (MTFS)

2023

Shaping the *future*  
of our borough



**Finance Directorate**

**Q2 2023/24**

**September 2023**

Version: MTFS 202324 Q2

<u>List of Annexes</u>
1 The Working For All Strategy 2022 - 2027
2 The Role of Commissioners
3 The Section 114 Notice & Chief Executive's Response
4 Budget Timetable in 2023/24 for 2024/25
5 (A) The Engagement with Residents: Evaluation
5 (B) Formal Consultation for Potential Changes to Discretionary Services
6 List of Proposed Savings
7 Budget Planning Assumptions
8 The MTFP
9 MTFP Change Log
10 Risks
11 Companies: Structure of Portfolio

## Introduction

### Statement from the New s151 Officer

This report has been prepared after extensive internal work in what continues to be a very challenging financial context. The financial commitments that Woking BC has created are beyond the capacity of an organisation its size to cope with. The work being undertaken by Officers, Commissioners and Members through the Improvement and Recovery plan aims to tackle this legacy by putting in place firm governance and a clear savings programme to reduce the level of spending on services to one that balances operational budgets. These actions will put in place the basis for a minimum viable level of services but will not resolve the historic debt issues. To deal with that the IRP also includes a significant review of the assets and companies that the council has created – the aim of this commercial work is to minimise further losses to the Council and the wider public purse and to develop a plan to reduce the level of debt.

Woking BC has commenced this difficult work, but as this report shows, there is still much to do to firm up the level of financial challenge and ensure that the IRP can deal with it. The key challenges that this report presents are:

- a. Despite identifying a significant level of potential savings for consultation, additional costs have been identified that have increased the scale of the financial challenge in both the current year 2023/24 and next year 2024/25. It is noteworthy and not surprising that the most significant parts of the additional costs relate to Woking's historic investments ie the costs of debt and commercial income from investment assets being below expectations
- b. The level of historic debt led to a s114 notice earlier in the year that identified a £1.2billion deficit. Further technical work is being undertaken with advisers on the treatment of this deficit and how it will impact on this year's final accounts and future years' budgets. At this stage of that work, the difficult issues that need working through, mean that it is not prudent to report a final view on any revisions to the £1.2bn or recommend how the costs should be dealt with. Woking is committed to taking responsibility for its previous actions, but given the scale of the challenge the resolution of the problem will require significant work with advisers, Commissioners and up to Government

Both of these issues will need to be the basis of significant continued work and reports to Members.

Eugene Walker CPFA  
Interim Director of Finance & Section 151 Officer from 1 September 2023

6 September 2023

## The MTFS - Form and Purpose

1. The purpose of the Medium Term Financial Strategy (MTFS) is to set down the approaches that will be used by the Council in assembling, organising and deploying its financial resources to (i) deliver the objectives set down in the Improvement & Recovery Plan presented to Full Council on 22 August 2023, (ii) the Chief Executive's Response to the S114 Notice and (iii) observance of the financial constraints referred to in the Section 114 Notice issued on 7 June 2023 (See Annex 3) and reported to the Extraordinary Meeting of Full Council on 20 June 2023.
2. The MTFS contains a Medium Term Financial Plan (MTFP) which sets out the planning assumptions and financial limits formed by the relevant funding constraints presently assumed. These will be updated quarterly moving forward. This is the second quarterly update since issuance of the Section 114 Notice on 7 June. The updated MTFP appears at Annex 8. Further updates will be required as further insight is gained regarding the Local Government Finance Settlement generally (likely to be released by Government in late December 2023), as savings proposals within the Council are more fully developed and as Commissioners engage with Government to explore prospects of securing a package of financial support in balancing the 2024/25 Budget. In this regard it is important to note that like all Councils, Woking is *required under statute* to set a balanced Budget for 2024/25. The meeting of Full Council on 8<sup>th</sup> February 2024 will be held for this purpose.
3. The MTFS sets out (i) a set of Guiding Principles which have been agreed by Council in July 2023 in seeking to obtain financial balance in the medium term and (ii) the design and operation of specific programmes and other initiatives that will - when fully developed - contribute to savings and cost reductions which are able to be considered in balancing the 2024/25 Budget in the Autumn of 2023 for Full Council on 8 February 2024. The Principles may not be fully developed in the first year of the Improvement & Recovery Plan although it is expected that the majority will be used to frame financial planning for agreement of the Budget in February 2024.
4. This being so, the MTFS (incorporating the MTFP) provides a framework within which the annual Budget can be considered, and eventually set, by Council. Accordingly, this document is to be seen as a dynamic part of the Council's financial operations and is of critical importance on the Council's recovery journey.

## Background & Context

5. On 7 June 2023 the Section 151 Officer issued a Section 114 Notice to the Council which estimated a General Fund deficit ( 'the Deficit') of £1.2 billion by 31 March 2024. This means that on estimates made at that time the Council required £1.2 billion of financial support to enable the General Fund to be balanced as required by law at that date. As set out in the July update of the MTFS that Deficit is currently being reviewed; the results of the review are expected during Autumn of 2023. This reflects the complexity of the technical material needing to be work through in undertaking the work needed. The Section 114 Notice appears at Annex 3 to this report with the Chief Executive's Response.



6. In seeking recovery from the current financial position the Council needs to approach Government to make the case for financial support on a large scale. The journey towards financial recovery entails that the Council needs to take responsibility at a corporate level for addressing the mistakes of past years and to take clear and effective steps - insofar as it is able as a relatively small borough council - to meet a significant part of the Deficit from its own resources. Accordingly, the Council needs to consider all options and opportunities to reduce its debt which will include divesting itself of a significant element of its property portfolio - but with the support of Government and Commissioners who were appointed by the Secretary of State on 25 May 2023 - to do so using methods that deliver the best returns for the 'public purse' generally and allow key services to be maintained. In considering the interests of the 'public purse' the Council will need to consider carefully the additional costs (chiefly debt service) of deferred disposal against the benefits of earlier generation of sales proceeds (capital receipts).

#### Strategic Goals

7. The MTFS has the following strategic goals:
  - a. 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.
  - b. 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.
  - c. 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; and
  - d. To provide a budget and risk structure within which the Improvement & Recovery Plan can be delivered successfully.

#### Key Points of Briefing

8. The MTFS and accompanying MTFP - following a detailed and extensive review - is suggesting that by adopting and delivering savings to the value of £8.5m against the previously adopted £12m target there is a remaining estimated Budget shortfall of £10.8m in 2024/25 at the date of this report. The fact that the figures have changed is not a surprise given (a) the financial position of the Council, (b) given that the financial estimates inevitably change as fresh information becomes available and is taken into the budget forecasts and (c) the nature of historic record keeping and investments.
9. The reasons for the increases in net expenditure are shown in Annex 8 and include the net effect of:
  - a. Additional savings identified of £114,000.
  - b. Net reductions to rental income from the commercial estate in the sum of £1.96m.

- c. Additional costs of borrowing in the sum of £5m relating to the maintenance of the Council's very large borrowing portfolio which exceeds £1.8 billion.

The payment of a parking management fee to VSWL in the sum of £1.544m in 2024/25. A budget had been incorporated into the MTFS from 2025/26, however an agreement needs to be formalised between VSWL and the council to reflect the operation of the management arrangements already in place in 2024/25. This agreement will be subject the negotiation of the terms of a formal contract and will be subject to formal commercial negotiations.

10. Overall, it is drawn to attention that it is no surprise that the Council faces grave challenges in balancing the 2024/25 Budget in respect of the 'business-as-usual' element of the overall shortfall. This is because the revenue budget currently accommodates a gross debt service cost of circa £68m in 2024/25 that is the result of decisions made in the past and the consequences of which have been seen in the Section 114 Notice issued on 7 June 2023.
11. Given the disproportionate size of the Council's investments into investment and regeneration assets when compared to the size of the Council's general fund budget and financial resilience, the focus needs to be on the delivery of service savings alongside the asset management and funding aspects of the Council's operations. To this end the Council needs to develop further its consideration of significant asset disposals and to bring these to decision at pace.
12. The Council has commenced a resident engagement exercise through the summer of 2023 and this is accompanied where required by consultation on a number of savings in services designed to enable the Council to operate within appropriate budgetary constraints. This engagement exercise has helped inform the savings proposed being put forward as outlined in Annex 6. Due to the projected overspend reflected in the Quarter 1 Financial Monitoring Report it will be necessary to bring forward, where possible, some of the savings proposed for 2024/25.
13. A Budget Timetable for the 2024/25 Budget has been agreed by Council in July and this incorporates a high level of challenge and review by Overview & Scrutiny Committee.
14. Aside from the 'business-as-usual' revenue shortfall recently adjusted to £19.4m in 2024/25 the Council also has to deal with the Deficit arising from the Section 114 Notice. The Council and Commissioners need to enter conversations with Government to explore the prospect of a package of financial support from Government in order to assure that a balanced Budget can be lawfully set in February 2024 for financial year 2024/25.
15. The MTFS (and MTFP) will be further updated for the meetings of the Executive, Budget Scrutiny and Full Council in January and February 2024.
16. The Provisional Finance Settlement from Government is expected in late December 2023; on this occasion the agreement of *support arrangements* with Government is of overwhelming importance in allowing Council to set a Budget for 2024/25 and accordingly it is presently assumed that discussions with Government on these matters will have been brought to a focus within this timescale.

## The Guiding Principles

17. In undertaking its financial operations over the period of the MTFS the Council has 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 <i>digital exclusion</i> in doing so.
5	A rolling programme of Service Reviews launched as part of the <i>Budget Gateway</i> 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 <i>negative</i> balance on the General Fund of £1.2 billion (7 June 2023 estimate). 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. In the long term 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).
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.

### Financial Challenges: Governance & Decision Making

18. A full Budget Timetable appears at Annex 4 to this report. It must be noted that - following the Intervention announced by the Secretary of State on 25 May 2023 - the Commissioners will in support of the Executive - consider and receive the materials referred to below and will guide and advise the Council in fulfilment of their supporting role as part of the overall process.
19. In summary, the following arrangements are envisaged for Budget decision making in the period to the setting of the 2024/25 Budget in February 2024.
- a. That Overview & Scrutiny Committee hold a Budget Enquiry and Review meeting to consider the Budget proposals in September 2023; the recommendations to be reviewed by the Executive meeting on 14 September 2023.
  - b. The Medium Term Financial Strategy will be reported to the meeting of Full Council on 28 September for the recommendations to be agreed.
  - c. Consideration of draft proposals for a balanced budget in 2024/25 to be undertaken by the Executive with Commissioners by 30 November 2023 and – following consultation (and any adjustment needed) adopted for forwarding to the Budget Scrutiny Meeting of the Overview and Scrutiny Committee on 22 January 2024.
  - d. The Executive to receive the recommendations from Overview and Scrutiny Committee at its meeting on 1 February 2024; and
  - e. Full Council to consider the setting of the 2024/25 Budget on 8 February 2024.
20. The Budget timetable has been considered by the Audit and Standards Committee on 7 July 2023 so that (i) it may take assurance on whether the Council has a thorough and appropriate process in mind for preparation and agreement of the Budget and (ii) whether it has any recommendations for officers as to the character and timetable for budget preparation.

### Consultation & Engagement

21. It will be noted that this Budget timetable envisages public engagement in July and August 2023 and public consultation in October and November 2023. Further explanation appears at Annex 5(A) and Annex 5(B).
22. The engagement with residents commenced in early July 2023 and formal consultation with staff and trades unions commenced from 24 July 2023. At the date of this report, the scale of the savings proposals is expected to be consistent with a reduction in headcount at this point of approximately 60 FTE in the Council overall. As part of this process briefings with staff, trade unions and other stakeholders have been scheduled accordingly. The Council will

comply with its obligations under statute in all respects in undertaking these activities.

#### Engagement with Residents

23. In line with the arrangements set out above the Council has launched engagement with residents of the Borough to gather feedback to guide the Council in forming decisions as to how to deal with the budget shortfall and Section 114 Deficit. There is a need to understand services that are valued most by residents to inform the decisions that must be made. That said the scale of the Council's budget shortfalls entails that savings must be taken from some part of the Council's current service offer.
24. This engagement outlined the significant financial challenge faced by the Council including the need to meet the budget shortfall identified for 2024/25 although this estimate has since been revised upwards. In particular residents were reminded that it is necessary for the Council to make difficult decisions about discretionary services. If such services are able to continue there is a need to remove subsidy and increase the costs met by service users, transfer the services to partners outside of the Council or cease the provision of specific services. The responses to the engagement are set out in Annex 5(A).

#### Statutory Consultation

25. The Council has also committed to statutory consultation (to statutory timelines where appropriate) building on work already undertaken. Where needed, this consultation will run for 6 weeks and the findings will be used to inform a final recommendation for adoption which will be submitted to the January 2024 Executive and the February 2024 meeting of Full Council when decisions are made for the Budget and Council Tax for 2024/25. The process to be used as well as the statutory services that will be consulted upon appear in Annex 5(B).

#### The National Financial Background

26. The National economy is being driven by international economic events not least the impact of the war in Ukraine, ongoing issues with international supply chains and the ongoing impact of the Pandemic. One of the key issues that has emerged is the emergence of high levels of inflation in energy, food and other products and commodities which has caused very significant inflationary pressures in wholesale and retail markets across a range of goods and services; naturally these pressures have also related to increases in labour costs. The resulting inflationary pressure has not been seen in the UK economy since the very high levels experienced during the late 1970's and early 1980's.
27. In recent years Local Government has received a much higher proportion of funding from local rather than national sources as has historically been the case. It follows that Government has inherited a position where it no longer has the appropriate levers or – following the support afforded to communities and businesses through and following the Pandemic and energy crisis – the resources to meet the inflationary pressure in the cost of service delivery.
28. The result is that much of the financial pressure has been left for local councils to manage and this has resulted and will continue to entail a need for largescale savings across the Local Government sector. In Woking's case the position

has been exacerbated by the decisions made by the Council between 2007 and 2021 which has resulted in the largest financial deficit to date in the history of UK Local Government.

#### The Pandemic and ongoing Societal Changes

29. The ongoing impact of the Pandemic has resulted in a number of behavioural changes at a societal level which result in additional costs for local authority budgets. Examples have included but are not confined to:
- a. Higher waste collection costs.
  - b. Pressure on the collection of commercial rents.
  - c. Changes in the demand for office accommodation associated with the emergence of 'working from home' as a 'new normal' and which has stalled temporarily the lettings market whilst organisations consider their policy options.
  - d. A consequential adverse impact on car parking income. Prior to Covid, the Council generated around £7m p.a. of income from its off street car parks. This fell by 70% in 2020/21 and whilst this is recovering, the 2022/23 income was still 31% below pre-pandemic levels.
  - e. Retail lettings generally through reduced footfall in retail outlets.
30. Although some of these effects are estimated to recover towards former levels in the medium term (particularly commercial rental income and car parking revenues) the evident financial pressures are expected to continue into the medium term. This is the case in Woking as for other councils.

#### Financial Planning Assumptions

31. The following paragraphs set out a suite of headline planning assumptions which inform the construction of the MTFP; greater detail is presented in Annex 7. These will be reviewed on an ongoing basis for the next quarterly update of the MTFP to be prepared for the meeting of Full Council on 8 February 2024.

#### Council Tax

32. As a response to the inflationary pressures in the economy the Government at the last Finance Settlement (2023/24) raised the referendum threshold for Council Tax increases to an overall total of 3% for lower tier councils such as Woking. The level of the council tax cap for 2024/25 is presently unknown but for planning purposes - in expectation that inflationary pressures will continue to be significant in the economy – it is assumed that an annual increase of 3% will apply in future years. Even at this level, the Council's spending power will decrease in real terms if - as seems likely - inflation continues to erode the value of money in the short and early medium term.

33. The increase in Council Tax will be a decision of Council in each year moving forward but to do other than maximise potential increases would imperil the Council's ability to sustain statutory services at a reasonable level. At this update of the MTFP it is unknown whether Government will permit a higher Council Tax for Woking as has been agreed in other councils suffering financial distress; further, at the time of writing local sentiment on such a proposal - were it to emerge - is not presently known.

#### National Non-Domestic Rates (NNDR)

34. The Government has for some years been considering reform of the NNDR system amid concerns from the business sector that the Rate imposes an unwarranted burden on the commercial sector. To this point no firm proposals have been brought forward by Government and so the MTFP uses the existing methodology to forecast the yield in the forward period of the Plan. In addition, for Woking, the continued existence of the Surrey NNDR Pool to which the Council presently belongs is assumed at this time.

#### The Historic Investment Programme

35. The Deficit that has been estimated in the recent Section 114 Notice and to which the Council adopted the Chief Executive's Response at Council on 20 June 2023, has entailed that on the basis of cost avoidance the Investment Programme as configured to this point has been *suspended*. In the future, capital expenditure will be planned and delivered through a new capital programming methodology that is referenced below.

#### A Renewed Capital Programming Methodology

36. A new planning methodology will be drawn up when the proposals for balancing the 2024/25 Budget are fully formed and presented with a revised Capital Strategy to Council on 8 February 2024. For financial year 2024/25 and within the period of this MTFP the following *Capital Planning Principles* have been adopted by Council in July 2023 to form the Capital Programme which will be presented to Council on that date. Proposals that do not fall within these 'Capital Principles' will not be included within the Draft Capital Programme.

- a. Items of programming that relate to essential health and safety works and deliver compliance to the regulations within in the Council's property estate.
- b. 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.
- c. 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.

- d. Any schemes that can be shown to be wholly funded from external resources without implying additional cost burdens for the Council.
- e. 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.

#### Reserves & the General Fund Deficit

37. In previous years the Council has sometimes used significant contributions from Reserves to support service delivery. As a result of the Financial Review undertaken to inform the recent Section 114 Notice (7 June) it can now be seen that the Council has no reserves because the General Fund should have been showing a negative balance since at least 2017/18. Accordingly, the Council cannot use such reserves as a funding source in forming the 2024/25 Budget.

#### Treasury Management: Improvement

38. The Council holds a debt portfolio exceeding £1.8 billion for which the annual debt service costs are estimated at c. £68m per annum. The Council has neither the resources nor the funding to manage the risks associated with this portfolio and – as implied by the Section 114 Deficit (£1.2 billion) – there is a risk that much of this money may not have been well spent. This is because the assets created have recently been revalued downwards (i.e. impaired) compared with the cost of acquisition and construction of many of those assets.
39. A recent management review of Treasury operations in the Council has indicated that significant improvement is needed in the Treasury Management Strategy, the Capital Financing Strategy, the Prudential Indicators and associated documents that are required as part of the Treasury Management and Capital Accounting Codes of Practice (which are 'proper accounting practices' under the relevant legislation and with which compliance is mandatory). This work will be set in train and presented to Council on 8 February as part of the suite of papers that form the Budget Report for 2024/25 and its supporting strategies and plans.
40. The same management review has indicated that there is little scope to reschedule the loans portfolio to obtain better Value for Money (VFM) under present operating conditions and so operations are likely to be confined to accurately forecasting the budget estimates for interest payable and interest receivable to inform the budget position for 2024/25. This work will be kept under review during the Autumn of 2023.

#### Funding of the Companies

41. , The Council has traditionally furnished its group companies with cash drawn from the PWLB for capital purposes to create the fixed assets now lying in the companies' accounts. In addition this has led to the subsidising of the operating expenses of the companies. As the latter is (i) not compliant with the Council's responsibilities under Section 25.1.b of the Local Authority Capital Financing



regulations 2003 and (ii) is clearly unaffordable given the Deficit faced by the Council this practice is now suspended *indefinitely*.

42. Accordingly, the Boards of the relevant companies will need to take advice from advisers appointed for the purpose by the Council with regard to their consideration of and response to this position. This point is made without prejudice to the point made elsewhere in this report whereby business cases which may entail further investment may be put forward to Government for specific support where this supports the optimisation of VFM for the 'public purse' generally.
43. On a wider basis the Council is considering and will continue to consider the advice of the leadership team, statutory officers and Commissioners with regard to the feasibility of seeking specific support from Government in order to complete certain aspects of the original Investment Strategy where there is a business case for doing so.

#### The Finance Settlement 2024/25: Forecast and Key Points

44. The Provisional Local Government Finance Settlement for 2024/25 is likely to be published in late December 2023 and will become Final in late January or early February 2024. Accordingly, at this stage in the planning process an assessment is made of the forecast position with regard to the content of the Finance Settlement at that future date. These assumptions will be improved and revised as information becomes available.
45. The key points of briefing in relation to the Forecast are:
- a. New Homes Bonus – The Government has been considering reform or phasing out of New Homes Bonus and currently the grant is calculated on a one-off annual basis. In the absence of detailed consultation by Government it is assumed that the Council will receive £231,000 in 2024/25 and future years of the MTFP.
  - b. Controls on use of packaging and waste volumes – the Government is planning to establish a system where the producers of packaging waste are charged a levy related to the waste volumes that result such that the proceeds - net of regulatory costs - are passed on to local Councils. The assumption made generally in the MTFP is that the incoming monies will need to be reinvested in waste services and that, accordingly, there will not be a net benefit to the Council from this scheme. This assumption will be reviewed for the next update of the MTFP; in addition Government has deferred implementation until 2025/26.
  - c. Revenue Support Grant – in the absence of Government policy advice this is currently assumed to be unchanged from 2023/24 at c. £100,000.
  - d. Planning Fees – in the period ahead Government is expected to set revised planning fees that are significantly higher than is presently the case. The results of this decision – if received by February 2024 – will be built into the final budget proposals.

- e. Collection Fund – the working assumption is that Council Tax is assumed to increase by 3% throughout each year of the MTFP, the maximum permitted under current Government guidance. The Collection Fund is assumed to be in balance for the current review without any surplus or deficit but this will be reviewed in depth for the next update of the MTFS.
- f. The NNDR Pool - it is assumed that the Council will continue to be a member of the Surrey-Sutton Business Rates Pool in 2024/25 and future years and it is also assumed that the Government will continue to permit the operation of such pools as a matter of policy.

Other Planning Assumptions

46. Further planning assumptions made in the Medium Term Financial Plan appear at Annex 7.

The Fit for the Future Programme & Savings Adopted

47. The Fit for the Future Programme has been operating for the last 12 months with the aim of securing recurring financial savings to support the Council's budget processes on an ongoing basis. The separate phases have been divided into (a) Phase 1 and 2 and (b) Savings to be committed and taken in order to contribute to balancing the MTFP.

Fit for the Future Phases 1 & 2: Review

48. A review of phases 1 and 2 has taken place to assess whether the targeted savings were actually delivered in 2022/23 and 2023/24 as planned. Should this not be the case, the additional cost this implies is fed into the forward years of the MTFP as a pressure. At the present time the additional pressure for non-delivered savings is estimated as shown in Table 1.

*Table 1: Fit for the Future 1 & 2 Savings.*

	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
<b>Savings not delivered - carried forward from previous year</b>		22	69	169
<b>FFF 1 &amp; 2 Savings Target</b>	1,752	1,313	235	0
<b>Total Savings Target</b>	1,752	1,335	304	169
<b>Savings Identified for Delivery</b>	1,730	1,266	135	0
<b>Savings not Delivered</b>	22	69	169	169

### Savings to Balance the MTFP

49. Annex 6 contains details of potential new savings for financial year 2024/25. This work – against a target of £12m has so far identified a number of savings which are considered to be feasible and for which consultation has already started or is to commence in the near future. The savings have been developed in 3 tranches as shown in the summary in Table 2. It is recognised that further work will be required to deliver the required savings in 2024/25.

*Table 2 – Fit for the Future 3 Savings*

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

### Flexible Use of Capital Receipts

50. As in 2023/24 the Council will wish to make use of the facility to use capital receipts to fund revenue expenditure used to fund business change and transformation. Any proposals will be discussed with Commissioners and assurance that this provides VFM will be required. For this reason, a plan will be produced and included in the Budget Report for Council on 8 February 2024 following which the plan will be shared with the Government Department (DLUHC) as required in the guidance issued by Government.

### Property

51. The management of property assets is a significant business for the Council and work is proceeding in three strands in order to prepare for the September update of the MTFS.
- A review of commercial rent yields in the Council's portfolio of commercial property assets. Although this market had sustained a level of reduced activity during the Pandemic property enquiries have in the last few months begun to increase; that said the Council has lost key tenants in recent months and this buoyancy in the market is not presently expected to result in additional revenues for the Council in 2024/25. This is partly due to difficult trading conditions and a highly competitive rental market. It follows that estimates of rental income (assessed prudently) in 2024/25 are lower compared with pre-Pandemic levels.
  - As part of the Asset Rationalisation Plan which is being developed alongside specialist advisers the Council is drawing up plans to release net capital receipts. These assets are those which for various reasons do not meet the Council's needs moving forward. It follows that there is the

prospect of reducing borrowing costs, reducing property holding costs and maintenance costs whilst achieving capital receipts that will (i) enable the Council to reduce its debt portfolio and (ii) to provide suitably for the Flexible Use of Capital Receipts as described elsewhere in this report. To date assets of around £30m are the subject of sale negotiations.

- c. A suite of savings proposals from the Property area has been prepared and the total is included in this version of the MTFP. A further review from consultants Avison Young which is expected to be available in Autumn 2023 is expected to bring forward further opportunities for property rationalisation.

#### Re-establishment of General Balances

52. As rehearsed elsewhere in this report the Council presently holds a General Fund with a negative balance estimated at £1.2 billion. In order to signify a break with past practice it will be proposed to Council in the future meetings that a small adjustment from all budgets within the Council be set aside to establish a small General Reserve of £35,000. This will demonstrate a break with the past and will be funded by taking 0.001 % of every budget in the Council. This represents just £100 from every budget of £100,000 in the Council.

#### The Medium Term Financial Plan (MTFP)

53. The Council's MTFP (MTFS Q2 2023/24), 2024/25 to 2028/29 is shown in Table 4. The MTFP is the product of (i) detailed technical analysis (ii) detailed discussion with the Directorates and their respective management teams regarding the pressures identified and (iii) further engagement to assist the Directorates to identify savings to bridge the Budget shortfall identified.
54. In preparing to balance the 2023/24 Budget the Council produced an initial forecast 'business-as-usual' shortfall of £9m for 2024/25 which was revised to £11m following the emergence of additional pressures discussed at Q1. Following a further searching review the overall gross shortfall is estimated at £19.4m, and this, when offset by proposed savings (pre – consultation) could result in a net shortfall of £10.8m. The full detail of the MTFP is shown in Annex 8 and the movements between the original figures and those now presented are shown in Annex 9.

Table 4: Medium Term Financial Plan 2024/25 to 2028/29 [outturn Prices]

Financial Year:	2024/25	2025/26	2026/27	2027/28	2028/209
	£m	£m	£m	£m	£m
Budget Requirement	29.52	29.93	30.35	30.81	34.12
Pressures	4.75	5.27	4.29	4.44	5.14
Revised Budget Requirement	34.27	35.19	34.63	35.25	39.25
Funding	-14.90	-15.63	-16.39	-17.21	-18.07
'Business-as-usual' Shortfall (+)/Surplus (-)					
	19.37	19.57	18.24	18.04	21.18
<b>Proposed Savings:</b>					
MTFS FFTF Savings 3A	3.91	3.91	3.91	3.91	3.91
MTFS FFTF Savings 3B	2.49	3.74	3.99	3.99	3.99
MTFS FFTF Savings 3C	2.14	3.37	3.67	3.77	3.77
Total Proposed Savings	8.54	11.02	11.57	11.67	11.67
Further Savings Required	10.83	8.55	6.67	6.37	9.51

#### The Section 114 Deficit

55. The Section 114 Notice of 7 June reported an estimated Deficit of £1.200 billion by 31 March 2024; the Deficit continues to be reviewed in order to prepare the final accounts for 2022/23 (and earlier years) but also to enable a balanced Budget for 2024/25 to be set by the Council in line with legislation on 8 February 2024. Should it emerge that a balanced Budget 2024/25 may not be achievable then a further Section 114 Notice will need to be issued; however at the present time the Council is working on the assumption that this will not be the case. The Section 114 Deficit with the 'business-as-usual' element removed is shown in Table 5 below.

Table 5: The Section 114 Deficit showing the Negative General Fund net of the 'Business-as-usual' element

		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
		£m	£m	£m	£m	£m	£m	£m	£m
<b>General Fund Balance as originally stated</b>		(30)	(28)	(31)	(41)	(30)	(30)	(30)	(30)
Balance at 1 April a	a								
In year transactions on the General Fund	b	2	(3)	(10)	11	0			
Balance at 31 March c=a+b	c=a+b	(28)	(31)	(41)	(30)	(30)	(30)	(30)	(30)
<b>Restated General Fund balance</b>									
Balance at 1 April	d = n	(30)	73	102	134	199	347	1,181	1,329
Restatement at 1 April 2018 for MRP understated in previous years	e	78							
Revised balance at 1 April 2018	f=d+e	48							
In year transactions on the General Fund	g=b	2	(3)	(10)	11	0	0	0	0
Restatements:									
MRP understated	h	23	32	42	54	67	94	93	73
Revenue loans	i					81	80		
Impairment of loans	j						614		
Understated repair and maintenance budget	k						45	45	45
Budget cost pressures	l							9	10
Other cost pressures	m						1	1	1
<b>Impact on Budget</b>	<b>n=f+g+h+i+j+k+l+m</b>	<b>73</b>	<b>102</b>	<b>134</b>	<b>199</b>	<b>347</b>	<b>1,181</b>	<b>1,329</b>	<b>1,458</b>
Less: Business as usual Pressures adjustment							-1	-10	-11
<b>Total</b>		<b>73</b>	<b>102</b>	<b>134</b>	<b>199</b>	<b>347</b>	<b>1,180</b>	<b>1,319</b>	<b>1,447</b>

56. The definition of the Deficit is designed to (i) inform conversations with Government regarding the prospects for and timing of financial support (ii) to design prior period adjustments to the past accounts and (iii) to inform means of setting a balanced Budget for financial year 2024/25 (including Government support if available) at Full Council on 8 February 2024.

#### Meeting the Section 114 Deficit

57. In order to achieve a balanced position the Council - unlike others which have found themselves in financial distress in recent years - will not have sufficient funding streams to accept a higher debt burden in dealing with the Deficit described in the Section 114 Notice. In the absence of such a possibility it would appear that the Council must seek a very large package of financial support in 2023/24 in order to achieve balance. This would deal with the additional charges arising from Minimum Revenue Provision, revenue use of capital loans and a write down of loans to the companies which had been secured on asset values now impaired.

58. If such a package is not accessed the Council will attract a further Section 114 Notice. This is because, whilst the Council is focussed on efforts to balance the business-as-usual deficit, it has no capacity from its own small resources to take further steps with regard to meeting the charges described whilst at the same time continuing to deliver services.
59. That said, 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 the overall deficit from its own resources. Accordingly the Assets Rationalisation Programme discussed in this report will need to be pointed at reducing the debt portfolio and repaying loans from PWLB.

#### Companies Owned by the Council

60. The Council owns or part owns 24 companies split into 3 categories. As referred elsewhere in this report the Council will not be able to subsidise these moving forward as it has sought to do in the past. This means that the boards of the companies will need to take advice - sources of which have been put in place by the Council - on their particular circumstances, in seeking to deal with the challenges that this may present.
61. The categories are:
- a. Thamesway Group, developing and managing housing regeneration and district energy networks.
  - b. Victoria Square Woking Limited (VSWL) – a significant investment in and redevelopment of Woking town centre.
  - c. 7 other companies of much smaller size but complex historic arrangements.
62. The expectation is that, through work undertaken by staff and external advisers, the Council will have identified options for the company by Autumn 2023. The Council has informed the companies of the Council's updated cost control process and the companies report they have aligned their own procedures to those measures.
63. The organisation and structure of the Council's company portfolio appears at Annex 11. There is ongoing work to review the structure of the portfolio. This is likely to include reducing the number of companies in the group, seeking to ensure that where possible any companies that remain are viable business operations and add value to the Council.
64. Thamesway and VSWL investments have been wholly funded by the Council, contributing significantly to its high levels of borrowing. The Section 114 Notice draws out the implications of this funding and the response of the Chief Executive to this Notice provides the details of the future actions required to deliver an Improvement and Recovery Plan which includes these elements of the Council's operations.

65. From July 2023 the Council has agreed and continues to develop a new Company Governance model. The Council is now operating a Shareholder Liaison Service and advice is being drawn from specialist advice procured for the purpose. The process of reviewing the companies is complex and activity is being formed under the Improvement and Recovery Programme. This additional support will:
- a. Lead and set up a team of internal resources and external advisers to create a company restructure programme that assess the options for each company, an implementation plan and then follow through to conclusion in order to maximise public value and minimise loss.
  - b. Engage with Companies to ensure they have business plans that are sufficient for the business they relate to and to provide the Shareholder assurance over their investments.
  - c. Work with the Council and companies to develop and implement data driven performance management and reporting systems.
  - d. Work with the Council and companies to provide an integrated and standardised decision making and risk management frameworks.
  - e. Work with and through company solvency arrangements that may arise.
  - f. Engage directly with the senior management of the companies and lead any instructions or negotiations with them.
  - g. Advise on and work with Council officers on the arrangements needed to manage the residual portfolio.
66. The Council has commissioned further consultancy advice on a Commercial Strategy which is now in the final stages of development. This seeks strategic options for completing its key regeneration schemes in the Town Centre and Sheerwater Housing estate that:
- a. Reduces Council borrowing.
  - b. Mitigates and minimises financial risks to the Council.
  - c. Protects financial returns to the Council to support its financial resilience and sustain a level of financial independence.
  - d. Introduces alternative equity investment and options for alternative delivery vehicles that can best commercialise investments made in regeneration schemes.
  - e. Introduces high quality market housing, retail, office and leisure investment and delivery expertise.
  - f. Supports a thriving high street and town centre community.
  - g. Delivers high quality mixed tenure homes, including affordable homes.
  - h. Retains or enhances community infrastructure.



- i. Supports a sustainable Housing Revenue Account (HRA) for the Council's remaining housing stock.

67. This advice also encompasses:

- a. Identification of the full range of strategic options for the Council that:
- b. Recognises the strategic priority outcomes the Council is seeking to achieve as outlined in the Working for All Strategy.
- c. Recognises the limitations that the current status of the regeneration plans places on the deliverability of alternative options.
- d. Scopes out each option, clearly setting out the considerations and necessary actions that would be required.
- e. Compares options against the baseline of continuing with the current plans.
- f. Undertakes a cost-benefit analysis and financial appraisal for each option. This includes, but is not limited to, indicative valuations for any disposals; cost estimates for any refurbishment or redevelopment works; high level tax implications; Council borrowing requirement. Each option is to clearly set out what is delivered in terms of the regeneration outputs and delivering against the strategic priority outcomes in the Working for All strategy.
- g. Sets out delivery plans and timescales for delivering the recommended options.

68. The Commercial Strategy is planned to be available for consideration and reporting in September 2023.

#### The MTFS & MTFP: Governance & Reporting

69. The MTFP will continue to be updated on a rolling basis from this point forward and will be reported quarterly to the Executive, Overview & Scrutiny, Full Council, and the Commissioners. This will enable stakeholders to receive regular briefing on observed changes to the forecasts that are from time to time observed.

#### Risk Assessment & Management

70. The Council has a need to develop structured arrangements to manage risk with regard to strategic and operational dimensions of its operations. The principal risks associated with maintenance of the Council's services within the financial constraints identified in the MTFS and associated MTFP are set out in Annex 10.

#### Summary

71. This document has set out the MTFS and the embedded MTFP and the acceptance and application of these documents can be summarised as follows:

- a. The Council has identified a set of Guiding Principles which will assist in shaping responses to future budget shortfalls.

- b. The Council is aware of the challenging financial pressures that bear on the 2024/25 Budget and beyond and has understood the issues that this presents.
- c. The Council has taken effective action to identify a portfolio of potential savings in the order of £9m to partly balance the 2024/25 Budget shortfall of £19.4m and will continue efforts to identify the full £12m target.
- d. The Council has already taken steps to suspend the Investment Programme indefinitely to contribute to the balancing of the Budget in 2024/25 and thereafter.
- e. It will be key across the years of the MTFS for the Council to maximise funding streams including Council Tax and this should continue – as in previous years – to inform planning assumptions in the MTFS and MTFP.
- f. MTFP Planning assumptions will continue to be refined and reviewed on an ongoing basis; accordingly the figures contained in this report will continue to change, moving forward.

### Recommendations

72. It is recommended to Council that:

- (i) the MTFS and embedded MTFP are an estimate of the Council's current financial position at Q2, noting that the figures will change as further updating takes place;
- (ii) it be noted that the Section 114 Deficit continues to be reviewed but is able to be used for conversations with Government to attain financial support and for other sundry purposes as referred in the report;
- (iii) the Council consults on a number of the proposed savings contained within the MTFS, as set out in Annex 6 to the report; and
- (iv) the Chief Executive, as Head of Paid Service, has the delegated authority to now proceed with the full implementation of Phase Two of the Fit For the Future Programme and associated staffing restructures.

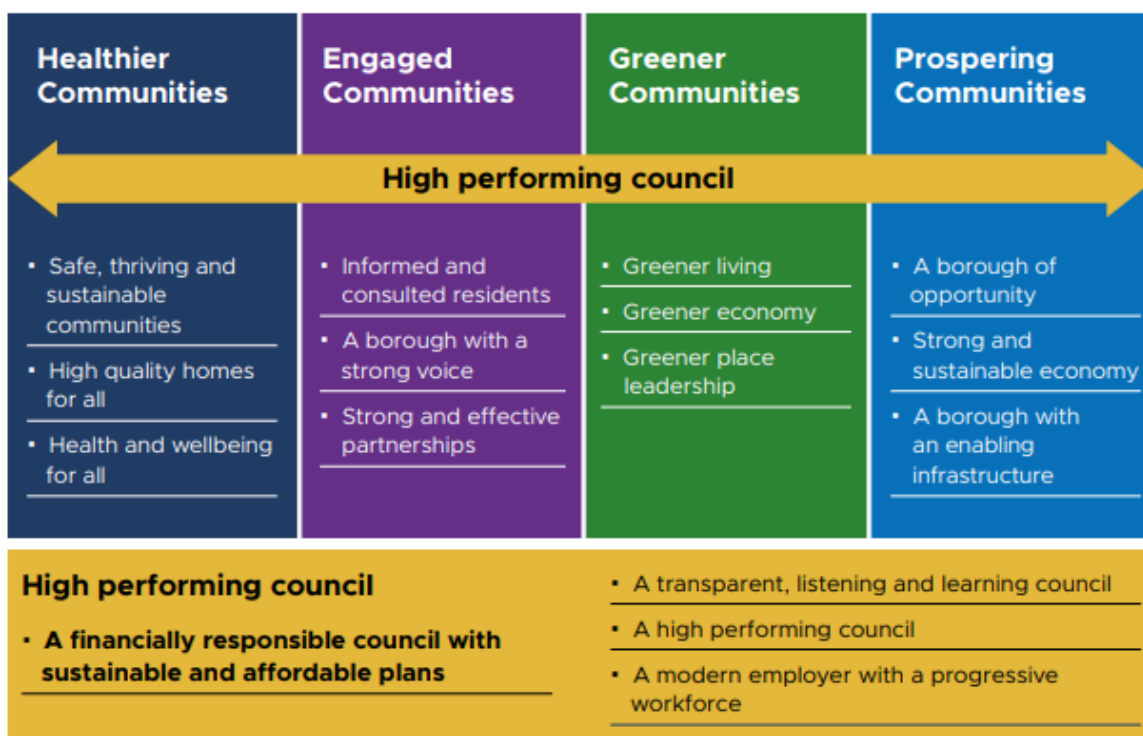
# The priority outcomes

The Council has four community facing priority outcomes: **Healthier communities; Engaged communities; Greener communities; Prospering communities** and one cross cutting, **High performing council**, priority.

These priority outcomes shape our activities and resourcing decisions over the term of this five-year strategy and the priority actions we will deliver in the current year, 2022-2023.

The Liberal Democrat administration has committed to “take on the gradual challenge of major change and take both decisive and targeted actions”. This means we will:

- use the framework of the 'Woking for all' strategy to ensure a managed transition to the new administration and leadership of the Council
- make clear and targeted changes to priority actions in 2022-2023 to ensure our policies and priorities are reflected in these actions
- augment the High performing council theme with a new theme setting out the administration’s focus to ensure a financially responsible council
- work in an open and inclusive way to review the priority outcomes going forward from 2023-2024 to ensure there is a legacy of positive change because of our administration.



### The Role of Commissioners

1. On 25 May 2023, the Secretary of State for Levelling Up, Housing and Communities exercised his powers under the Local Government Act 1999 to intervene in Woking Borough Council. The Secretary of State has done this because he considers that Woking Borough Council is failing to meet the 'Best Value Duty' which all councils have, to secure continuous improvement in how they deliver their functions.

2. The intervention is formed of a set of actions which the Authority is directed to take, and the appointment of commissioners who have been given powers over certain functions of the authority. The range of functions which the commissioners will exercise is broad, relating to financial and commercial governance, strategic decision making and the authority's operating model, as well as other functions.

3. The Directions enable the Commissioners to exercise the following functions:

- All functions associated with the financial governance and scrutiny of strategic financial decision making by the Authority;
- The requirement from section 151 of the Local Government Act 1972 to make arrangements for the proper administration of the Authority's financial affairs, and all functions associated with the strategic financial management of the Authority, to include:
  - i. providing advice and challenge to the Authority on the preparation and implementation of a detailed action plan to achieve financial sustainability, and to close any short and long-term budget gaps identified by Authority across the period of its medium-term financial strategy (MTFS), including a robust multi-year savings plan;
  - ii. providing advice and challenge to the Authority in the setting of annual budgets and a robust medium-term financial strategy (MTFS) for the Authority, strictly limiting future borrowing and capital spending;
  - iii. scrutiny of all in-year amendments to annual budgets;
  - iv. the power to propose amendments to budgets where Commissioners consider that those budgets constitute a risk to the Authority's ability to fulfil its best value duty; 3
  - v. providing advice and challenge to the Authority on the preparation of sustainable and affordable capital, investment and treasury management strategies; a strict debt.
  - vi. reduction plan; and a revised minimum revenue provision (MRP) policy;
  - vii. providing advice and challenge to the Authority on a suitable scheme of delegations for financial decision making;
  - viii. ensuring compliance with all relevant rules and guidelines relating to the financial management of the Authority.

- All functions associated with commercial decision-making, regeneration, property management, procurement and the management of commercial projects by the Authority.
- All functions associated with the governance, scrutiny and transparency of strategic decision making by the Authority.
- All functions associated with the Authority's operating model and redesign of the Authority's services to achieve value for money and financial sustainability.
- All functions relating to the appointment and dismissal of persons to positions the holders of which are to be designated as senior officers and statutory officers, and the designation of those persons as statutory officers, to include:
  - i. The functions of designating a person as a statutory officer and removing a person from a statutory office.
  - ii. The functions under section 112 of the Local Government Act 1972 of:
    - appointing and determining the terms and conditions of employment of an officer of the Authority, insofar as those functions are exercised for the purpose of appointing a person as an officer of the Authority principally in order for that person to be designated as a statutory officer; and
    - dismissing any person who has been designated as a statutory officer from his or her position as an officer of the Authority.
- All functions to define the officer structure for the senior positions, to determine the recruitment processes and then to recruit the relevant staff to those positions.
- All functions pertaining to the development, oversight and operation of an enhanced performance management framework for officers holding senior positions

4. The Secretary of State envisages that most decisions will be carried out by the Authority, with the oversight of Commissioners: they will uphold proper standards and due process and recommend action to the Authority. The Directions set out, though, that the functions set out in the directions shall be exercised by Commissioners; and the Authority must comply with any instructions of the commissioners relating to them. Further, the Authority is directed, to undertake in any of its functions, actions that the Commissioners may reasonably require in order to avoid giving rise to the risk of further failures to meet the Best Value Duty.

5. The Secretary of State's intention is that the powers he is providing to the Commissioners be used to ensure that the Authority takes the necessary steps to achieve the best possible outcome for Woking residents and the public purse. The exercise of these functions should enable the Commissioners to make sure that the Authority has made sufficient improvement within the next five years to be able to comply with its best value duty on a sustainable basis.

The Section 114 Notice

*Link to Chief Executive's Response to the Section 114 Notice:*

- [Agenda for Council on Tuesday, 20th June, 2023, 7.00 pm \(woking.gov.uk\)](#)

**Report to all Elected Members of Woking Borough Council**

**under**

**Section 114 (3) of the Local Government Finance Act 1988**

**by**

**Brendan Arnold FCPFA**

**Interim Director of Finance (Section 151 Officer), Woking Borough Council**

**Date of report: 7 June 2023**

Purpose of Report

1. Members of the Council are asked to consider this report by the Section 151 Officer (the Chief Finance Officer). The report is made under section 114 (3) of the Local Government Act 1988 because the Section 151 Officer is of the opinion that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed resources (including sums borrowed) available to it to meet that expenditure.
2. The Section 114 Notice is issued following statutory consultation with both the Chief Executive (Head of Paid Service) and the Monitoring Officer. At the date of this report that consultation has taken place. Following the issuance of the Section 114 Notice the Council has 21 days to hold a meeting of Full Council to consider the report from the Section 151 Officer and decide how it will respond.
3. The purpose of this Section 114 report is to make it clear to Members of the Council that – following events that have played out over a long period of time and which relate to the Council's Investment Strategy and which has resulted in (a) unaffordable borrowing (b) inadequate steps to repay that borrowing and (c) high values of irrecoverable loans - the Council faces a financial situation of an extremely serious nature. In summary, the Council faces an unprecedented financial shortfall that cannot be funded from resources available to the Council.

## Key Issues

4. Following a searching and continuing review of the Council's financial affairs (the 'Financial Review') the main issues that have come to light are as follows:
  - a. Over a long period of time the Council has been using a business model that incorporated a 50 year payback period and has used assumptions that inevitably entailed that the companies used for asset construction and ownership would return accounting losses over a long period of time. The Council – having insufficient revenue resources to fund these operating losses – has chosen to fund them by advancing monies sourced from loans supplied by the Public Works Loans Board (PWLB). Reflecting the business model used, loans have been advanced to the Council's companies for capital purposes (i.e. the construction of fixed assets or laying out of land under the relevant legislation) *and* revenue purposes (i.e. to meet operating expenses). Where the loans have been used for *revenue* purposes, this practice falls outside Regulation 25(1)(b) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, as amended.
  - b. The Council has been setting aside insufficient monies for the repayment of debt. The Council's debt portfolio is £1.8bn at 31 March 2023 and the Minimum Revenue Provision (to repay debt) appears to have been undercalculated since 2007/08. This will result in an additional charges to the Revenue Account (in 2023/24 in the region of £95m) and an average in the region of £75m in each year moving forward.
  - c. In addition, as a result of the under-calculation, the opening balances in the historic suite of final accounts at 1 April 2018 will need to be re-stated by c. £80m and *prior period adjustments* (totalling £220m) made to the financial accounts prepared by the Council for the years from 2018/19 to 2022/23. The under provision for repayment of debt also affects the Council's Medium Term Financial Plan which will face additional charges in each year moving forward. In order to explain the impact, if the additional charges of c. £75m in each year were to be funded by service reductions, this would mean that the Council could no longer afford to provide any services at all and would still see a net budget shortfall.
  - d. The Council has passed the majority of the loans drawn down from the PWLB to various of its companies (£1.3 billion in total) principally Victoria Square Woking Limited (VSWL) and Thamesway Group Limited (TL). Most of these loans were applied for capital purposes (as is correct), but a significant proportion (up to c. £160m) is likely to have been used to fund *revenue* expenses which is not in accordance with Regulation 25(1)(b) of the Local Authorities (Capital Finance and Accounting)(England) Regulations 2003, as amended. If loans were advanced for a revenue purpose these should have been treated as revenue expenditure in the Council's accounts rather than funded from borrowing; this raises the prospect of a corrective charge.

- e. The majority of the assets created by the Investment Programme that has been in delivery over a number of years lie within the accounts of the Council's companies (some of which are joint owned with commercial parties). These assets have been re-valued by experts in the field and it is clear that asset values have diminished substantially over time and further valuation work will be required to bring these values up to date.
- f. It follows that the loans advanced by the Council to the various companies need to be adjusted to reflect impairment of the underlying assets in a sum exceeding of £600m. This has an adverse impact on the security available to the Council in terms of the loan advances made.
- g. The *core funding* of the Council in financial year 2023/24 – comprising Council Tax, Business Rates and Government Grants - is just £16m. The size of the debt portfolio acquired by the Council (£1.8bn) is out of step with the funding streams available.
- h. Aside from the above, arising from a deterioration in the performance of its acquired assets against the original commercial targets as a result of economic factors (including general inflation, energy inflation, reduced parking revenues owing to homeworking, moderated high street spending through internet shopping), the Council is already facing a 'business-as-usual' budget shortfall of £9m in financial year 2024/25 and thereafter. This shortfall is likely to increase as additional pressures are identified at the next update of the MTFs. In addition, the repair and maintenance budget is estimated to be insufficient by £45m per annum based on the value of the Council's asset portfolio at 31 March 2021 and industry benchmarks for repair and maintenance budgets. Overall, the balancing of the 2024/25 Budget will result in very significant reductions in both budget and service levels.
- i. The existence of the factors set out in this report, render the forward budget shortfalls unbridgeable; there is no prospect that the Council will balance its budget in 2023/24, 2024/25 or the successive years without external intervention on a very large scale. On this journey, the enriched service suite that the Borough has enjoyed over a number of years will need to be removed or alternative funding sources found. In this regard, work has been underway for some months to bring forward proposals to offset the £9m budget shortfall - as adjusted by additional cost pressures – already identified.



- j. When the overall deficit complicit with the points set out above is calculated, and because calculation of the charge for Minimum Revenue Provision entails a suite of *prior period adjustments* in the financial accounts for years past, the Council presently has an estimated negative General Fund balance of c. £350m at 31 March 2023. The negative value of the General Fund at this date is forecast to more than triple to around £1.20bn by 31 March 2024. In order to resolve this position the Council will need a commensurate injection of cash or removal of liability.
  - k. At the date of this report the Council is working towards definition of the revenue outturn position for 2022/23 against budget. It is considered likely that an overspend will be identified; in this case for the reasons set out above in this report there are in reality no cash backed reserves available to fund this overspend because the General Fund balance is negative.
5. It should be noted that the figures quoted in the above paragraphs will change as the ongoing work of the Financial Review continues in the period ahead. However, the matters defined so far do not allow any doubt as to the scale and breadth of the financial challenge described in this report.

#### Consequences of the Section 114 Notice

6. The issuing of the Section 114 report has the following impact on the work of the Council:
- a. A series of Financial Controls will be imposed until Council has had the opportunity to meet and to consider an accompanying report from the Head of Paid Service on how the Council should proceed.
  - b. Many of these Financial Controls will need to remain after the Council has met to consider the Section 114 report. This is because the Council will lack the resources to maintain spending in all areas moving forward.

#### The Financial Controls

7. The Financial Controls will be exercised by a Financial Control Panel (FCP) and will apply from the date of this report. The FCP will comprise a small team of senior officers selected and chaired by the Section 151 Officer. The controls – which are a statutory requirement when a Section 114 Report is issued – are as follows:

- A. The Council is prevented without the explicit agreement of the Section 151 Officer from entering into any new agreement or commitment for expenditure until Council has met to consider the Section 114 report. These controls may be re-applied after the date of that Council meeting.
- B. Temporary Measures are in force from the date of this report such that all non essential expenditure will stop with immediate effect without the written confirmation of the Section 151 Officer. For the avoidance of doubt noncompliance with this requirement will be considered a disciplinary matter by the Council.
- C. These controls (A) and (B) equally apply where services are being delivered through companies controlled by the Council or where the Council supplies funding to companies that are jointly or partly owned by the Council.
- D. There will be an immediate suspension of the Council's Investment Programme. All expenditures generated by operation of that programme are suspended until the Section 114 Notice has been considered by Council, unless Directorates can evidence that the Council is in contract with suppliers for the delivery of construction works or professional services essential to the continuation of works for which the Council is in contract. That judgement will be exercised by the Section 151 Officer in consultation with Monitoring Officer. On grounds of affordability it is likely that this suspension will continue in the medium term.
- E. The Financial Controls described apply to all Council services, including statutory services, those delivered through Council controlled companies and connected entities. The control framework will be set in place to ensure this happens while ensuring that key services to vulnerable people and those who are homeless are not affected by these controls.
- F. Spending controls will need to remain in place for the foreseeable future i.e. at least for 2023/24 and a progress report on the wider Recovery Plan including progress with the Financial Recovery Plan will be made to Full Council on a quarterly basis moving forward.
- G. Complicit with the position that the Council's loan portfolio is unaffordable the Council's Capital Financing Requirement will be reviewed and re-calculated. In addition, this means that no further loans will be sought from the PWLB unless these are to be applied for capital purposes for which the Council is in contract, for the replacement of existing maturing loans, the maintenance of working capital or other specified matters agreed by the PWLB in conjunction with DLUHC and the Commissioners and the Section 151 Officer.
- H. Insofar as the Financial Controls generally have an adverse impact on the profit and loss accounts of the various companies hitherto in receipt of support - and which is now unaffordable - the boards of those companies may look to the Council to make up for the lost

funding from revenue resources. However, reflecting the financial position, which is the subject of this Section 114 Notice, the Council is unlikely to be in a position to consider provision of such support. Accordingly, there is a responsibility for company boards that find themselves in this position to consider taking professional advice on the options available to them. To provide for this eventuality the Council has taken steps to set in place sources of professional advice to support company boards in these considerations.

- I. If the Financial Controls are not adhered to or for unforeseen reasons do not achieve the required outcomes a further Section 114 report will need to be issued.

#### Support to be Sought from Government

8. Attainment of the actions envisaged in the emergent Recovery Plan will not by themselves resolve the Council's financial exigency. The Council must therefore approach Government to explore the prospect of financial support and to seek views on the provision of such support.
9. It follows that the Council, on the basis of the estimated financial deficit of **£1.20bn** to 31 March 2024 referred to in this report, needs to acquire financial support on a very large scale. For the avoidance of doubt, the Council has no means of funding the financial deficit from resources that are available locally and has a very small funding base (just **£16m** in 2023/24 excluding use of reserves) in relation to the size of the deficit identified.

#### The Legal Framework

10. Section 114 (3) requires that:

“The chief finance officer of a relevant authority shall make a report under this section if it appears to him 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.”

11. The process for issuing a Section 114 report and the effect of it are set out in various sections under the 1988 Act. Subsection 3(A) requires the chief finance officer to consult, so far as reasonably practicable, the Head of Paid service and the Monitoring Officer. Both of these statutory officers have been fully briefed and consulted in the preparation of this report. Further, the Corporate Leadership Team has been fully briefed on the content of this report and have similarly been consulted.
12. Section 115 of the 1988 Act requires Full Council to consider and decide on the report made under Section 114 within 21 days beginning on the day the report is issued. Full Council must consider the report at a meeting where it shall decide whether it agrees or disagrees with the views contained in the report and what action (if any) it proposes to take in consequence of it.

13. Section 115 (6) states that pending consideration of the report by Full Council, there is a prohibition period which runs from the date the report is made to the date of the Full Council meeting. During this period, the Council must not enter into any new agreement which may involve the incurring of expenditure (at any time) by the authority unless the chief finance officer of the authority authorises it to do so.
14. Subsection (6A) states the chief finance officer may only give authority for the purposes of subsection (6) if he considers that the agreement concerned is likely to:
  - a. prevent the situation that led him to make the report from getting worse,
  - b. improve the situation, or
  - c. prevent the situation from recurring.
15. Subsection (6B) requires that authority for the purposes of subsection (6) shall:
  - a. be in writing,
  - b. identify the ground on which it is given, and
  - c. explain the chief finance officer's reasons for thinking that the ground applies.
16. Subsection (8) states that if subsection (6) is not complied with, the Council shall be taken not to have had power to enter into the agreement (notwithstanding any option to do so under contract or otherwise). Therefore, the Council's actions will be deemed unlawful.
17. Section 116 requires the Council to notify its external auditors of the report and the time, date and place of the full Council meeting. The external auditors also need to be informed of the outcome of the meeting as soon as practicable. The external auditors have been kept informed of the emerging financial position and the planned work. The external auditors will need to consider the implications of this report on their statutory functions and the implications for their opinion on the 2019/20 and subsequent accounts which remain unaudited at the date of this report.
18. CIPFA guidance recommends that informal contact is made with DLUHC, lead members and statutory officers in advance of issuing a Section 114, to undertake a level of scenario testing and to ensure a robust action plan to address the issues raised is able to be prepared. Lead members have been kept up to date on the emerging budget situation, as has the Executive and the key statutory officers and there has been regular liaison with DLUHC officials and professional advisers including *CIPFA Solutions* and others.

19. The Council's legal duties around budget setting are set out in Section 31A of the Local Government Finance Act 1992, which states:

(1) In relation to each financial year a billing authority in England must make the calculations required by this section.

(2) The authority must calculate the aggregate of:

(a) the expenditure which the authority estimates it will incur in the year in performing its functions and will charge to a revenue account, other than a BID Revenue Account, for the year in accordance with proper practices.

(b) such allowance as the authority estimates will be appropriate for contingencies in relation to amounts to be charged or credited to a revenue account for the year in accordance with proper practices.

(c) the financial reserves which the authority estimates it will be appropriate to raise in the year for meeting its estimated future expenditure.

(d) such financial reserves as are sufficient to meet so much of the amount estimated by the authority to be a revenue account deficit for any earlier financial year as has not already been provided for.

(e) any amounts which it estimates will be transferred in the year from its general fund to its collection fund in accordance with regulations under section 97(2B) of the 1988 Act,

(f) any amounts which it estimates will be transferred in the year from its general fund to its collection fund in accordance with section 97(4) of the 1988 Act; and

(g) any amounts which it estimates will be transferred from its general fund to its collection fund pursuant to a direction under section 98(5) of the 1988 Act and charged to a revenue account for the year.

20. The findings of the continuing Financial Review are such that the financial parameters described above and which were considered by the then Section 151 Officer when Council met on 27 February 2023 to agree the Budget for 2023/24 now need to be reviewed and considered in the context of a revised Medium Term Financial Plan and Strategy. The intention is to present a revised MTFs in July 2023. Accordingly, the Council will seek to open discussions with Government to inform this reporting timetable.

21. Following these considerations Council may wish to call for a revised Budget for 2023/24 in order to endorse:
- (a) the financial support arrangements which may then pertain.
  - (b) to agree budget savings for 2024/25 in order to reach for savings in advance of the 2024/25 financial year; and
  - (c) to receive a report on how the Financial Review has led changes to financial management arrangements on a broad front.

#### The Financial Review - Background

22. The Council has been in dialogue with DLUHC – the relevant Government Department - since May 2022. This dialogue focussed on the very large loan portfolio held by the Council and risks around the ability of the Council to manage the scale of operations then in place. As a result of this engagement the Council was offered and welcomed a non-statutory review by DLUHC that commenced in December 2022; the report from this review was published in May 2023.
23. In setting the 2023/24 Budget in February 2023 the then Section 151 Officer approved the setting of a balanced budget through use of reserves but did so with the cautionary advice that ‘the Council was in Section 114 territory’. Further information was included in the Section 25 report which formed part of that Budget Report.
24. On appointment, having taken note of work already undertaken by the leadership team and having made further observation, the new Section 151 Officer with support from that team (a) presented an updated MTFs to the Executive and Council (from 23 March 2023) and (b) commissioned a suite of work to unpack and define aspects of the Council’s financial affairs. This work, undertaken with support from professional advisers including *CIPFA Solutions* and other specialists comprises the Financial Review referred to in this report. This work is ongoing.

#### Detailed Points Arising from the Review

25. The key findings arising from the Review and which have been operating in the Council for some considerable time period (with the exception of (g) prior to 2016) include:
- (a) A weak financial control environment.
  - (b) Sub-optimal record keeping.
  - (c) Weak management review processes.
  - (d) Weak understanding of accounting guidance.

- (e) Weak understanding of statutory requirements in respect of accounting arrangements.
- (f) Insufficient resources generally to manage successfully the scale and complexity of the company structures, assets and liabilities that had been brought into existence by the Council over many years.
- (g) The absence of external audit opinions on the Councils accounts since 2018/19.

26. The Financial Review commissioned by the current leadership team has brought to light and defined the financial deficit in the Council. The financial challenges with which the Council is faced have been acquired over a long period of time and in particular have accelerated between 2016 and 2021. It is likely that further issues will arise in the coming months as more work is completed and the recovery planning is developed fully to set the Council's financial affairs on an appropriate course. It follows that these matters will take some time to resolve and the estimated timeline until a substantive recovery has been achieved is likely to be two years from the date of this report. That said, the financial recovery is being pursued at pace and a plan for the first 100 days is being prepared as a component of the wider Recovery Plan and action is already being taken as part of this greater whole.

27. It is notable that had the issues now being drawn out been understood in previous years (i.e. before 2021) the Council would have had grave difficulty in setting lawfully balanced budgets in the period since 2018/19. The following points are relevant:

- a. The current estimated negative General Fund balance prior to submission of any request for support from DLUHC is c. £350m to 31 March 2023. The additional in-year deficit for 2023/24 is estimated to be in excess of £800m resulting in an overall deficit of almost **£1,200,000,000** or **£1.2bn** forecast to 31 March 2024. This is further described at paragraph (29) of this report.
- b. It is fair and reasonable - given the circumstances - that the Council take all possible steps to mitigate the level of financial support needed from Government in order to set the Council's affairs on an appropriate financial course. To this end the recommendations prepared by the Chief Executive in the accompanying report on this agenda are of critical importance.

- c. The financial deficit identified in this Council has the highest ratio compared to the resource base of any major Council in recent years. The expected deficit at 31 March 2024 (£1.181bn as defined at paragraph (29)) is estimated to be 107 times greater than the amount raised in Council Tax in each financial year (£11m). This raises an important point; that the resource base in this Council is insufficient to accommodate meeting the overall deficit even if capitalised over a very long period of time.
- d. Further Section 114 Notices may need be issued if means of managing the position are not able to be agreed with partners in Government in the weeks ahead. That said, there is a level of confidence that the position faced by the Council is understood in DLUHC and thanks are extended to officials in the Department who have been both supportive and helpful in wider discussions that have so far taken place.
- e. The Minimum Revenue Provision (MRP) calculation to set aside resources for the repayment of debt has not been undertaken in the manner required for a number of years. The additional charge to be made in 2023/24 is in the region of £95m. Given that the charge has been calculated on a basis that is (a) incorrect and (b) lacking a prudent basis it is clear that the Council has not complied with the relevant guidelines and Codes of Practice that apply.
- f. From the observations made there is a high probability that the Council's various reports which have been produced over a number of years to deal with budget setting, financial monitoring, capital programming, capital financing and treasury management have all contained inaccuracies and misassumptions. Improvements are needed to ensure that these documents meet the needs of decision makers through suitable transparency and clarity as the Council moves through the process to achieve recovery.
- g. The Chief Executive has sought to ensure that the incoming external auditor (Grant Thornton LLP) is aware that the leadership team is keen to see the initiation of suitable enquiries to clarify how the matters described in this report unfolded in the period 2016 to 2021. This initiative is supported by the Section 151 Officer and at the date of this report a meeting has taken place between the statutory officers and the incoming external auditor who had already been in the process of forming proposals to serve this need.



- h. The accounts for the Council for 2019/20 are still awaiting an audit opinion from the previous external auditor and the audits for years following have yet to commence. Over a substantial period the leadership team has sought to bring this matter to a focus with the external auditor and Public Sector Audit Appointments (PSAA) (the agency responsible for appointing external auditors to local government). In addition the Standards & Audit Committee has enquired closely on this issue. The delivery of an effective external audit service is a continuing priority for the Council and work continues to bring this matter to a focus with providers and stakeholders in the near future.
- i. The Council has a number of wholly or partly owned companies. Historically governance and financial management processes in relation to these arrangements have been weak and a number are in need of ongoing financial support which – on grounds of affordability – the Council is unable to provide. This being so it is inevitable that unless additional resources can be made available by Government some of the boards of these companies will need to seek advice on available options in the period ahead. The Council has set in place sources of such advice where this is needed and - thanks to the efforts of the Council's leadership team - the strengthened arrangements for shareholder liaison are beginning to enable a more structured approach to governance and decision making.
- j. The Finance Directorate – never of adequate size for the commitments it has faced – has sustained in recent weeks the departure of a number of staff experienced and knowledgeable about the arrangements made by the Council. As at the date of this report the majority of the Finance Directorate Management Team is formed of interim contract staff who have been retained by the Council only recently.
- k. Financial processes, reporting and internal controls need in some cases to be strengthened. Budget monitoring processes in particular are weak and poorly designed. These are being redesigned at pace and support for budget managers is being put in place in the period ahead.
- l. The Housing Revenue Account is under severe financial pressure significantly because the Sheerwater housing development scheme has removed a large portfolio of dwellings from the portfolio of HRA rental properties with commensurate loss of rental income. A HRA Financial Recovery Plan is in development to focus on rent collection, the level of recharges from the General Fund and a number of other key opportunities for cost reduction. The Council does not have a 30 year business plan for the HRA at this time.

- m. The Council's company structures are in need of detailed review and simplification and initial steps have already been taken and resources assigned to begin work in this regard. Given the financial position of the Council, it is likely that the case for using companies to develop assets and run services may be significantly weakened and that alternative approaches will need to be explored through conversations with DLUHC and other Government agencies on the forward journey.
- n. The Council's leadership team has been fully briefed on the conclusions of the Financial Review.

#### Other Issues

- 28. The Council has already noted (See the Medium Term Financial Strategy reported to the Executive on 23 March 2023) that in 2024/25 it faces a budget shortfall of £9m. It is expected that additional cost pressures (estimated presently at c. £1m) will need to be added to this total as when the MTFS is next updated. The shortfall is already being targeted through the roll out of the *Fit for the Future Programme* which is designed to bring forward proposals to enable a balanced budget to be formed. The results of this exercise will be presented as part of the July update of the Medium Term Financial Strategy and will form part of the over-arching Recovery Plan led by Commissioners under the terms of their appointment in pursuit of the Best Value duty held by the Council.

## The Deficit

29. The deficit now faced by the Council from the conclusions of the continuing Financial Review at the present time is as follows:

		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
		£m	£m	£m	£m	£m	£m	£m	£m
<b>General Fund Balance as originally stated</b>									
Balance at 1 April a	a	(30)	(28)	(31)	(41)	(30)	(30)	(30)	(30)
In year transactions on the General Fund	b	2	(3)	(10)	11	0			
Balance at 31 March c=a+b	c=a+b	(28)	(31)	(41)	(30)	(30)	(30)	(30)	(30)
<b>Restated General Fund balance</b>									
Balance at 1 April	d = n	(30)	73	102	134	199	347	1,181	1,329
Restatement at 1 April 2018 for MRP understated in previous years	e	78							
Revised balance at 1 April 2018	f=d+e	48							
In year transactions on the General Fund	g=b	2	(3)	(10)	11	0	0	0	0
Restatements:									
MRP understated	h	23	32	42	54	67	94	93	73
Revenue loans	i					81	80		
Impairment of loans	j						614		
Understated repair and maintenance budget	k						45	45	45
Budget cost pressures	l							9	10
Other cost pressures	m						1	1	1
<b>Impact on Budget</b>	<b>n=f+g+h+i+j+k+l+m</b>	<b>73</b>	<b>102</b>	<b>134</b>	<b>199</b>	<b>347</b>	<b>1,181</b>	<b>1,329</b>	<b>1,458</b>

### Notes:

- i. All figures are at Outturn prices. The figures for 2018/19 are taken from the audited Statement of Accounts. The figures for 2019/20 to 2021/22 are taken from draft accounts for those years as no audit opinions have yet been provided by the external auditor.
- ii. For 2022/23 the balances have been rolled forward from 2021/22. The outturn has yet to be completed for 2022/23 and will impact the In-year transactions on the General Fund at rows b and g above.
- iii. For 2023/24 onwards the balances are taken from the 2023/24 Budget and MTFs reported to Council on 23 March 2023.
- iv. Rows (a) to (c) show the movement on the General Fund balance as originally reported in the Statements of Account and projected forward to 2025/26.
- v. Rows (d) to (n) show the revised General Fund balance after restating the accounts for understated MRP in the years to 31 March 2018 (row e) and annual adjustments detailed in rows (h) to (m).
- vi. The detail of the restatements is in the following paragraphs:
  1. Rows (e) and (h) (MRP understatement) paras 4(b) to (c);
  2. Rows i and j (revenue loans and loan impairment) paras 4 (d) to (f) :
  3. Rows (k) to (m) (repair and maintenance budget understatement and budget cost pressures) para 4 (h).

30. It is clear from this analysis that the Council cannot meet these very large costs from its own resources. The only way forward is to open discussions with DLUHC on the provision of financial support from Government.
31. Council is asked to note that any support made available by DLUHC is likely to require the Council to dispose of surplus property or otherwise secure value from the assets under ownership, in order to discharge at least part of the ongoing financial liabilities that may be incurred by the public purse generally in the years ahead if a package of support is able to be secured. Accordingly, Council needs to prepare itself for such a course moving forward.
32. Similarly, on the forward journey, Council needs to consider that it might be invited to pass ownership of the relevant assets into the care and management of other agencies as part of a *quid pro quo* for financial support if negotiations with Government are able to be undertaken successfully. At this time and pending the opening of discussions with Government on the matter of support the approach preferred by Government in this matter is not yet known.

#### Next Steps

33. The issuing of a Section 114 report is a serious matter and will impact on how the Council operates. Local Authorities however cannot go into Administration or Liquidation as they are backed by taxation and Government. This means that all creditors are secured, contracts in flight are secure and the Council will continue to pay staff and deliver its statutory services, particularly services to the vulnerable and homeless. That said, the Financial Controls referred to in this report will operate from 7 June 2023.
34. Council is required under legislation to hold a meeting of Full Council scheduled for the purpose of considering this Section 114 report and the Chief Executive's Response to this report so that Council can decide on any action to be taken as a result.

#### Future Intervention

35. I will monitor in line with the responsibilities of my office the Council's response to this Notice on an ongoing basis to ensure that sufficient action is taken at pace to address the issues identified. If I am not able to see satisfactory progress, I will consider the issuing of a further Section 114 report. It is also the case that an inability to agree financial support from Government may inevitably lead to further Section 114 reports being laid before Council.

Brendan Arnold BA MA FCPFA DMS  
Interim Finance Director & Section 151 Officer  
Woking Borough Council  
June 2023

## Annex 4

### The Budget Timetable for 2024/25 Budget

	<u>Updated Budget 2024/25</u>	<b>Date</b>	<b>Month</b>
O&S	O&S Budget Meeting	11/09/2023	September
Exec	Executive	14/09/2023	September
Council	Council	28/09/2023	September
	<u>Final Budget 2024/25 Timetable</u>		
O&S	O&S Budget Meeting	22/01/2024	January
Exec	Executive	01/02/2024	February
Council	Council	08/02/2024	February

**Annex 5 (A)**

Annex 5 (A) – Resident engagement survey feedback exercise attached separately

## **Formal Consultation for Potential Changes to Discretionary Services**

### **Savings identification process**

1. Throughout the period from February to April work has been undertaken to review all services that are provided by the Council. The process, referred to as 'Gateway Reviews', set out to explore statutory, discretionary, and business critical functions to produce options of delivery that would deliver savings. The process required senior managers to identify options – one being the statutory minimum level of service that can be provided (minimum viable provision (MVP)), the other options being to provide alternatives to achieve savings or increase income. Each option was reviewed by a panel chaired by the Chief Executive or a CLT member and included other CLT officers to scrutinise the options. All services went through this process.
2. A 'top down' approach was then applied by CLT and the Executive. A set of guiding principles was developed for the new organisation – in summary, the council will be a smaller organisation focused on essential services. Discretionary service areas must have a strong rationale for being delivered by WBC and need to be cost neutral, meaning fees and charges may need to be increased if it allows the service to continue. WBC will look to partners and the voluntary sector for delivery where appropriate. Throughout the change, the council will treat staff and residents fairly and compassionately.
3. The finances of the council mean that it is not able to subsidise services that are discretionary for a borough council to provide therefore a guiding principle is that they must become 'self-funding'; this means that they will be removed unless different models of operation (increased fees, transfer to another Local Authority/partner, community ownership etc.) can be implemented to remove any Council subsidy.
4. A resident engagement exercise was held during the summer to identify which discretionary services residents value most (see Annex 5A). The analysis has been used to support the options that will now be consulted upon. However, the Council acknowledges that the severity of its budget position means that in some cases, decisions need to be taken which do not align with residents' views. Community feedback remains valuable as it will inform the council on the impact that decisions that it is having to consider will have on the borough.
5. The results of the Gateway Review, and the resident engagement through the summer, have led to the following proposed changes that will be formally consulted upon from October:

### **Parks and green spaces**

This was the most highly valued discretionary service in the recent resident engagement exercise. A more detailed review is taking place to inform the options for consultation – due to commence later in the autumn. Options we may look at as part of this review include areas such as closing play areas that are not used frequently, explore lower levels of maintenance, understanding the geographic spread of play areas. Potential savings tbc.

### **Arts, Cultural & Sports Development**

The Council currently subsidises the Lightbox and provides funding support and co-ordination for arts and cultural development. 'Arts development' includes the provision of arts events such as Summer Sounds, support for community groups such as Woking

Community Choir and Dance for Parkinson's classes (through our membership of Arts Partnership Surrey), management of BUZZ theatre, and support for arts organisations across the borough. 'Cultural development' includes enabling and supporting community cultural initiatives such as annual celebrations for Diwali and Chinese New Year as well as other one-off events. The Council also provides funding for Dance Woking. 'Sports Development' includes the provision of Woking's inclusion in the Surrey Youth Games and the support and development of a range of sports clubs and health and wellbeing activities. The proposal to be consulted upon is the removal of Council support and co-ordination for each of these functions. A public consultation will commence on 2<sup>nd</sup> October 2023. During this period, discussions with the partners will be held to identify possible alternative funding sources.

### **Pool in the Park**

The Leisure Partnership has run at a considerable loss since the pandemic closures were enforced. This, combined with the sharp rise in utility prices and the cost-of-living crisis, has made the financial position of this provision very difficult. In the last financial year £1.8M was spent subsidising the entirety of the leisure provision and it is expected to require £900k in subsidy this year.

Pool in the Park specifically amounts to £700k of the subsidy, a large amount of this is capital depreciation and the rest is the significant cost of utilities such as an aging building requires. It is also anticipated that further investment into the building will be required in the short to medium term to keep the building open.

The proposal to be consulted on is the phased closure of this building over the next 3 years, with initial focus on the closure of the Leisure Pool to deliver early savings.

A public consultation will commence on 2<sup>nd</sup> October 2023. There will be further savings achieved through increasing charges over time.

### **Sports pavilions**

WBC currently funds a 13 sports pitches and pavilions. The proposal is to remove funding for these. Assets will be transferred to community groups where possible. A public consultation will commence on 2<sup>nd</sup> October 2023.

### **Public conveniences**

WBC currently provides public conveniences at 12 locations across the borough. The proposal is to remove all public toilets. A public consultation will commence on 2<sup>nd</sup> October 2023.

### **Community Grants**

A community grants scheme is currently in place. Previous beneficiaries of the grants scheme have included Citizens Advice Woking, Woking Community Transport, Your Sanctuary, and Maybury and Sheerwater Community Trust. The proposal is to cease the grants scheme. A consultation with stakeholders of the scheme will take place from 2<sup>nd</sup> October 2023.



## **Woking Translation Service and Voluntary Sector Support**

This is a paid-for service provided to schools, healthcare providers, and other support services co-ordinated by the Council. There are alternative translation service providers available, therefore the proposal is to cease to provide these services to third parties. There will also be a reduction in other support the Council offers the Voluntary Sector. A consultation with stakeholders will commence on 2<sup>nd</sup> October 2023.

## **Café at the Vyne**

Currently, hot lunchtime meals are offered at The Vyne Monday – Friday. The service is primarily used by older or vulnerable residents. This current offer provided at the Vyne and is heavily subsidised. The proposal is to stop providing the café directly and seek a new provider to run it without subsidy. Meals on Wheels will be an alternative provision. A consultation with users of this service will commence on 2<sup>nd</sup> October 2023.

## **Community Centres – day care**

Currently, day care facilities are offered at St Mary's, The Vyne, Hale End Court and Brockhill for frail or vulnerable residents. The service includes care and assistance from support staff, hot drinks and a hot midday meal, social and gentle exercise activities, and a return journey on the accessible Bustler bus. The proposal is to relocate the current day care offer from The Vyne and St Mary's to Hale End and Brockhill Extra Care Schemes. This will remove Council subsidy which will assist in moving the service towards a self-funding model and enable discussions to be held with other community groups to take greater ownership. A consultation with the users of this service will commence on 2<sup>nd</sup> October 2023.

## **Services transferred to partners and therefore not requiring consultation**

As part of the resident engagement, when asked how WBC should tackle its budget shortfall, 32% of respondents to the resident engagement exercise said that the council should find other organisations to deliver services. Following constructive conversations with partners, the council is in the process of confirming alternative delivery arrangements for the following services:

- Social prescribing – team to transfer to another council partner and service to residents retained.
  - Hospital discharge – team to transfer to another council partnerservice to residents retained.
  - Family Centres – Surrey County Council (SCC) to select new provider to deliver service from 1 April 2024.
6. It is important to note that this list does not represent the full extent of savings activities across the Council; this list highlights public facing services that will have the most impact on residents, organisations, and other stakeholders across the borough.

## **Consultation Process**

7. Where possible, consultations will be grouped by theme to ensure that related services can be considered together. As described above, where services are potentially used by all residents, a full public consultation will take place. For the service proposals that will impact the direct users of this service, the consultation will be targeted at those users and stakeholders.

8. Each consultation will start and finish at the same time to ensure consistency across functions, except for play areas, which will commence later in the year. The consultation process will be based around focused questions tailored to the correct audience, which will be informed by customer/user data. The consultations will be issued and managed through the Council's engagement portal. Feedback from the recent Resident Engagement (See Annex 5B) will also inform the public consultations.

### **Equality Impact Assessment**

9. Service leads will be completing detailed Equality Impact Assessments (EIA) for each service to fully understand the risks and implications of removal, reduction, or a change in delivery on residents and users of these services. This will be undertaken in parallel to the consultation process.
10. Surrey County Council are providing support and guidance to WBC to ensure that the public consultation process and the EIAs are robust and comprehensive.
11. The outcome of the Equality Impact Assessment, alongside the findings of the consultation process, will be assessed and used to prepare final recommendations that will be presented to the January Executive for approval.

### **Timeline for Public Consultation**

12. Work will commence to prepare public consultations once approval of the recommendations has been received. The key dates and milestones around this phase are:
  - 2 October to 12 November (6 wks.): Public Consultation around each service.
  - 13 November to 1 December (3 wks.): Consultation/EIA analysis.
  - 18 January: Update and final recommendation to Executive to agree implementation.
  - 8 February: Savings reflected at Council as part of 2024/25 budget setting process.

List of Proposed Savings

**FFtF Savings 3(A)**

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

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

current establishment of 31 FTE across the Planning service.				
Gateway Process / Service review: Building Control. Staff resource review in response to reduction in income, which is forecast to remain at a reduced level in the short to medium term.	66	66	66	66
Gateway Process / Service review: Green Infrastructure. Review of staffing structure in the context of reduction of discretionary services offered, which will include climate change work, play areas and green spaces. This could result in a reduction from 7 to 4 FTE within the service.	171	171	171	171
Gateway Process / Service review: Env Health/Housing Standards  The saving identified for this service area and licensing primarily be staffing which could see the reduction of 4 posts in these service areas.	93	93	93	93
Gateway Process / Service review: Licensing.	37	37	37	37
Gateway Process / Service review: Business Liaison The Council is no longer in a position to support the business liaison function, which is a discretionary service. Staff resources are being reviewed accordingly	313	313	313	313
Gateway Process / Service review: Member Services  The Team provide support to the Councils Democratic and Civic Event services and administrative support to the Corporate Leadership of the Council.  The proposal is to reduce the current staffing by 3 full time equivalent posts through making efficiency savings and some reductions to the level of support provided.	153	153	153	153

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

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

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

**MTFS FFTF Savings 3B -  
Further Investigation**

<b>Source</b>	<b>Amount 2024/25 £'000</b>	<b>Amount 2025/26 £'000</b>	<b>Amount 2026/27 £'000</b>	<b>Amount 2027/28 £'000</b>	<b>Comments</b>
Leisure Services Savings: (This specifically relates to the Leisure Partnership Agreement. For clarity this includes Pool in the Park, Woking Leisure Centre, Sportsbox, Eastwood Leisure Centre and our Sports Pavilions)	900	900	900	900	Savings delivered through removal of Council subsidy, phased closure of Pool in the Park and a move towards a self-funding principle of delivery.
Forensic Review of Council Budgets (Gateway Outcomes)	750	750	750	750	Work is underway to methodically review all Council budgets (supplies and services) to reduce spend. This work is informed by service option assessments as part of the Gateway Review Process.
Organisational Restructure To undertake a review of leadership and roles in the organisation.	0	0	250	250	As part of the move to a 'smaller organisation' that focuses on core services there will be a further need to streamline management and decision making arrangements
Property Services Savings: CCTV Contract Review	72	72	72	72	Saving resulting from reviewing the CCTV maintenance arrangements and moving to a semi-comprehensive contract.



<b>Source</b>	<b>Amount 2024/25 £'000</b>	<b>Amount 2025/26 £'000</b>	<b>Amount 2026/27 £'000</b>	<b>Amount 2027/28 £'000</b>	<b>Comments</b>
Property Services Savings: CCTV Infrastructure Review	40	40	40	40	Delivery of efficiency measures in CCTV operations, including a review of the number and location of cameras.
Property Services Savings: FM Efficiencies	100	100	100	100	Reprovision the Facilities Management contract for the Council's operational properties.
Property Services Savings: Removal of Public Conveniences	203	203	203	203	The savings resulting from the removal of 12 public conveniences across the borough.
Property Services Savings: Removal of Vacant Posts	174	174	174	174	Savings based around services changes and associated structure redesign.
Property Services Savings: Civic Offices Savings	250	250	250	250	A series of operation changes to deliver savings in the running of the Civic Offices.
Grounds Maintenance Contract - Retender	0	1,250	1,250	1,250	The Grounds Maintenance Contract is due for renewal in 2025/26. The scope of the contract will be reviewed as part of the tender process to deliver savings.
<b>Totals</b>	<b>2,489</b>	<b>3,739</b>	<b>3,989</b>	<b>3,989</b>	

## Annex 6..cont

### MTFS FTF Savings 3C - Further Investigation

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

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

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

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

Budget Planning Assumptions

The key points of briefing in relation to the Forecast are:

- a. New Homes Bonus – The Government has been considering reform or phasing out of New Homes Bonus and currently the grant is calculated on a one-off annual basis. It is assumed that the Council will receive £231,000 in 2024/25 and future years of the MTFP.
- b. Controls on use of packaging and waste volumes – the Government is planning to establish a system where the producers of packaging waste are charged a levy related to the waste volumes that result such that the proceeds - net of regulatory costs - are passed on to local Councils. The assumption made in this version of the MTFP is that the incoming monies will need to be reinvested in waste services and that, accordingly, there will not be a net benefit to the Council from this scheme. This assumption will be reviewed for the next update of the MTFP. Government has confirmed that implementation will be deferred until 2025/26.
- c. Revenue Support Grant – this is currently assumed to be unchanged from 2023/24 at c. £100,000.
- d. Collection Fund – the working assumption is that Council Tax is assumed to increase by 3% throughout each year of the MTFP, the maximum permitted under current Government guidance. The Collection Fund is assumed to be in balance for the current review without any surplus or deficit but this will be reviewed in depth for the next update.
- e. NNDR Pool - it is assumed that the Council will continue to be a member of the Surrey-Sutton Business Rates Pool in 2024/25 and future years and it is also assumed that the Government will continue to permit the operation of such pools as a matter of policy.

Inflation

Inflation is held as a contingent sum centrally within the budget structure and will be assigned to services and functions based on need as the financial year progresses.

Fees and Charges

For present estimates it is assumed that fees and charges (aside from those set statutorily) rise on an average of 20% for 2024/25 and 10% thereafter throughout the term of the MTFP. The yield from this is estimated at around £1.6m which includes amelioration for loss of volume arising from the proposed adjustments.

A review of fees and charges will be carried out and the resultant charges figure reported at the MTFP refresh in September 2023. A 1% increase equates to around £110,000.

### Parking Income

Parking charges are presently assumed to rise by 20% in 2024/25 and 10% in each year thereafter; these assumptions will be revised following receipt of the recommendations of the Parking Strategy which is expected in Autumn 2023.

### Commercial Rents

The Council holds a considerable number of properties and from this acquires a substantial commercial rental stream is accrued in each financial year. For financial year 2024/25 the yield – as a result of tenant loss – is expected to reduce. However, within a buoyant market rental income is expected to increase in years afterwards although in competitive trading conditions.

These rentals are important in maintaining key services to the community and – given that a property rationalisation programme is being set in place – the Council will need to seek retention of those assets with the highest yield in forming this programme in the months ahead.

Most business cases that emerge to deliver a significant revenue benefit to the Council for small or modest capital investment are likely to lie within this area of operations.

### Asset Rationalisation and Capital Receipts

In order to demonstrate that the Council is acting to pursue recovery by exploiting its own value base to deliver reductions in the £1.8 billion debt portfolio Council has already been advised (20 June 2023) that a rationalisation programme on some scale would be required. Consultants Avison Young LLP are working up proposals to inform preparation of this programme and the results of this are expected in the early Autumn.

In the meantime the Council's existing disposal activities are continuing and the Council will consider marking a sea change in the character of its operations by using capital receipts to make a contribution to repaying debt in the months ahead.

**The MTFP - Medium Term Financial Plan 2023/24 to 2028/29 - Summary MTFP Q1****2023/24****Summary MTFP Q2****2023/24**

Budget	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	Notes
Service Expenditure - Gross	45,846	48,173	50,583	53,114	58,562	March MTFP assumptions updated for 4% increase in 2024/25 and 5% thereafter
Other Income	(27,607)	(27,607)	(27,607)	(27,607)	(27,607)	
Fees and Charges	(12,291)	(13,213)	(14,204)	(15,269)	(16,415)	March MTFP assumption uplifted by 20% and 10% thereafter (volume mitigation)
Financing Costs	67,857	67,857	67,857	67,857	67,857	Interest cost up due to replacing current borrowing with PWLB loans at higher interest rates
Interest and Investment Income	(44,281)	(45,281)	(46,281)	(47,281)	(48,281)	Increased by £1m p.a.
	29,524	29,929	30,348	30,814	34,117	
Add: Pressures						
Car Park Management Fee	1,466	1,466	1,466	1,466	1,466	Charge from companies
2023/24 Cost Pressures (FFF 1&2)	69	169	169	169	169	Savings not met
Pay inflation	700	1,400	2,100	2,800	3,500	Pay inflation
Commercial Rent	1,960	1,680	0	0	0	
Local Plan	550	550	550	0	0	Unavoidable cost pressure
<b>Total Pressures</b>	<b>4,745</b>	<b>5,265</b>	<b>4,285</b>	<b>4,435</b>	<b>5,135</b>	
<b>Total Expenditure</b>	<b>34,269</b>	<b>35,194</b>	<b>34,633</b>	<b>35,249</b>	<b>39,252</b>	
Funded by:						
Baseline Funding (NNDR)	(467)	(467)	(467)	(467)	(467)	
Surrey Pool NNDR	(2,215)	(2,215)	(2,215)	(2,215)	(2,215)	
Government Grants	(324)	(324)	(324)	(324)	(324)	
Reserves	0	0	0	0	0	
Collection Fund Surplus(-)/Deficit	0	0	0	0	0	
Council Tax	(11,895)	(12,619)	(13,387)	(14,203)	(15,068)	
<b>Total Funding</b>	<b>(14,901)</b>	<b>(15,625)</b>	<b>(16,393)</b>	<b>(17,209)</b>	<b>(18,074)</b>	
Budget (cont)	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	Notes
<b>Savings Required</b>	<b>19,368</b>	<b>19,569</b>	<b>18,240</b>	<b>18,040</b>	<b>21,178</b>	
Proposed Savings FFTF 3A	(3,914)	(3,914)	(3,914)	(3,914)	(3,914)	
Proposed Savings FFTF 3B	(2,489)	(3,739)	(3,989)	(3,989)	(3,989)	
Proposed Savings FFTF 3C	(2,135)	(3,365)	(3,665)	(3,765)	(3,765)	
<b>Sub- Total Proposed Savings</b>	<b>(8,538)</b>	<b>(11,018)</b>	<b>(11,568)</b>	<b>(11,668)</b>	<b>(11,668)</b>	
<b>Further Savings Required</b>	<b>10,830</b>	<b>8,551</b>	<b>6,672</b>	<b>6,372</b>	<b>9,510</b>	

## The MTFP Change Log

**Movement of Savings Target from June 2023 MTFP Report**

	<b>2024/25 £'000</b>
Shortfall reported in June 2023	2,218
<b>Changes since:</b>	
Commercial Rent Pressures	1,960
Car park Management Fee*	1,466
Interest on borrowing	5,300
Additional Savings	(114)
<b>Total Changes</b>	<b>8,312</b>
<b>Revised Shortfall</b>	<b>10,830</b>

\* The car park management fee to VSWL is already included in the 2025/26 budget but has been added provisionally to 2024/25 pending negotiations with VSWL

## Pending Changes:

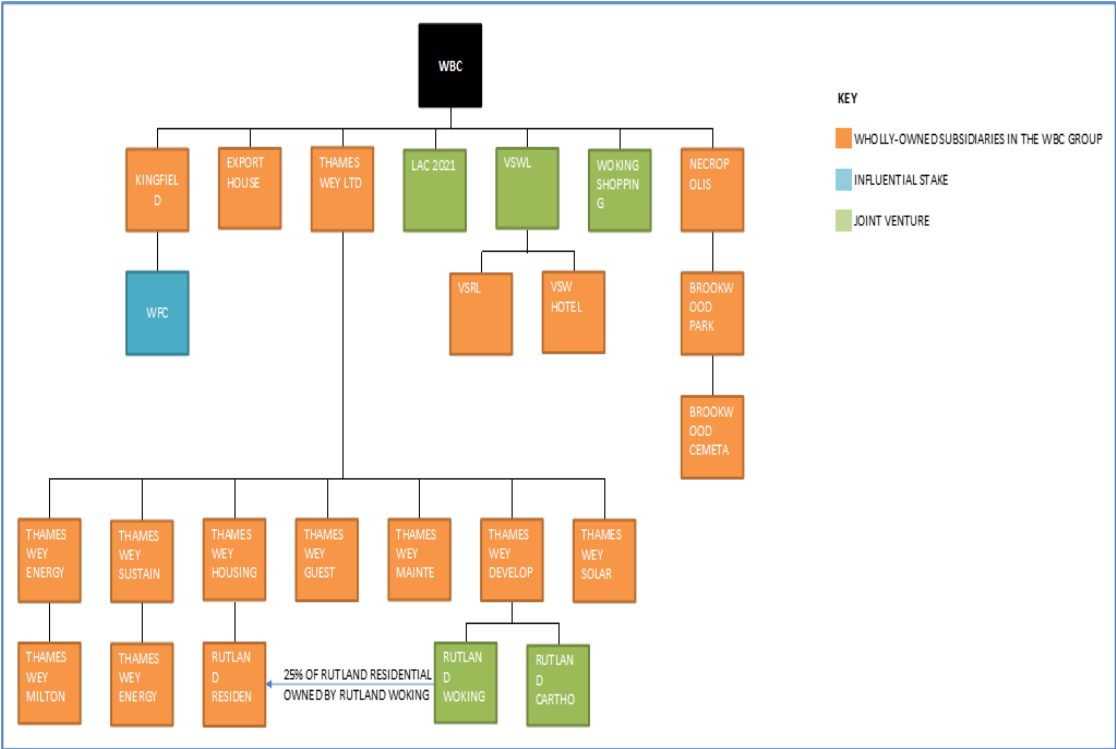
1. The charges from the General Fund to the HRA are being reviewed. NO firm proposals for reductions in the charge have yet emerged and therefore no provision for this has been made at this stage.

Risks: Principal Risks to the MTFS & headline Mitigation

Risks	Headline Mitigation
Failure to constrain expenditures within relevant budget targets.	The Council's financial reporting arrangements including the chart of accounts, budget management approaches, and forecasting are under review. This will be completed in financial year 2023/24.
Failure to prepare for balancing the 2024/25 'business-as-usual' Budget shortfall.	The preparation of this MTFS at this point in the financial year, the generation of savings proposals, the planned launch of consultation and engagement and the promulgation of the Budget Timetable incorporating two meetings of Full Council to take decisions on savings.
Failure to increase Reserves.	The Council has a medium term intention to re-build essential reserves. A small but significant first step is planned for decision of Full Council in February 2024, assuming that the Deficit is able to be funded following the Council's own endeavours to reduce costs and impending discussions with Government.
Failure to negotiate a package of support with Government	Led by Commissioners and the Council's Statutory Officers the Council will seek to open conversations with Government during July 2023.
Failure to deliver savings.	The Council is developing monitoring arrangements for its emergent savings programme as part of regular financial monitoring and improved governance.
Failure to arrange cover for expected cost increases	The Council has set in place a process whereby the MTFP is updated quarterly and the thoroughness of review and analysis will be enhanced on each occasion as additional information becomes available and insight gained. In addition the Council will adjust its fees and charges annually in the future to ensure that the net cost of services is moderated where it is equitable to do.
Inability to Fund the Capital Programme arising from continued rises in interest rates and higher cost of borrowing.	The Council has suspended its previous 'Investment Programme' indefinitely and will organise its capital programme moving forward within tighter controls and governance. These arrangements are referred to in this report and further work will be undertaken by Full Council in February 2024.



Companies: Structure of Portfolio







## Help shape the future of discretionary council services report

### 1. Introduction

Phase one of the public consultation consisted of a resident survey to gather views on what people value most. This included asking if residents would pay more for non-statutory services to enable them to be continued. The council received 8,154 completed surveys by the survey closing date.

### 2. Profile of respondents

There was a good distribution of responses by age that correlated well against the 2021 census, apart from responses from under 18 years and the 18 – 24 year age groups. Overall, 36% of respondents were male, 59% were female, 0.3% identified as transgender/non-binary and 5% preferred not to say.

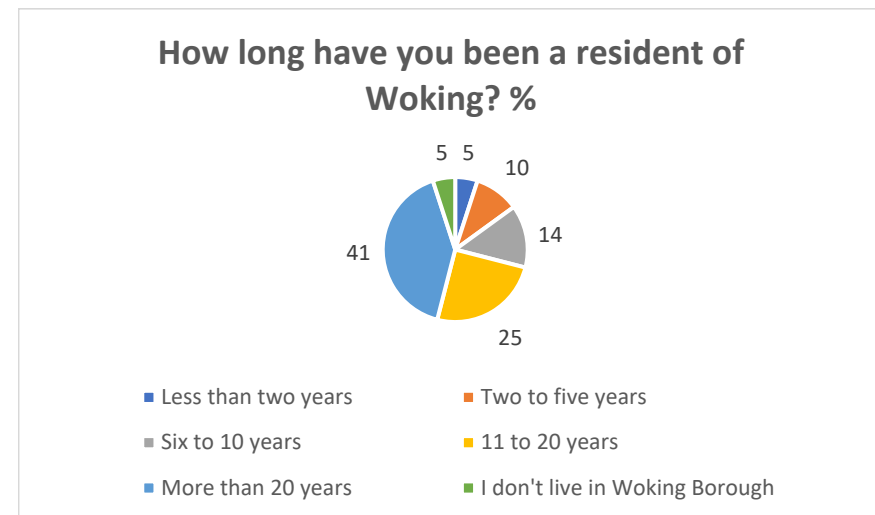
Gender	2021 Census		Survey	
	%	Number	%	Number
Female	50.2	52,300	59.3	4,837
Male	49.5	51,600	35.7	2,911
Transgender/Non-binary	0.3	348	0.3	27
Prefer not to say	0.03	32	4.6	379

Age	2021 Census		Survey	
	%	Number	%	Number
Under 18	24	25,000	1	53
18 - 24	5	4,900	2	125
25 - 44	29	29,800	37	2,992
45 - 64	26	26,900	39	3,197
65 - 79	12	12,100	18	1,503
80+	5	5,000	4	284

92% of people responding to the survey were a resident of the borough, with 7% living outside the borough and a further 2% responding on behalf of an organisation. The majority of respondents have lived in the borough for more than 20 years (41%), with 25% living here between 11 – 20 years and further 14% between 6 – 10 years.

There was a fairly even distribution of responses by ethnicity that correlated well against the 2021 census.

Ethnicity %	Census %	Survey %	Survey Number
White British	67.3	79	6,413
Any other White background	9.8	8.2	666
Prefer not to say	N/A	2.3	190
Indian	3.2	2.2	180
Other Asian background	2.3	2.0	164
Other	1.5	1.5	126
White Irish	1.0	1.5	121
Chinese	1.0	1.0	82
Other mixed background	1.0	0.8	65
White/Asian	1.4	0.7	56
Other Black background	0.2	0.2	18
White/Black Caribbean	0.6	0.2	18
Bangladeshi	0.7	0.2	15
Caribbean	0.3	0.2	15
African	1.3	0.2	14
Arab	0.6	0.1	11
White/Black African	0.5	0	0



### 3. Analysis of responses

#### Q1. Do you understand the severity of the council’s financial position?

Residents feel they have a good understanding of the severity of the council’s financial position, with 57% of respondents saying that they fully understand and 41% saying that they understand to some extent. Only 2% said that they did not understand at all. This generally correlates across all age groups. Groups identifying themselves as living with a disability or long term health condition and over 65 years of age also had a high awareness of the council’s financial position.

Understanding of the severity of the council’s financial position								
Options	Total %	Disability %	80 + %	65-79 %	45-64 %	25-44 %	18-24 %	Under 18 %
Fully	57	58	60	68	58	51	59	38
To some extent	41	39	36	31	40	46	38	55
Not at all	2	2	5	1	2	3	2	8

#### Q2. Which services do you value the most?

The top three most highly valued services across all demographics were access to parks, play areas and green spaces at 55%, closely followed by keeping the borough a safe place for everyone at 53% and keeping our streets clean at 32%. Access to swimming pools (29%) and access to leisure facilities (26%) came in a close fourth and fifth.

Supporting older people to live independently (21%) and supporting families and young people (18%) were also valued, especially for those with a disability and over 80 year olds.

No other service received higher than 10% in this question. Encouraging residents to volunteer was consistently the least popular across all demographics at 4% and did not gain more than 9% support across any age group. Providing spaces for residents and community groups to meet received 6% and did not achieve more than 15% support across any demographic, although this had slightly more value to people over 65 and with a disability or long term health condition.

Access to sports pitches and pavilions, promoting climate change initiatives and supporting arts and cultural opportunities all received 8% support across all demographics.

Service areas valued across demographics								
Demographic	Total%	Disability%	80+%	65-79%	45-64%	25-44%	18-24%	Under 18%
Access to parks, play areas and green spaces	55	42	30	43	51	68	41	43
Keeping the borough a safe place for everyone	53	49	51	51	56	50	44	43
Keeping our streets clean	32	32	32	31	36	36	22	21
Access to swimming pools	29	22	9	19	26	38	26	23
Access to leisure centres	26	17	12	19	26	30	38	26
Supporting older people to live independently	21	40	56	35	23	10	10	8
Supporting families and young people	18	20	11	14	17	22	23	42
Helping new and established businesses to thrive	10	9	10	11	10	9	13	10
Supporting arts and cultural opportunities	9	6	12	11	10	7	10	4
Access to public conveniences	9	17	20	15	8	6	9	6
Supporting community and voluntary groups through grants and subsidies	8	12	11	14	9	4	9	2
Promoting climate change initiatives	8	8	8	8	7	8	18	34
Access to sports pitches and pavilions	8	5	4	5	9	8	18	19
Providing spaces for the residents and community groups to meet	6	10	15	10	6	4	4	4
Encouraging residents to volunteer and play a greater role supporting their communities	4	6	8	9	4	2	5	6

### Q3. In the past 12 months, how often have you used these discretionary council funded facilities?

According to the survey, The Vyne is the most popular Centre for the Community with 6% of respondents regularly using it more than once month. In comparison, St Mary's has 5% and both Parkview and Moorcroft are used by 3% of respondents. 30% of people over 45 use The Vyne, 21% of people over 45 use St Mary's and 8% of people over 45 use Moorcroft. St Mary's and The Vyne are more popular with respondents that are 80 plus or have a long-term health issue or disability. 20% of the younger age groups use Parkview.

The majority of respondents across all demographics said that they have never used the arts and theatre facilities. 92% of respondents have not used Buzz Theatre, 59% haven't used the Rhoda McGaw and 54% the Lightbox. Though the responses for the Rhoda McGaw and Buzz

Theatre may not be a true reflection of the use of these spaces, as Italia Conti Academy use these for rehearsals and shows throughout the year.

Over the past 12 months, The Lightbox has been the most well used of the arts and theatre services on a weekly and monthly basis, but this only amounts to 10%, with the Rhoda McGaw at 5% and Buzz Theatre at just 2%. However, both The Lightbox and Rhoda McGaw have 36% of people using the service a few times a year.

The Lightbox has a fairly even spread across all age groups who use it, including people that have a long-term health condition or disability, which ranges from 6% - 9%. The Rhoda McGaw is more popular with people under the age of 44 years, and Buzz Theatre is most popular with people aged between 18 – 24 years and probably reflects its main user demographics.

Age groups of people that use services more than once a week or more than once a month																
Demographic %	Total		Under 18		18-24		25-44		45-64		65-79		80+		Disability	
	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M
<b>The Vyne</b>	3	3	6	0	2	6	2	3	2	2	5	2	13	6	7	5
<b>St Mary's</b>	3	2	0	2	3	5	4	3	3	2	3	1	10	2	7	3
<b>Moorcroft</b>	2	1	0	2	3	0	2	2	1	1	1	0	3	1	3	2
<b>Parkview</b>	2	1	2	4	5	6	2	2	2	1	2	2	2	1	3	2
<b>The Lightbox</b>	3	7	0	6	5	7	3	6	3	6	3	8	4	5	3	7
<b>Rhoda McGaw Theatre</b>	1	4	0	8	5	7	1	5	1	4	0	3	1	1	1	3
<b>Buzz Theatre</b>	1	1	0	0	0	5	1	2	1	1	0	1	0	0	0	1
<b>Woking Leisure Centre</b>	22	12	36	17	31	14	28	19	20	10	15	6	9	4	17	21
<b>Sportsbox</b>	8	5	15	11	15	12	10	7	10	4	3	2	1	0	5	2
<b>Eastwood</b>	11	5	17	6	14	7	13	7	13	5	5	2	1	1	8	3
<b>Pool in Park</b>	21	12	21	19	22	16	30	19	17	9	12	4	5	0	16	7
<b>Pitches/Pavilions</b>	14	9	17	28	22	21	19	13	15	8	4	3	3	2	9	6

#### **Q4. Would you be prepared to pay an additional charge to use any discretionary council services?**

##### **Living Well services (Centres for the Community, Day Care Centres, Community meals, Community alarms)**

Respondents to living well services had the lowest percentage of people willing to pay more to use the services, as well as having the lowest percentage of people saying that they definitely would not be prepared to pay more.

With regards to the centres for the community, 20% said they would either maybe or definitely be prepared to pay more compared to 13% who said definitely not. 12% said they would either maybe or definitely be prepared to pay more for community meals, compared to 10% who said definitely not. 13% of respondents said they would either maybe or definitely be prepared to pay more for community alarms, compared to 10% who said definitely not.

However, these services also had the largest percentage of people that do not use them. 66% said that they do not use the centres for the community and between 75% and 78% do not use the day care centres or community meals and/or community alarm services.

##### **Leisure services**

21% of respondents that use the leisure centres said that they would be prepared to pay more for the service. 34% answered maybe, with 20% saying that they would not. 24% of respondents that use the swimming pools said that they would be prepared to pay more for the service and 32% said maybe. 19% said that they would not. A quarter of respondents do not use the leisure services.

##### **Arts and culture services**

15% of people who use the Lightbox said that they would be prepared to pay more for the service, 29% said maybe with 16% saying that they would not. 40% of people do not use the Lightbox. 14% of people who use the Rhoda McGaw and Buzz theatres said that they would be prepared to pay more for the service, 26% said maybe, with 13% saying that they would not. 47% said that they do not use these services.

##### **Other services**

Car parking had the largest percentage of respondents who would definitely not pay more, at 50%. Only 13% said that they would be prepared to pay more, and 25% people said maybe. Car parking also had the least number of respondents that said they didn't use the service, at 13%.

19% of respondents stated that they would pay more for garden waste collection with 28% saying maybe. 32% of respondents said they definitely wouldn't be prepared to pay more. Garden waste collections had the second fewest number of respondents that said they didn't use the service at 21%.



<b>Would you be prepared to pay an additional charge to use any of these discretionary council services?</b>				
<b>Service Area</b>	<b>Yes %</b>	<b>Maybe %</b>	<b>Definitely not %</b>	<b>I don't use this service %</b>
Leisure centres	21	34	20	25
Swimming pools	24	32	19	25
Centres for the Community	7	13	13	66
Day care centres	5	8	11	75
Community meals	6	6	10	78
Community alarm	6	7	10	77
Rhoda McGaw, Buzz theatre	14	26	14	47
Car parking	13	25	50	13
Garden waste collections	19	28	32	21
The Lightbox	15	29	16	40

#### **Q5. Which of these discretionary services should we consider reducing or stop funding?**

The vast majority of respondents, 60%, answered 'don't know' to should we consider reducing or stop funding centres for sports and leisure activities and centres for the communities, as well as community meals, community alarms and day care centre discretionary services. Broadly 20% to 30% across the service areas and demographics said to reduce, whilst figures to stop these services are very low, with no more than 11% agreeing.

More people have said to stop funding the arts and theatre services at 27%, compared to leisure at 5% and community centres at 9%. Arts and theatre services had the fewest responses saying they don't know. Across leisure service areas approximately 33/34% have said to reduce the services, whilst only 5% agreed to stop funding them.

Breakdown of responses by demographic to reducing or stop funding																
Service Area	Total %		Disability %		80 + %		65-79 %		45-64 %		25-44 %		18-24 %		Under 18 %	
	R = Reduce	S = Stop	R	S	R	S	R	S	R	S	R	S	R	S	R	S
Leisure centres	34	5	37	7	36	5	41	6	34	6	30	4	33	7	28	2
Swimming pools	33	5	36	8	34	5	41	6	33	6	28	4	30	10	32	4
Centres for the Community	29	9	29	7	25	4	32	6	28	8	28	10	27	16	25	9
Day care centre services	24	7	27	5	22	2	27	5	24	6	23	10	30	13	19	9
Community meals service	22	7	25	5	21	4	25	5	21	6	22	9	41	13	23	6
Community Alarm Service	21	11	23	8	15	7	24	8	20	10	21	14	25	19	19	13
Community theatres	33	22	31	22	28	15	35	23	33	22	33	23	15	16	9	21
The Lightbox	33	27	30	29	35	20	37	23	32	28	32	10	14	19	9	25
Garden Waste Collections	33	9	32	8	29	4	36	7	32	9	33	10	34	9	21	2

#### Q6. How should Woking Borough Council tackle its budget shortfall?

The majority of respondents, 32%, said that the council should find other organisations to deliver services, with 20% of people saying to charge users more. Only 4% said that the council should stop providing or funding services. Increasing Council Tax was the second least favourite option at 10%.

How should Woking Borough Council tackle its budget shortfall?								
Demographic	Total%	Disability%	80+%	65-79%	45-64%	25-44%	18-24%	Under 18%
Find another organisation to deliver the service	32	32	25	28	30	35	52	45
Charge users more for discretionary services	20	17	27	23	20	17	9	6
Other (please specify)	20	21	19	15	21	21	16	19
Reduce discretionary services provided or funded	16	15	15	17	15	16	11	15
Increase Council Tax for everyone	10	9	12	13	10	8	6	9
Stop providing or funding discretionary services	4	5	2	4	4	4	6	6

## **‘Other’**

The final option for this question was ‘other’ which was an open text box giving respondents the opportunity to have their say. In total, 1,600 individual comments were received.

Many people took this opportunity to use this section to express concerns or dissatisfaction regarding the financial situation of the council. Some respondents repeated what was already asked in previous questions, therefore the analysis focused on what was different to what had already been asked in the survey.

To support the analysis of the significant number of verbatim responses, around 20% of these responses were randomly assessed to give an overall summary of the comments received.

Comments could be categorised into four groups.

### **1. Reference to previous leaders and councillors**

- Accountability lies with this group and legal action should be taken against them.
- Pay back bonuses/ salaries/freeze pensions.
- A thorough audit should be undertaken/ investigation should take place before making any big decisions. Central government should have monitored and stepped in earlier.

### **2. Tarnished reputation and image of council and current staff**

- Reduce numbers of staff/ salaries/ pension/ staff benefits.
  - Bring inexperienced staff in finance and property other services where required. Improve standard of management.
- Reduce number of council offices/move to a smaller building.

### **3. General resident views**

- Angry about the situation and should not be penalised and asked to save the council.
- Worried about their future and well-being. They feel ashamed of living in the borough, there is no pride anymore.
- Concerned they may have to sell their properties and leave Woking.
- Lost trust in the Council and want greater transparency in Council decision making going forward.

#### **4. Ideas**

- Ask central government for support.
- Sell assets / review all current projects/ stop buying properties.
- Review all current contracts/re-negotiate supply chains.
- Focus on statutory services, vulnerable and those receiving means tested benefits and services that impact the well-being of residents.
- Charge more for services/ increase charges but ensure those on means tested benefits and vulnerable can still access services.
- Increase Council Tax for those in larger properties.
- Reduce/stop subsidies and grants to community groups/community assets.
- Work with private companies, philanthropists, and large businesses to contribute towards discretionary services to help them meet Corporate Social Responsibility commitments.

#### **5. Conclusion**

The results from this survey will feed into the option analysis to inform the Medium Term Financial Strategy that will be presented to September's council meetings.

EXECUTIVE – 14 SEPTEMBER 2023

## UK SHARED PROSPERITY FUND (UKSPF) GROUP – TERMS OF REFERENCE

### Executive Summary

The UK Shared Prosperity Fund (UKSPF) has been setup by Government to succeed the previous EU structural funds to provide financial support to promote local communities, businesses, people and skills. The Fund forms part of the Government's 'Levelling Up' agenda.

The Council has been awarded £1m from the Fund over a period of 3 years. To enable the Council to allocate the money it is necessary to have governance arrangements in place. As part of these governance arrangements a member group is proposed that will have oversight of the allocation of funds and the work of Officers.

The attached Terms of Reference at Appendix 1 constitute the framework by which the Group shall meet.

### Recommendations

The Executive is requested to:

#### RESOLVE That

the Terms of Reference, attached at Appendix 1 to the report, be agreed.

### Reasons for Decision

Reason: To enable the UK Shared Prosperity Fund Group to meet.

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

<b>Background Papers:</b>	None.
<b>Reporting Person:</b>	Kevin Foster, Strategic Director – Corporate Resources Email: kevin.foster@woking.gov.uk, Extn: 3198
<b>Contact Person:</b>	Chris Norrington, Business Liaison Manager Email: chris.norrington@woking.gov.uk, Extn: 3900
<b>Portfolio Holder:</b>	Councillor Ann-Marie Barker Email: cllrann-marie.barker@woking.gov.uk
<b>Date Published:</b>	6 September 2023



## **The UK Shared Prosperity Fund Group - Terms of Reference (Adopted XXX 2023)**

### **1.0 Introduction**

- 1.1 The UK Shared Prosperity Fund (UKSPF) Group shall report to the Executive.
- 1.2 Significant changes to the Terms of reference must be approved by the Executive. Minor changes may be made by the Monitoring Officer.

### **2.0 Role and Functions**

- 2.1 The Department of Levelling Up, Housing and Communities (DLUHC) requires the Council to have a UKSPF Group to provide project management & governance.
- 2.2 The UKSPF Group shall be briefed on the UKSPF prospectus and Woking Borough Council's Investment Plan submitted for the three-year funding period.
- 2.3 The UKSPF Group shall, when required, be asked to provide advice on strategic fit and deliverability, ensuring they avoid any conflicts of interest. This shall ensure that the UKSPF investments complement other activities in the area and meets both the national and local objectives.
- 2.4 Members of the UKSPF Group shall be expected to monitor the progress of the projects and report back to the Executive.
- 2.5 Members of the UKSPF Group may be expected to present proposals to the Executive and, where necessary, prepare written reports.

### **3.0 Membership**

- 3.1 The Leader of the Council and the Deputy Leader of the Council shall be voting members of the Group.
- 3.2 In addition, the Group shall be attended by senior officers of the Council.
- 3.3 Councillors, partners and other third parties may be invited to attend the Group at the discretion of the Chair.

### **4.0 Quorum**

- 4.1 The quorum shall be no less than two (2) members of the Group.

### **5.0 Chair and Vice-Chair (and election thereof)**

- 5.1 The election of the Chair and Vice-Chair shall take place at the first meeting of the municipal year.
- 5.2 If the Chair is absent, the Vice-Chair shall chair the meeting.

## **6.0 Recommendations of the Group**

6.1 It is expected that the Group shall reach its recommendations through consensus.

## **7.0 Meetings of the Group**

7.1 Meetings of the Group shall be held virtually and serviced by Democratic Services.

7.2 The Group shall normally have two (2) meetings per year. Ad hoc meetings may be arranged at the discretion of the Chair.

7.3 Meetings of the Group shall be held in private. Any recommendations shall become public knowledge once at Committee.

7.4 All agenda items shall be forwarded to the Democratic Services Officer by eight (8) clear days prior to the next scheduled meeting.

7.5 The Group shall have agendas for, and minutes of, its meetings. The agenda and minutes shall be made available to all Councillors to access through mod.gov. As the Group is private, all papers, including agendas, reports and minutes, shall be treated as confidential.

7.6 Third parties may be invited to attend meetings and contribute with the consent of the Chair and Lead Officer.



EXECUTIVE – 14 SEPTEMBER 2023

## FINANCIAL MONITORING REPORT BUDGET MONITORING AND FORECAST 2023/24 - QUARTER 1

### Executive Summary

This report sets out the material financial issues identified since the 2023/24 budget was set, based on the income and expenditure as at end of June 2023 (Quarter 1) and reflects the views of budget managers within the Council's Directorates.

### Recommendations

The Executive is requested to:

#### RESOLVE That

- (i) the Council's forecast General Fund outturn position for 2023/24 be noted; and
- (ii) it be noted that the Corporate Leadership Team will continue to identify mitigations to enable the net expenditure for 2023/24 to be contained within budget approved by Council on 23 February 2023.

### Reasons for Decision

Reason: Controlling the outturn within budget is essential to maintain financial control.

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

**Background Papers:** None.

**Reporting Person:** Eugene Walker, Interim Finance Director & Section 151 Officer  
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**Portfolio Holder:** Councillor Dale Roberts  
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**Date Published:** 6 September 2023

### 1.0 Purpose of Report

- 1.1 The 2023/24 Revenue Budgets and Medium-Term Financial Strategy for Woking Borough Council's General Fund and Housing Revenue Account were approved by Council at its meeting on 23<sup>rd</sup> February 2023.
- 1.2 On 7 June 2023 the Section 151 Officer issued a Section 114 Notice to the Council which estimated a General Fund deficit ('the Deficit') of £1.2 billion by 31 March 2024. This means that on estimates made at that time the Council required £1.2 billion of financial support to enable the General Fund to be balanced as required by law at that date.
- 1.3 An updated Medium Term Financial Strategy (MTFS), covering 2024/25 to 2027/28, was prepared in June 2023 and a further updated MTFS report is also attached elsewhere on this agenda.
- 1.4 The purpose of this report is to set out the forecast outturn position for 2023/24 for the Council's General Fund. Future reports will be further developed to incorporate a forecast of Housing Revenue Account outturn and the Capital Programme together with progress in delivering the savings programme.
- 1.5 This monitoring report sets out the material financial issues identified since the 2023/24 budget was set, based on the income and expenditure as at end of June 2023 (Period 3) and reflects the views of budget managers within the Council's Directorates.
- 1.6 As part of the ongoing monitoring process, work will continue to examine income and expenditure and activity data against the available budgets to support the position presented and help in updating and shaping the Medium-Term Financial Plan.

### 2.0 Executive Summary

- 2.1 This report provides commentary on the Council's forecast revenue outturn position for 2023/24, which, for the General Fund, is indicating a projected overspend of £6.2m based on the information available as at Period 3 (June 2023).
- 2.2 In April 2023 the Section 151 officer suspended debt service charge into the profit and loss accounts of the companies: this was because the revenue charges were being financed by loans for capital purposes which is not permitted under the relevant regulations. For the time being, those charges will need of necessity to remain on the Council's revenue ledger; the alternative is to pass these charges to the companies, and it is likely that the companies would not remain financially viable if this action were to be taken. Notwithstanding this, in the absence of support from outside the Council, these charges will need to be invoiced to the companies by the end of financial year 2023/24 in order to prepare the Council's accounts.
- 2.3 The Council will continue to assess and refine the forecasts on a regular basis using the latest information available. The forecast presented in the report is based on the best available data and information acquired in discussions with budget managers.
- 2.4 Moving forward, the Corporate Leadership Team (CLT) will continue to engage with their respective management teams to identify available mitigations to suppress the service overspends. A line-by-line review of all service budgets is being undertaken by all budget holders to identify any savings to mitigate the overspend. The results of this will feed into the future monitoring reports.
- 2.5 By next quarter the Council will have also identified any impact in the current year of any possible early implementation of savings identified in the 2024/25 budget report also in this agenda.

### 3.0 Monitoring Frequency

3.1 Budget monitoring will be reported to Executive on a quarterly basis.

### 4.0 Forecast Outturn

4.1 The June 2023 outturn forecast is set out in the Table 1 and indicates a projected overspend of £6.2m.

**Table 1**

	<b>NET BUDGET</b>	<b>FORECAST</b>	<b>OVER</b>
		<b>OUTTURN</b>	<b>SPEND</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Place	(3,888)	(2,090)	1,798
Communities	2,261	2,625	364
Corporate Resources	10,499	11,090	591
<b>TOTAL SERVICE BUDGETS</b>	<b>8,872</b>	<b>11,625</b>	<b>2,753</b>
Corporate Items	15,603	19,003	3,400
<b>NET BUDGET</b>	<b>24,475</b>	<b>30,628</b>	<b>6,153</b>

4.2 The key variations are set out in paragraphs 5 to 7, with an indication - where available - of the mitigating actions which are proposed or already underway.

### 5.0 Place Directorate

5.1 The key variations within the Place Directorate are set out in Table 2.

**Table 2**

	<b>Over/(Under) Spend £'000</b>
<b>Place Directorate</b>	
<b>Development Management</b>	
The majority of the overspend in this area is down to unbudgeted temporary staff. The use of temporary staff is currently under review, and several temporary contracts are being terminated over the next few months. This will result in mitigating the projected overspend over the next few months.	100
<b>Building Control</b>	
Building Control income is currently below budget resulting in an adverse variance. This shortfall is forecast to continue for the year, although it could be offset if there is an increase in applications or a number of larger schemes moving forward. In the meantime, staffing resources are being reviewed as part of the 'Fit for the Future' programme to bring the Building Control budget back to a cost recovery position. 'In-year' fee increases are also being considered as part of the mitigation.	96

## Financial Monitoring Report

Place Directorate...cont	Over/(Under) Spend £'000
<b>Leisure</b>	
As a result of changes in service demand during and since the Pandemic, and cost increases in recent months, Freedom Leisure, who currently manage the Council's Leisure facilities on our behalf, are unlikely to be able to meet the full payments due to the Council under the Leisure Management Contract, with a currently projected shortfall of £126,000 (the full contract value is £813,000 this year).	126
Energy costs, which are the responsibility of the Council under the Leisure Management Contract, are likely to be over budget by £57,000 this year. Closure of certain areas of the building will reduce the overspend.	57
<b>Parking Services</b>	
There are overspends on Business Rates of £55,000 mainly due to under-provision of budgets for Red and Green Car Parks. Electricity costs for Red Car Park have not been budgeted for resulting in overspending of £130,000. The forecast outturn for parking income is less than the budgeted target by £1.47m, though income from the first quarter is slightly above the previous year. Short term parking is just below budgeted activity levels, and longer term parking (more than 4 hours) is considerably less than the budgeted figures. In addition, customer parking durations are significantly shorter than originally estimated. The evening tariff is only 29% of expected levels, impacted by a lack of theatre shows. This is partly offset by additional estimated PCN Penalty Charge Notice income of around £290,000.	1,367
Pending the car parking strategy due in November, options are being considered including closing off floors not currently used and exploring the closure of one of the car parks. The Strategy is expected to provide clear recommendation of maximising income moving forward.	
<b>Environmental Health</b>	
There are overspends of £25,000 in employee costs. Estimated reduction in the number of inspections for animal welfare licences reduces income by £13,000. The recharges from Primary Authority work and Licence inspection enable savings of £15,000 to partly cover the overspends.	23
The possibility of recovering the costs is being considered through using the Homes For Ukraine income to fund the time spent completing essential housing checks. Progress will be reported in the Quarter 2 Budget Monitoring.	
<b>Licensing</b>	
There are overspends of £8,000 in employee costs.	8
<b>Property Services</b>	
Surrey County Council vacated the Civic Offices on 21 <sup>st</sup> April 2023 resulting in a shortfall of income of rents at the Civic Offices of £114,000.	357
In year vacancies of £25,000 are forecast to contribute to employee savings.	
Due to the removal of the Town Centre Management Agreement (TCMA) reserve, there will be an overspend of £250,000 due to works which had already commenced such as the Chertsey Road works.	
Incubator Units overspend of £33,000 mostly due to prior years NNDR bills.	
Due to inflation a higher contribution has been received from Surrey Heath Borough Council of £9,000 towards CCTV. In addition, transmission maintenance is anticipated to be £6,000 lower than budget.	

## Financial Monitoring Report

Place Directorate...cont	Over/(Under) Spend £'000
<b>HIF project</b>	
There are overspends of £20,000 in employee costs. We are seeking to recover these costs from Homes England. Progress will be reported in the Quarter 2 Budget Monitoring	20
Other Minor variations	26
<b>Total Projected Overspends</b>	<b>2,180</b>
<b>Mitigations</b>	
<b>Economic Development</b>	
The underspend of £93,000 is mainly due to the cancellation of Celebrate Woking activities of £100,000, an overspend of £22,000 on staff not budgeted for and £15,000 underspend on the business liaison project.	(93)
<b>Planning Strategy</b>	
A Planning Policy post is vacant, and there are currently no plans to recruit to	(94)
<b>Waste and Recycling</b>	
There are overall savings of £145,000 from Waste and Recycling due to reducing variable costs in waste collection, increase of recycling credit and higher level of bin replacement as the bin stock ages. The lower take up of garden waste subscription offsets part of the savings.	(145)
<b>Green Infrastructure</b>	
A vacant post in Green Infrastructure contributes savings of £11,000. Additional savings of £41,000 are expected from reducing non-essential activities for tree, vegetation, and footpath improvement, holding off on works in repair and maintenance in play equipment. Expenditure for works for Biodiversity Net Gain can be offset by grants and fees from ice-cream licences thereby releasing savings of £22,000. However, there are a reduction in budgeted income of £16,000 on rent received for the mast in Sheerwater which has now been decommissioned, and a projected overspend of £8,000 on the corporate car club and car hire budget, which is the subject of a gateway savings proposal.	(50)
<b>Total Mitigations</b>	<b>(382)</b>
<b>Total Projected Variance on Place Directorate Services (overspend)</b>	<b>1,798</b>

6.0 Communities Directorate

6.1 The key variations within the Communities Directorate are set out in Table 3.

Table 3

Communities Directorate	Over/(Under) Spend £'000
<b>Women's Support Centre</b>	
The Women's Support Centre transferred under TUPE regulations to Catalyst on 31.05.23. A one-off transitional subsidy was agreed for 2023/24 which has meant the FFF saving of £250k has not been achieved.	258
<b>Housing Options/Needs/Enabling</b>	
There is an overspend in Housing Options of £234,682 due to increased B&B expenditure and Fit for Future savings not being achievable. In addition, there is an overspend of £54,502 in Housing Options staffing budget and savings of £23,903 in Lets Rent/PSL team.	375
There is an anticipated overspend of £53,591 in the temporary accommodation budgets. This is as a result of expected overspend in responsive repairs, communal cleaning and electricity budgets. Funding of £229,912 to be received in August 2023 to help meet additional costs in 2023/24.	
The Let's Rent Private Sector Lease (PSL) is expected to overspend by £144,207 due to under-recovery of income and increased void costs. However, this overspend is expected to be partly offset by savings on the main Let's Rent budget and other staffing budgets.	
<b>Total Projected Overspends</b>	<b>633</b>
<b>Mitigations</b>	
<b>The Junction/Richardson Centre</b>	
These premises are used by the Women's Support Centre and all costs are now with Catalyst	(30)
<b>Youth Development</b>	
The Youth Development scheme ended in 2022 and the Council no longer pays this grant.	(44)
<b>Home Independent Support</b>	
There are six vacancies in this area, approval has been given to recruit to four of the posts and the saving is the net impact.	(112)
<b>Brockhill</b>	
Two staff left and posts will not be recruited to resulting in a saving.	(16)
<b>Social Prescribing</b>	
Two vacancies that are being recruited to and the saving is the net impact of posts being vacant.	(18)

## Financial Monitoring Report

Communities Directorate..cont	Over/(Under) Spend £'000
<b>Community Alarms</b>	
New NHS funding received.	(20)
<b>Housing Strategy</b>	
Savings in staff costs (Housing Strategy & Projects Officer) as part of the FFTF-2 savings.	(12)
<b>Petworth Court</b>	
Petworth Court no longer used resulting in a saving.	(17)
<b>Total Mitigations</b>	<b>(269)</b>
<b>Total Projected Variance on Communities Directorate Services (overspend)</b>	<b>364</b>

### 7.0 Corporate Resources Directorate

7.1 The key variations within the Corporate Resources Directorate are set out in Table 4.

**Table 4**

Corporate Resources Directorate	Over/(Under) Spend £'000
<b>Democratic Services</b>	
Overspend on staff costs/salaries	23
<b>Election Services</b>	
Overspend on Postage costs, this overspend may increase further by the end of the financial year	50
Additional costs due to introduction of ID when voting in person	65
<b>Marketing and Communications</b>	
Marketing & Communications are reporting a modest net overspend from pay inflation offset by minor underspends on services.	11
<b>Financial Services</b>	
The additional costs are related to employing interim staff, partly mitigated by an underspend on Internal Audit.	153
<b>Corporate Management</b>	
The overspend relates to the costs of the Commissioners and the Interim Section 151 Officer partly offset by vacancies.	259
<b>Human Resources</b>	
Overspend of £46,000 on temporary staff, £90,000 on the graduate programme and £3,000 on subscriptions that are not budgeted for.	139
Other minor net variations	58
<b>Total Projected Overspends</b>	<b>758</b>
<b>Mitigations</b>	



Corporate Resources Directorate..cont	Over/(Under) Spend £'000
<b>Legal Services</b>	
Underspend due to a vacancy - Head of Legal	(77)
Underspend due to reduction in external printing	(65)
<b>Election Services</b>	
Saving arising from scaling back Civic and Mayoral events and services	(25)
<b>Total Mitigations</b>	<b>(167)</b>
<b>Total Projected Variance on Corporate Resources Directorate Services (overspend)</b>	<b>591</b>

## 8.0 Corporate Items

8.1 Corporate items include amongst other things the minimum revenue provision (MRP) and interest payable/receivable relating to treasury management activities. The Section 114 report highlighted that the Council as a result of prior year incorrect accounting treatment has no balances and in fact they are negative. The Council has moved from a budgeted position of receiving interest from short term investments on cash balances to paying interest on short term PWLB borrowing. This has resulted in a forecast adverse variation compared to the budget of £3.4m.

## 9.0 Recovery Improvement Programme – Funded by the flexible use of Capital Receipts

9.1 Table 5 gives a summary of the current estimated costs of the improvement recovery programme which totals £3.4m. The Council has an approval from DLUHC for the flexible use of £3.2m of capital receipts (which are contractually committed to be received by the Council before the end of the financial year) to fund the programme, which the current estimates exceed. A funding solution will need to be developed in order to deal with the additional costs. These include identifying potential future capital receipts which may be available to finance the costs.

**Table 5**

Activity Area	Estimate 23/24
	£
Programme	259,500
Human Resources	330,000
Companies	945,000
Procurement	100,000
Asset Management	350,000
Finance	770,000
Organisational Change	580,000
Corporate Centre	55,000
<b>Total</b>	<b>3,389,500</b>

**10.0 Corporate Strategy**

10.1 Budget monitoring is an essential function to ensure that the Council maintains financial control of its budget.

**11.0 Implications**

Finance and Risk

11.1 The financial or risk implications are outlined in the body of the report.

Equalities and Human Resources

11.2 There are no equalities or human resource implications arising from this report.

Legal

11.3 There are no legal implications arising from this report.

**12.0 Engagement and Consultation**

12.1 None.

REPORT ENDS

EXECUTIVE – 14 SEPTEMBER 2023

## MONITORING REPORTS - PROJECTS

### Executive Summary

The Executive receives regular reports on the progress of projects in the interests of financial prudence and to ensure open and transparent corporate governance.

This report provides an update of progress in relation to the Council's project management arrangements, assurance, and processes.

A monitoring report detailing the status of every Council project (as at the end of July 2023), incorporating both capital and revenue projects, is attached at Appendix 1. The monitoring report provides a status update, and an assessment against project risks, issues, schedule, and budget.

There are no specific areas for concern or action by the Executive.

### Recommendations

The Executive is requested to:

#### RESOLVE That

- (i) the report be received; and
- (ii) the detailed project monitoring recorded in Appendix 1 to the report be approved.

### Reasons for Decision

Reason: To monitor progress on development to the Council's project management approach.

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

**Background Papers:** None.

**Reporting Person:** Kevin Foster, Strategic Director – Corporate Resources  
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**Date Published:** 6 September 2023

### 1.0 Introduction

- 1.1 The undertaking of projects is an integral part of Woking Borough Council business delivery, and a significant amount of Council resources are allocated to their successful completion. Project management processes have therefore been developed and maintained to bring consistency to how projects are managed, and to aid the project manager in delivering projects on time, to budget, and to the desired standard.
- 1.2 The process has been structured to be flexible and user friendly so it can meet the specific needs of the Council. It has been designed to add value to officers who are leading on projects and support the development of a common standard and capability. Every WBC project, regardless of size or type, is required to follow the corporate process.
- 1.3 In line with the Woking For All Strategy outcome 'A high performing Council', the developing Medium Term Financial Strategy, and in response to peer reports and learning from best practice, we are developing our project management practices so that we continually improve, use resources wisely, and deliver benefits from our investment into project activity.
- 1.4 It has been highlighted to the Executive that the Medium-Term Financial Strategy (MTFS) contains a number of unknowns and assumptions within its financial forecasting that pose a risk to its delivery. The MTFS also highlights the associated prudent and responsible approach it is taking to manage these risks through its Financial Resilience Strategy. The risk that this represents for the delivery of projects has not been reflected on each project assurance line but is instead reported in this introduction to represent a generic issue that may have an impact on the delivery of the portfolio of projects.

### 2.0 Progress Update

- 2.1 The key activity since the last report to the Executive has been:
  - The Project Support Office has met with every project manager to discuss project progress and assess performance.
  - Project portfolio reports have been produced and presented to CLT as part of the quarterly Corporate Programme Board meetings.
- 2.2 Detailed project status is contained within the project monitoring report at Appendix 1. The key points to note from the monitoring report are:
  - There are 36 projects in delivery and at practical completion, of which:
    - 80.5% (29) projects are green.
    - 5.5% (2) projects are amber.
    - 14% (5) projects are red.
  - There are 4 projects that have been closed in the period. Projects that have been closed during the period are not RAG (Red, Amber, Green) rated as this rating relates to projects in delivery. Projects that have been closed in the reporting period are highlighted with blue shading where the project has exceeded the end date and/or where actual project costs exceeded planned project costs.

**3.0 Financial Exception items**

3.1 In accordance with Financial Regulations, there are no project(s) being highlighted because actual spend exceeds the approved budget by the greater of £10k or 5%.

**4.0 Items of Note**

4.1 Rainwater Gardens (Ref: 20120): Due to changing priorities around the resourcing and delivery of this scheme it has now been decided that this project will be closed and handed back to SCC for implementation.

4.2 Victoria Place (Ref: 20281): Please note that the project budget remains green despite the fact that actual spend is showing as over budget - the reason for this is that the Final Account process is yet to be undertaken which will resolve the value of compensation events and bring the project back within agreed budget once concluded.

4.3 Redevelopment of Garages at Bonsey Lane (Ref: 20291): Due to an unsuccessful bid to Homes England this project is now not considered viable and will be closed.

**5.0 Corporate Strategy**

5.1 The ongoing review and monitoring of all projects initiated within the Council, directly relates to the 'A high performing Council' outcome as listed in the Woking For All Strategy.

**6.0 Implications**

Finance and Risk

6.1 There are no financial implications arising from this report.

Equalities and Human Resources

6.2 There are no specific Equalities or Human Resource implications arising from this report.

Legal

6.3 There are no legal implications arising from this report.

**7.0 Engagement and Consultation**

7.1 None.

REPORT ENDS

Ref	Project Name	Overview	Status since last report	Overview Reason	Risks	Issues	Budget	Schedule	Project Manager	Project Sponsor	Start Date	End Date	Revised End Date	Original Planned Budget	Approved Budget	Actual Spend
10206	Playground Improvements Phase 4	Green	→	The Play Strategy has been agreed and priorities for improvements and refurbishments of play areas have been determined. Funding has been agreed for the remaining three play areas at Horsell Moor, Oakfield and Sutton Green. Works at Horsell Moor and Oakfield are underway and anticipated to be completed in August 2023. Refurbishment of Sutton Green Play Area is currently on hold until the investment programme is reviewed.	Green	Green	Green	Green	Arran Henderson	Beverley Kuchar	01/08/2007	30/04/2009	31/03/2024	£ 883,000	£ 693,155	£ 592,634
10297	Local Development Framework	Green	→	The Development Management Policies (DPM) has been adopted and is now part of the Development Plan for the area. The Site Allocations DPM has also been adopted. The original programme is completed and the core strategy is under review. The target for this element to be completed is October 2023 which aligns to the end date of the five year review. Members will be asked to consider the preparation of a new Local Plan for the Borough as the existing Local Development Plan period runs till 2027. This would be a new project.	Green	Green	Green	Green	Mike Slater	Beverley Kuchar	01/04/2010	01/12/2014	31/10/2023	£ 389,550	£ 689,550	£ 636,513
10916	Hoe Valley Flood Alleviation And Enhancement Appraisal	Green	→	Project originally commenced work in 2016, when a contractor was appointed to develop the outline design work ready for planning. Public consultation was also undertaken in 2017. The project was temporarily suspended in 2020 following a review of the investment programme. In light of the Council's current financial position it is unlikely that this project will be taken forward. Should external funding be sourced, a new project will be created as the scope and financing of the project will significantly change. Project closure is in progress.	Green	Green	Green	Green	David Loveless	Beverley Kuchar	01/04/2016	31/10/2017	31/07/2023	£ 600,000	£ 1,103,205	£ 772,835
20000	Sheerwater Regeneration	Red	→	The leisure and recreational facilities in the grounds of Bishop David Brown were completed in September 2021. Eastwood Leisure Centre was officially opened in October 2021. The purple phase of the project was completed in September 2021. Work has started on site on both the red and the copper phases. Yellow phase is under construction. Confirmation of the Compulsory Purchase Order has been agreed by the Secretary of State. <u>Project is red because of financial risks, including build cost inflation, rising interest rates and availability of funding.</u> In July 2023, Council agreed that the Development Agreement with ThamesWey be brought to an end after the phases currently under construction. A consultation has commenced on what should happen to the rest of the regeneration area and the external strategic options review is ongoing. A further report will be brought back to Council in the Autumn.	Red	Amber	Amber	Green	Paola Capel-Williams	Louise Strongitharm	22/07/2018	30/09/2027	None.	£ 491,657,023	£ 491,657,023	£ 187,875,210
20019	Heather Farm SANG	Green	→	Land has been leased to the Council and leased back to Horsell Common Preservation Society to manage the site as a Suitable Alternative Natural Green Space (SANG). All the original financial and legal requirements are complete. The site opened in January 2016. The Council has provided funding for the expansion of car parking spaces to support the increasing use of the SANG. The Heather Farm management plan sets out certain infrastructure items to be delivered as part of the maintenance of the SANG. The project end date enables those works to be carried out during these first ten years of its operation. Work has now commenced on the erosion element of the project. Further consideration now needs to be given as to whether to close this project and manage the site as part of business activities.	Green	Green	Green	Green	Tracey Haskins	Beverley Kuchar	31/10/2014	31/10/2019	31/12/2025	£ 1,719,856	£ 1,850,039	£ 1,800,206
20067	Developing A Favourable Conservation Status Licence	Green	→	The project was established working closely with Natural England (NE). Habitat improvement works were completed in 2020. Surveys are undertaken periodically. Joint working with NE to share best practice is ongoing and learning between the Woking pilot and the national district level licensing roll out by NE continues. The Council's Strategic Organisational Licence from NE was renewed in March 2023. Scoping is in progress to inform future steps.	Green	Green	Green	Green	Tracey Haskins	Beverley Kuchar	31/08/2015	31/03/2021	31/12/2023	£ 50,000	£ 181,000	£ 147,789
20120	Rainwater Gardens	Red	↓	First pilot rain garden completed successfully in Blackdown Close, Sheerwater, in February 2019. Alpha Road rain garden also completed. In principle funding has been allocated to the project from SCC over the next three years, however <u>due to changing priorities this project is now red and will now be closed and handed back to SCC for implementation.</u>	Red	Red	Red	Red	Faouzi Saffar	Beverley Kuchar	01/06/2018	31/03/2019	31/05/2025	£ 50,000	£ 50,000	£ 44,711
20122	CCTV Upgrade And New Control Room	Green	→	The Control Room has been constructed. The Public Space CCTV has been operating from this control room for approximately 18 months. The next phase is to migrate the Woking Car Park Team to the new Control Room and to finish the final CCTV upgrades. However, these works are currently being reviewed in line with the Council's Fit for the Future savings review.	Green	Green	Green	Green	Trevor Kimber	David Loveless	24/06/2019	31/03/2020	31/03/2024	£ 2,175,000	£ 2,175,000	£ 1,547,131

Ref	Project Name	Overview	Status since last report	Overview Reason	Risks	Issues	Budget	Schedule	Project Manager	Project Sponsor	Start Date	End Date	Revised End Date	Original Planned Budget	Approved Budget	Actual Spend
20124	Woking Integrated Transport	Green	→	The retention period for the main contracted works has expired and payments with this contractor have been settled. Outstanding project works relate to the installation of bollards at Christchurch Way and the road safety audit. Alternative lower cost bollard options are being considered and reviewed with adjoining land owners/tenants who will be affected by this arrangement. It is targeted to complete this review by early Autumn 2023.	Green	Green	Green	Green	Louisa Calam	Beverley Kuchar	01/06/2016	31/12/2020	31/03/2024	£ 24,900,000	£ 31,023,600	£ 30,766,000
20226	Housing Infrastructure Fund (HIF) – Woking Town Centre	Red	→	Previous works include utility investigations under Victoria Arch to feed into diversion costings and design. Remaining acquisitions of the triangle site are in negotiation. Demolition of the triangle is paused until full acquisitions are complete. Due to significant cost increases as a result of national inflation and cost pressures, and possible road closure disruption, it has been agreed to pause the project to enable it to be reviewed to assess its long-term viability. Discussions have been held regarding financial risk sharing with key project partners which have been confirmed as not an option. <u>Project is red because of the financial risks and the viability of the scheme. The project is under review with Homes England and once finalised, the findings will be reported. The Executive will consider the future of this project in October 2023.</u>	Red	Red	Red	Green	Louisa Calam	Beverley Kuchar	21/03/2020	15/03/2024	31/03/2027	£ 115,000,000	£ 115,000,000	£ 42,821,302
20229	Car Park Management Systems	Green	→	All town centre car parks are now on the new management system within budget. The only remaining work is installation of the internal variable message signs. This work has started in the Yellow car park (Victoria Place).	Green	Green	Green	Green	Mark Tabner	Beverley Kuchar	01/11/2020	30/11/2021	31/03/2024	£ 1,980,000	£ 1,980,000	£ 1,668,262
20233	Play Area Repairs	Green	→	The play area resurfacing works commenced in March 2022. Eight sites have been completed to date, and the remaining sites will be completed as part of the extended project, subject to funding. A report outlining the approach to future refurbishment was considered by Overview and Scrutiny in January 2023 and supported by Executive in February 2023. The programme of works for 2023/24 included surfacing repair/refurbishment works at five play areas which have been completed. A programme of works for 2024/25 will be developed once the budgets for next year are known.	Green	Green	Green	Green	Arran Henderson	Beverley Kuchar	01/09/2021	30/09/2022	31/03/2025	£ 100,000	£ 162,512	£ 87,104
20246	Woking Youth Hub	Green	→	Funding application has been approved by the Department of Work and Pensions (DWP). Following a tender exercise a provider (Surrey Care Trust) has been appointed to end of 2023. The target support group are those aged 16 -25 and on benefits, who will be mentored and supported to access employment opportunities. Target for 2023/24 is to support 115 young people through this project.	Green	Green	Green	Green	Adam Thomas	Louise Strongitharm	01/05/2021	31/05/2024	None.	£ 197,443	£197,443 (fully funded by DWP)	£ 197,443
20263	Grounds Maintenance and Street Cleaning Contract Retender	Green	→	This project is to re-tender the Grounds Maintenance and Street Cleaning Contract. A consultant has been recruited to support delivery and work is underway. The contract notice will be published on 7th August 2023.	Green	Green	Green	Green	Mark Tabner	Beverley Kuchar	16/08/2021	31/03/2023	31/03/2025	£ 80,000	£ 80,000	£ 20,535
20264	The Old Woking Community Centre	Green	→	Works commenced in November 2022. External funding has been received from the Old Woking Community Association and Surrey County Council's Your Fund Surrey (YFS). As a consequence, the scope of works has increased significantly, and the completion date has been moved to mid September 2023.	Green	Green	Green	Green	Ian Tomes	Beverley Kuchar	01/05/2021	31/12/2022	15/09/2023	£ 2,689,134	£3,275,591 £1,454,787 (WBC) £750,000 (Woking College) £1,070,804 (SCC)	£ 2,225,886
20267	Place, Branding and Marketing	Green	NEW	The project has reached the end of stage one/research. A large amount of engagement has taken place with various organisations and we are awaiting the findings and analysis to inform next steps.	Green	Green	Green	Green	Chris Norrington	Beverley Kuchar	18/11/2022	31/03/2024	None.	£ 100,000	£ 100,000	£ 30,000
20270	Woking Town Centre Masterplan	Amber	→	The first phase of resident panel consultations has completed. The one to one consultations have also been completed. Work is being done by consultants on absorption rate and townscape strategy has been completed. Public consultation on the draft was carried out between the 25th July 2022 and the 17th October 2022. A report was taken to the February 2023 Executive detailing the outcome of the consultation. Next steps will be a report to the Executive in the Summer 2023 to consider options and agree the way forward. <u>This has impacted the project end date and the project status is therefore showing amber due to schedule. A decision has been made by Executive to address this project as part of the Local Development Fund enabling this project closure.</u>	Green	Amber	Green	Amber	Mike Slater	Beverley Kuchar	01/08/2021	28/02/2023	None.	£ 173,320	£173,320 £100,000 (WBC) £73,320 (HIF)	£ 171,316
20272	Midas House Refurbishment (2nd and 3rd Floor)	Green	→	This project relates to the reinstatement (removal of tenants fixtures and fittings) of parts of the second and third floor following the expiry of tenant leases. The previous tenants pay dilapidations to the Council to cover these costs. The third floor tenants have paid the dilapidation sum and the works have been completed. The second floor tenant, following negotiations, has now paid the dilapidation costs. Next steps in relation to the second floor works are now being reviewed.	Green	Green	Green	Green	Mark Ferguson	David Loveless	01/04/2022	31/08/2022	31/03/2024	£ 300,000	£ 300,000	£ 40,846



Ref	Project Name	Overview	Status since last report	Overview Reason	Risks	Issues	Budget	Schedule	Project Manager	Project Sponsor	Start Date	End Date	Revised End Date	Original Planned Budget	Approved Budget	Actual Spend
20280	Midas House Export House District Heat And Cooling	Green	→	This project relates to connecting Midas House and Export House to the town centre district heating and cooling networks with the objective of reducing carbon emissions and improving the properties energy performance rating. The majority of this work was funded by a central government grant. The works have been substantially completed with both buildings being supplied by the district network for the last six months. Ongoing snagging and commissioning works should be completed by early Autumn 2023 at which point the project will enter the 12 months retention period.	Green	Green	Green	Green	Mark Ferguson	David Loveless	01/03/2021	31/03/2023	31/10/2023	£ 4,627,689	£ 4,627,689	£ 3,579,551
20281	Victoria Place	Red	→	The retail elements of the Victoria Place development opened in Spring 2022. The residential element was handed over to Native and marketing commenced at the end of February with 18 tenancies agreed at 6 April. The Hilton Hotel is planned to be open by Christmas 2023, however significant risks to the schedule remain due to risks relating to weather events and labour market supply which may disrupt the programme schedule and the ability to recover from any disruptions. Regular meetings with senior SRM officers continue with the Chief Executive, Project Director and the Victoria Square Woking Limited Board. SRM are fully engaged with its contractor to resolve a long term solution to the cladding. The financial implications of a delay to the opening of the hotel and the delayed opening of the centre from November 2021 are the subject of ongoing contract discussions and are being fully assessed. <u>Given these circumstances the risk rating is appropriate and a revised completion date will be agreed with SRM.</u> Please note that the project budget remains green despite the fact that actual spend is showing as over budget - the reason for this is that the Final Account process is yet to be undertaken which will resolve the value of compensation events and bring the project back within agreed budget once concluded.	Red	Red	Green	Green	Tim Wells	Julie Fisher	01/12/2016	30/04/2021	31/12/2023	£ 700,000,000	£ 700,000,000	£ 705,706,269
20291	Redevelopment Of Garages 1 To 12 Bonsey Lane Westfield	Red	→	The project was initially undertaken by ThamesWey and then reassigned to WBC and NVH to redesign and progress through planning. The project received planning permission in March 2023 and the bid for grant funding was submitted to Homes England shortly after. However, Homes England did not approve the grant application due to significant concerns over project deliverability. <u>The project is no longer viable at the current time hence the red RAG status and the project closure is underway.</u>	Red	Red	Red	Red	Jon Herbert	Louise Strongitharm	01/12/2021	31/12/2023	None.	£ 2,655,000	£ 2,655,000	£ 209,876
20300	Improvement and Recovery Programme - Fit For the Future	Green	→	In response to the Ministers statutory directions in the government intervention, the Council has developed the Improvement & Recovery Plan that is due to be adopted by Council on 22nd August. This plan combines the Fit for the Future programme (which contains our savings plans) with the Financial Recovery Plan. Four interdependent themes have been identified within a three to five year plan - the activity in the first year will be updated periodically as improvement progresses and identifies additional improvement areas that arise.	Green	Green	Green	Green	Lee Danson	Kevin Foster	06/01/2023	31/03/2025	25/05/2027	£ 3,517,479	£ 3,517,479	£ 809,707
20301	EV Charging Points	Green	→	This project will enable payments to be taken for the Electric Charging points currently in the Red Car Park and the Victoria Way Car Park. In addition, the payment operator will now be responsible for charger operations and maintenance. Good progress has been made on technical charger surveys and it is anticipated that this project will still be delivered within the revised project end date subject to agreeing final commercial terms with the proposed operator.	Green	Green	Green	Green	Kyle Gellatly	David Loveless	01/09/2022	31/01/2023	31/12/2023	£ 30,000	£ 30,000	£0
20303	Dukes Court Office Suite Refurbishment	Green	→	This project relates to the refurbishment of a number of void tenant suites at Dukes Court. Works are funded by dilapidation contributions from previous tenants. Works have included new ceilings, lighting, decoration and carpets which have been substantially completed with only minor snagging items outstanding.	Green	Green	Green	Green	Mark Ferguson	David Loveless	01/04/2022	31/10/2022	29/09/2023	£ 265,000	£ 265,000	£ 27,885
20319	Egley Road Barn Site	Green	NEW	This project relates to obtaining a planning application on the land south of Hoe Valley School on the Egley Road. Consultants have been appointed to develop the application and discussions have been ongoing with Surrey County Council about a potential educational use for part of the site. The final scheme layout/mix use should be agreed early Autumn with a planning application submitted late 2023.	Green	Green	Green	Green	Mark Ferguson	David Loveless	26/03/2023	31/10/2023	None.	£ 130,000	£ 130,000	£ 1,070
20320	Monument Way West	Green	→	The original intention of this project was to obtain planning permission for an industrial scheme on this site. In parallel to this project the site was marketed for storage use. A competitive rental offer was received and has been accepted with the lease now completed. Therefore this project will be closed.	Green	Green	Green	Green	Mark Ferguson	David Loveless	20/03/2023	30/09/2023	None.	£ 75,000	£ 75,000	£ 550
20326	Former Scout Hut - Residential Planning Application	Green	→	The planning application has been submitted. A decision in regards the planning consent is expected during late October 2023.	Green	Green	Green	Green	Mark Ferguson	David Loveless	01/03/2023	31/12/2023	None.	£ 25,000	£ 25,000	£0

Ref	Project Name	Overview	Status since last report	Overview Reason	Risks	Issues	Budget	Schedule	Project Manager	Project Sponsor	Start Date	End Date	Revised End Date	Original Planned Budget	Approved Budget	Actual Spend
20327	Westfield Avenue Compound - Residential Planning Application	Green	→	This project is for the preparation and submission of a Planning Application for a residential development of the Westfield Avenue Compound site, which will deliver 9 houses. A public consultation has been completed and the scheme design is now being finalised. The planning application is to be submitted by October 2023.	Green	Green	Green	Green	Mark Ferguson	David Loveless	01/03/2023	31/12/2023	None.	£ 35,000	£ 35,000	£ 4,825
<b>Projects at Practical Completion</b>																
10221	Private Finance Initiative	Amber	→	All of the 224 PFI houses are now occupied by families nominated from the Council's housing register. 147 private sale homes were completed in August 2018. <u>Project is amber due to the outstanding adoption of open spaces, however the project is now in the process of being closed.</u>	Green	Amber	Green	Green	Paola Capel-Williams	Louise Strongitharm	02/01/2005	31/12/2010	30/06/2022	£ 3,260,000	£ 4,490,307	£ 4,390,268
20146	Leisure Lagoon Modernisation	Green	→	Works are complete, and the project remains in retention until the contractor addresses the defects identified during the original contractual defects period. The main defect is with part of the changing room floor which the contractor is addressing. Project will be closed once the defects have been addressed.	Green	Green	Green	Green	David Loveless	Beverley Kuchar	01/06/2017	30/04/2018	30/06/2020	£ 800,000	£ 1,855,000	£ 1,797,746
20186	Woking Park- CCTV Installation	Green	→	Project is now complete. Project Manager is arranging the closure of workbook.	Green	Green	Green	Green	Trevor Kimber	David Loveless	01/12/2017	31/05/2018	None.	£ 235,000	£ 235,000	£ 199,700
20191	Old Woking Independent Living	Green	→	Project completed October 2021 and is now in defects period. Final account has been agreed and retention period finished at the end of October 2022. Defects correction certificate issued. Project closure is being progressed.	Green	Green	Green	Green	Ian Tomes	Louise Strongitharm	17/12/2017	21/09/2021	12/10/2021	£ 16,700,000	£ 16,700,000	£ 16,498,393
20223	New Temporary Accommodation	Green	→	The project is now delivered. Both 121 Chertsey Road and Waterman House are both fully occupied. Project closure is in progress.	Green	Green	Green	Green	Jon Herbert	Louise Strongitharm	01/08/2019	31/12/2020	31/01/2022	£ 4,567,087	£ 5,752,063	£ 5,650,025
20259	New Town Centre Signage - Wayfinding	Green	→	Nine navigational totems are in place. Project is complete and has now been put into retention until 31st May 2024.	Green	Green	Green	Green	George Chisenga	Beverley Kuchar	01/10/2021	31/12/2021	31/05/2023	£ 250,000	£ 250,000	£ 109,126
20266	Goldsworth Park Retail Centre Car Park Works	Green	→	This project is for repairs, surfacing works and white lining to areas of Goldsworth Park Retail Centre car park. This project was in retention until August 2022. The contractor is required to return to complete a small section of work and once done, the project will be closed.	Green	Green	Green	Green	Vanessa Tabner	David Loveless	01/01/2022	30/04/2022	31/05/2022	£ 65,505	£ 65,505	£ 60,526
20269	Community Meals Relocation To Monument Way	Green	→	Project is now complete and was delivered within schedule and budget. Defects meeting has been held with the main contractor and final remedial works are being scheduled. Project will close once this has been completed.	Green	Green	Green	Green	Pino Mastromarco	Louise Strongitharm	01/11/2021	29/04/2022	31/08/2022	£ 361,000	£ 361,000	£ 359,064
<b>Projects Closed During Reporting Period</b>																
20219	Pool In The Park Structural Works- Phase 1	N/a	N/a	Completed and now closed.	N/a	N/a	N/a	N/a	David Loveless	Beverley Kuchar	01/06/2019	31/03/2020	28/02/2021	£ 750,000	£ 1,150,000	£ 1,141,914
20234	Planet Woking	N/a	N/a	Completed and now closed.	N/a	N/a	N/a	N/a	Lara Beattie	Beverley Kuchar	01/09/2020	30/07/2021	31/07/2023	£ 94,580	£ 175,218	£ 169,063
20274	Woking Palace Repairs And Essential Works	N/a	N/a	Completed and now closed.	N/a	N/a	N/a	N/a	Richard Smith	David Loveless	01/11/2021	30/05/2023	None.	£ 47,500	£ 47,500	£ 35,604
20278	Redeployable CCTV	N/a	N/a	Completed and now closed.	N/a	N/a	N/a	N/a	Trevor Kimber	Beverley Kuchar	04/01/2022	31/03/2022	28/02/2023	£10,020	£10,020	£7,175

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<b>KEY</b>	Green	Project is progressing according to agreed plans and targets and is within all tolerances.
	Amber	Project contains areas of concern which are impacting on delivery and may need remedial action.
	Red	Project is failing in one or more areas and is in need of immediate attention.
	Blue	Project on closure, had variations previously highlighted.
	↑	Overview RAG Flag has improved since the last Project Monitoring Report.
	→	Overview RAG Flag is the same as the last Project Monitoring Report.
	↓	Overview RAG Flag is worse than the last Project Monitoring Report.
Revised End	Indicates that CLT has authorised an extension to the schedule of a project. If a project exceeds its budget/timescale and a formal request for an extension to either is agreed, the rag flags will be baselined against the revised budget/timescale.	