

MEDIUM TERM FINANCIAL STRATEGY (MTFS)

Executive Summary

This report provides a forecast of the financial position of the Council for the 4 years 2021/22 to 2024/25 and outlines the approach to aligning the budgets of the Council with the priority outcomes defined within the Corporate Plan.

The outlook over this period is very difficult to assess as the country emerges from the impact of the Covid pandemic and as Covid restrictions ease. Whilst the government has published a roadmap, the lifting of all restrictions has been delayed and it remains uncertain how personal and business practices will have changed permanently and the impact they will have on the local economy.

The financial position of the Council is significantly reliant on income from car parking and commercial rents contributing some £8m and £22m towards the Council's total income. This income has been used to fund a wide range of services for the communities of Woking that would not be possible to fund if this income was not generated. There has been a significant loss of this income in 2020/21 and the first quarter of 2021/22. Whilst it can be assumed that this income will recover over time, it may take some time before pre-Covid income levels are achieved. A full recovery is assumed to extend beyond the 4 years of this Medium Term Financial Strategy (MTFS). On this basis a prudent approach is required which secures savings in the short and medium term in order to reduce and remove the use of reserves.

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

The scale of the savings target is £6m per annum by 2024/25. A £1m efficiency savings target for the current financial year 2021/22 was included in the March MTFS to reduce the use of reserves. Plans will be developed over the summer to identify how this can be achieved in 2021/22 and how it can be extended to provide an additional £5m saving over the second and third year of the MTFS culminating in a recurring £6m saving from efficiencies and savings per annum from 2023/24 forward, as assumed in the base forecasts. To support the delivery of these savings, a post of Head of Transformation and Digital has been established in order to support an agenda of significant change and digitisation and drive an efficiency and modernisation programme.

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

The Council is establishing an ambitious "Fit for the Future" programme that will establish a framework to oversee the delivery of efficiencies while continuing to place communities at the core of decision making through our extensive community engagement plans and deliver a modern council way of working that is in tune with the priorities for and opportunities that Woking offers. The scale of the savings required will impact on services and difficult decisions will need to be made supported by a clear priorities set out in the current and emerging Corporate Plan.

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Now is the time, however, to drive out the benefits from the investments the Council has made into establishing Woking as a place that has vitality and prosperity in order to maximise the potential for Woking and establish our next programme for change.

The Council has applied to the government for Exceptional Support for 2020/21 and 2021/22. This would enable losses resulting from Covid to be spread over a longer period, protecting revenue reserves and allowing more time for income generation to be restored. Very few Authorities have been granted the flexibility requested, and where they have the need has been more immediate than it is for Woking. It is therefore prudent at this stage to assume that this support will not be available.

The MTFS will continue to be reviewed and updated over the summer in order to bring forward areas of search for efficiencies and savings which enable the Council to manage its resources over the medium term and align these to the priority outcomes identified within the Corporate Plan.

Monitoring of the 2021/22 budget will be reported monthly in the Performance and Financial Monitoring Report.

Recommendations

The Executive is requested to:

RESOLVE That

- (i) the evidence base on demographics (Appendix 1) be noted;
- (ii) the priority outcomes, in the Corporate Plan which form the basis of the Council's business and financial planning set out in Section 3, be reviewed through the process highlighted within this report;
- (iii) the target for areas of search to identify further efficiency and savings proposals (Section 7) be noted;
- (iv) the development of a four year Medium Term Financial Strategy drawing from the Corporate Plan priority outcomes be agreed;
- (v) it be agreed to continue to develop activity and financial plans through the Fit for the Future programme to deliver the savings and resource realignment needed in each of the next four years to operate within the resources available;
- (vi) the development of the engagement and consultation plan to embed a culture of this way of working into decision making processes be continued;
- (vii) reports be received on more detailed plans for the next four years in November 2021; and
- (viii) a £500k budget for external support for the Fit for the Future programme, to be funded by revenue reserves or the Flexible Use of Capital receipts where the criteria for this flexibility are met, be approved.

Reasons for Decision

Reason: To update Members on the issues which need to be taken into account in the priority and budget setting process for 2022/23 – 2024/25 and beyond.

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

- Background Papers:** None.
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1.0 Background

- 1.1 This Woking Medium Term Financial Strategy report is part of the Council's integrated service and financial planning cycle. The report sets out the context and provides an overview of the latest position in preparation for more detailed planning for 2022/23 and beyond.
- 1.2 It follows the Medium Term Financial Strategy report presented to the Executive at its meeting on 25th March 2021 and Council on 8th April 2021.
- 1.3 It builds on our performance and achievements over the last year and acknowledges the challenges in the years ahead at both a local and national level as we assess the impact that the coronavirus pandemic has had on the Council's income, demand for services provided by the Council and the shape of the economic recovery.
- 1.4 The Council spends circa £130m gross and £15m net revenue each year on the general fund and has an ambitious £1,866m capital Investment Programme. It is vital that these resources, in partnership with others, are deployed in the most effective way.
- 1.5 The Corporate Plan sets the core priorities for the Council and informs where our spending is directed in order to ensure that we target our finite resources towards the areas of highest priority and need.
- 1.6 The Council budgets for circa £35m per annum from commercial and income generating activities plus margins from loans to Group Companies and other partners which have supported the Council's ability to provide a comprehensive set of services that are valued by the communities of the Borough. The Corporate Plan and integrated service and financial planning within this Medium Term Financial Strategy will provide the policy and priority context for developing proposals that sustain our financial resilience whilst ensuring we remain focussed on the priorities for our communities.
- 1.7 In developing our medium and longer term plans we will need to have regard to the broader context in which we will be working. There are significant areas of change that currently are not fully understood and cannot be fully quantified but will have potentially significant financial impact. This includes:
 - The impact of operating in an economy that is coming out of recession. The Government will be considering the overall level of Public Sector borrowing and how it starts to rebalance the country's finances. This consideration will include overall levels of spending through Government Departments and levels of taxation.
 - The lasting impact the pandemic will have on communities and the implications on the demand for services.
 - The conclusions the Government might draw from the pandemic in terms of the nature and organisation of public services and the relationship between national and local government and communities.
 - Changes to the system of local government funding that have been deferred by Government and confirmation of funding for the sector beyond the current annual settlements. The level of Government funding that WBC will receive from 2022/23 onwards is not confirmed; spending review 2020 was for a single year and therefore funding for this planning period will be announced at Spending Review 2021 which is likely to be in the autumn.

2.0 Current Position

- 2.1 Woking Borough Council plays a key role in the quality of life of the residents, communities and businesses of Woking through services and employment we provide, purchasing from local suppliers and how we work in partnership with others. Against a background of ever diminishing resources and increasing demand, the Council has been investing in the local economy in order to reduce the reliance on government funding sources and therefore become more financially sustainable through activity that is more within the Council's control.
- 2.2 The benefits from the Council's entrepreneurial and commercial practice over that last decade has enabled it to continue to invest in new community facilities, and provide and fund a comprehensive range of services for the residents and communities of Woking that has been beyond the reach of many comparable District and Borough authorities.
- 2.3 We have and continue to work to ensure:
- What we do represents good value for money;
 - We invest in and for the future vision for Woking as a vibrant place to live, visit, work and invest;
 - Our activities are transparent and we can be held to account;
 - We operate as One Council and focus on key areas for Woking Council action;
 - We prioritise the investment available for front line service delivery by maximising the resources available to us through income generation, treasury management and working in partnership with other organisations;
 - We remain true to our purpose and carry out all we do professionally and competently; and
 - We remain ambitious, optimistic and realistic about what can be achieved.
- 2.4 Local Government has to date borne the brunt of austerity and savings it has been required to make are higher than in most areas of government expenditure. All Councils are facing real challenges and the impact of the Coronavirus pandemic has hit authorities with a high dependency on parking and commercial and retail estate returns particularly hard.
- 2.5 The Chartered Institute of Public Finance Accountants produce an index of Financial Resilience to support Local Authority good financial management. Of particular note and relevance for Woking Borough Council are comparably high levels of debt and interest payments to support our investment and regeneration programmes of activity alongside a strong financial position in respect of the level and sustainability of reserves and the ratio of fees and charges to service expenditure which has provided the ability to cover the debt interest payments and contribute to maintaining the funding of a comprehensive range of services to the communities of Woking. It is this reliance on alternative income sources, seen by the index as a strength, which has increased the financial pressure during the pandemic as income has been universally affected.
- 2.6 The benefits of the Council's approach and Investment Programme have put us in a relatively strong position from which to face the challenges ahead. This can be evidenced by some areas of national research around vitality and prosperity highlighted below:

Lambert Smith Hampton UK 2021 Vitality Index

This report assesses the vitality of UK towns and cities to identify which locations are the best to live and do business in.

For 2021, Woking is the top ranked location for vitality with particularly strong performance in the pillars of:

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- Economy and Business (10th) - inclusive of a top score for wage growth and commercial property investment, and
- Health and Environment (2nd) – Low levels of cardiovascular mortality and high score for life satisfaction and recycling

Other things to note in the index that are relevant to Woking are:

- Strong performance of medium sized centres related to their ability to offer more to their residents in certain key respects, including education, health outcomes and life satisfaction.
- Strong performance of the South of England making up 8 of the top 10 places

Legatum Institute Prosperity Index 2021

Produced by the Legatum Institute which is a London based think tank focussing on the pathways from poverty to prosperity and the transformation of society

The prosperity index tracks prosperity across all 379 Local Authorities in the UK and allows the assessment of development, growth and extent of prosperity across all areas of the UK.

For 2021, Woking is ranked 5th of all 379 Local Authorities using 3 high level domains of Inclusive Societies; Open Economics and Empowered People to make this assessment. Woking is ranked particularly strongly in the Empowered People domain which covers Living Conditions; Health; Education and Natural Environment.

Other things to note in the Index that are relevant to Woking are:

- Strong overall correlation with the assessments in both the Lambert Smith Hampton Vitality Index and the Legatum Institute Prosperity Index
- Strong overall assessment of the South East region and the County of Surrey with 10 of the 12 Surrey District and Boroughs in the top 20 local authorities

3.0 Corporate Plan - Priority Outcomes

- 3.1 In order to provide a clear sense of direction for Council staff, residents, businesses and partner organisations, the Council has set out its strategic objectives in a Corporate Plan for 2021-2022 which was agreed by Council at its meeting on 8th April 2021.
- 3.2 The Corporate Plan for 2021-2022 provides an overview of the Council's strategic focus for the coming year. It encapsulates the commitments made previously by the Council, bringing them together into a single plan of action.
- 3.3 The Council is engaging with residents, businesses, partners and staff over the next year to refresh its vision for the Borough of Woking and set out a five year Corporate Plan for 2022-2027, which will be brought forward for Council approval in March 2022.
- 3.4 The Corporate priority outcomes and strategic objectives in the Corporate Plan are:

Priority Outcome A healthy, inclusive and engaged community

Strategic Objectives:

- Improving the health and wellbeing of all residents
- Reducing social inequality
- Engaging communities

Priority Outcome An enterprising, vibrant and sustainable borough

Strategic Objectives:

- Promoting a strong economy
- Improving the borough's biodiversity and green infrastructure
- Sustainable development

Priority Outcome An innovative, proactive and effective council

Strategic Objectives:

- Digital First
- Strengthening partnerships
- Effective use of resources

3.5 These priority outcomes and strategic objectives will inform where the Council makes its General Fund and Investment Programme investments in order to ensure our activity is aligned to the priorities of the Council.

3.6 The Council has prioritised investment into a comprehensive range of services for the communities of Woking which has largely been enabled by commercial returns from economic and social regeneration activity. Further opportunities for investment returns mitigating the need to make service efficiencies however are significantly more limited, especially in the current economic environment. The identification of savings options in areas which support our priorities will therefore be inevitable.

4.0 Fit for the Future Programme

4.1 The Council has used its Investment Programme to prepare for ambitious economic and social regeneration which is evidenced through its investment into housing, retail and office estates, public realm infrastructure and promoting the borough to institutional investors as a place with strong vitality and prosperity.

4.2 To drive out and maximise the benefits from our investments and ensure that we remain a lean, efficient and digitally modern Council, we are establishing a Fit for the Future programme which brings together both existing plans and activity and introduces new area of focus into an coordinated programme of change.

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

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

4.5 Additional resource is required in the initial key areas of transformation and digital; community engagement; commercial and finance business partnering. For 2021/22 this will be managed within the current approach to managing staffing budgets and establishment. Beyond the current financial years any requirement for additional resource will be incorporated into the MTFS process which will align priorities with the resources available.

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- 4.6 It is recommended that a £500k budget is established to enable external resources to be made available to support these programmes. Where possible the Council will fund this through use of 'Flexible use of Capital Receipts' which allows income from the sale of property to be applied to transformation activities. Further details and the required strategy for any proposed use of this flexibility will be reported in the next update. Should the necessary expenditure not meet the criteria, it will be necessary to fund from revenue reserves.
- 4.7 It is likely that the Council will need to consider the funding provided to community groups through the grants process for 2022/23. Where appropriate some groups may instead be supported through Service Level Agreements which reflect activity agreed with the Council.

5.0 National and Local Policy and Pressures

- 5.1 The work of WBC, in terms of the services we deliver and how they are delivered is informed by a continually changing set of local and national factors. The next four years will continue to see demand for services continue to rise due to social, economic and demographic pressures alongside a changing policy context.
- 5.2 Appendix 1 to this report provides some insight into Woking in respect of the health of the communities of Woking and the vitality of the environment and the economy. This insight helps inform the delivery of our priorities for A Healthy, Inclusive and Engaged Community and An Enterprising, Vibrant and Sustainable Borough.
- 5.3 The information in this section of the report is intended to provide further reference and context for the MTFS.
- 5.4 COVID-19
 - 5.4.1 In February, the Government published its 'COVID-19 Response – spring 2021' which outlined a phased 'roadmap' out of lockdown. The decision to progress at each step of the roadmap has been based on meeting four tests: that vaccine deployment continues successfully, vaccines are effective in reducing hospitalisations and deaths, infection rates do not risk unsustainable pressure on the NHS, and the assessment of risks is not changed by new Variants of Concern. The Government's intention is that the relaxation of restrictions is cautiously managed so that further lockdowns are not required in future.
 - 5.4.2 In light of increasing cases of the Delta COVID-19 variant and hospitalisations, full progress to step 4 of the roadmap (removing limits on social contact, opening remaining business premises and removing limits on large events) has been deferred to 19 July to provide time for all adults over the age of 18 to have been offered their first vaccine. Continuation of restrictions, including social distancing and wearing face coverings impacts the way we deliver a number of Council activities and services.
 - 5.4.3 There will need to be a longer-term, national approach to managing the ongoing presence of COVID-19 in the population and potential future increases in infections. We can expect the approach, and any need for future restrictions or Government interventions, to be informed by the effectiveness of vaccinations and treatments, emergence of any further Variants of Concern and the impact of future infection rates on the NHS.
- 5.5 Economic Outlook
 - 5.5.1 The Office for Budget Responsibility (OBR) has assessed the impact and provided forecasts on the impact of COVID-19 on the UK economy and public finances throughout the pandemic. The latest forecast in March projected that rollout of vaccines and easing of public health restrictions would fuel a rapid recovery in economic output this year, with Gross

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Domestic Product (GDP) returning to pre-pandemic output by the middle of 2022, six months faster than previously forecast in November 2020.

- 5.5.2 The forecast noted that the Coronavirus Job Retention Scheme (furlough), grants for the self-employed, and grants and guaranteed loans to businesses have played an important role in keeping viable businesses going, but have to some extent delayed, rather than avoided, unemployment and business insolvencies. These are expected to arise when Government support ends later this year.
- 5.6 National Economic Recovery
 - 5.6.1 The Queen's Speech in May set out the Government's programme for the new Parliamentary session, with a focus on delivering a pandemic recovery that 'makes the UK stronger, healthier and more prosperous.' The speech re-affirmed that the Government is committed to 'build back better', harnessing opportunities and learning from the COVID-19 pandemic; as well as responding to existing societal issues and those arising from the pandemic.
 - 5.6.2 The central ambition to the Government's plans for COVID-19 recovery, particularly economic recovery, is to 'level up' the country. In the Queen's Speech, this was defined as 'boosting jobs, driving growth and innovation, increasing opportunity for everyone, and ensuring everyone has access to excellent public services, regardless of where they live'. A Levelling Up White Paper is to be delivered later this year, with policy interventions to improve livelihoods and opportunity. This may have implications, and present opportunities, for WBC's work to drive sustainable economic growth.
 - 5.6.3 The Levelling Up White Paper follows the Treasury's Plan for Growth, published earlier this year. This set out that the Government's three pillars of growth are infrastructure, skills and innovation; and that Government's ambition for economic growth is to deliver three strategic aims: level up the whole of the UK (through regenerating struggling areas, for example), support the transition to net zero (growing net zero industries and creating new ones); and support the vision for 'Global Britain' (championing openness to fair and free trade, for example). These strategic aims will need to be considered in our planning and work, such as in making bids to Government funding for economic development.
- 5.7 Brexit
 - 5.7.1 The UK fully ceased to be a member of the EU on 31 December 2020 when the transition period came to an end. A new Trade and Cooperation Agreement with the EU was agreed in December 2020, governing arrangements between the EU and UK on a range of areas such as trade in goods and in services, digital trade, intellectual property, public procurement, aviation and road transport, energy, fisheries, social security coordination, law enforcement and judicial cooperation in criminal matters. The long-term impact of this agreement on the UK's economy and public services remains to be seen, including the opportunities it could present for new policy making and legislative development.
- 5.8 Woking Borough Council Services
 - 5.8.1. **Green Infrastructure** – The Council is committed to be at the forefront of innovation in addressing the challenges of climate change. We need to prioritise activity in order to continue to reduce our carbon emissions and improve biodiversity, essential to meet the challenging carbon neutral 2030 target, deliver on our climate and ecological emergency declarations and associated accelerated actions. Recent times have reemphasised the absolute importance of the natural environment to our health and well-being. As per our Natural Woking strategy, the Council will need to undertake certain works over time in its parks, recreation grounds, play areas and countryside sites to ensure safe access to the borough's greenspaces.

- 5.8.2 **Environment Bill** - In the 2021 Queen's Speech, the Government re-introduced its flagship Environment Bill to be progressed over the coming year, with any necessary secondary legislation following thereafter. The bill was previously introduced in the last Parliament and is planned to:
- Put the environment at the centre of policy making, making sure that this Government – and those in the future – are held accountable for making progress on environmental issues.
 - Introduce a framework for legally-binding environmental targets and establish a new, independent Office for Environmental Protection.
 - Introduce measures to revolutionise how we recycle; enhance local powers to tackle sources of air pollution; secure long-term, resilient water supplies and wastewater services; and protect nature and improve biodiversity.

Although amendments are expected to the bill as it progresses through Parliament, it is clear that many aspects of the bill will affect WBC functions. Proposals for changes to recycling have been consulted on and we await the outcome of the DERFA consultations on a deposit return scheme for drinks containers, extended producer responsibility and consistency in household and business recycling.

- 5.8.3 **Climate Change** - The UK will host the COP26 summit in Glasgow in November, the UN's climate change conference. The UK Government is undertaking work with other UN nations to reach an agreement on how to tackle climate change. We expect Government funds and initiatives to be launched in the run-up to the conference, which may present opportunities for WBC. The Government has also committed to publish its comprehensive net zero strategy on how it will meet the national net zero target in advance of the conference. Any agreement reached at the conference to tackling climate change in the next decade will inform the national approach to delivering net zero and some of WBC's future plans.

Numerous Flood infrastructure schemes on the Council's capital investment programme have been deferred in response to the challenges WBC are facing to manage within the forecast resources available. A number of such projects are joint funded with partners and all at different stages from feasibility to implementation stage. Separately officers are working closely with Surrey County Council to identify and deliver a number of local flood interventions to improve flood resilience.

- 5.8.4 **Homelessness** – There is likely to be ongoing high demand for our homelessness services (including emergency accommodation), relating to housing and supporting rough sleepers accommodated under the Government's "Everyone In" initiative and the anticipated surge in evictions following the lifting of the Covid-19 eviction freeze. High private rents (compared to the Local Housing Allowance), the benefit cap and lack of employment opportunities will all exacerbate this.
- 5.8.5 **Landlord Services** – The decision has been made to bring Housing and Asset Management services back in-house from April 2022 and to directly procure repairs and maintenance works and services through third party contractor. Whilst estimates have been made as to the financial impact of this (anticipated saving c.£130,000 per annum), the actual effect will not become clear until later in 2021/22 and through 2022/23.
- 5.8.6 **Affordable and Decent Housing** – The Borough has an acute need for more affordable homes and a requirement to invest in our housing stock to meet Decent Homes standards and carbon reduction targets. The lack of financial capacity within the Housing Revenue Account will severely constrain the Council's ability to respond to these.
- 5.8.9 **Workforce** - Following introduction of the Government's 'stay at home' message in March 2020, the Council moved quickly to support all staff to work from home where this was appropriate to their role. Routine projects to upgrade IT software and refresh equipment were

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already well progressed and this enabled the majority of staff to work remotely with relative ease.

The impact of the pandemic has provided an unprecedented opportunity to accelerate our planned changes to how we work in the future, and as the easing of the lockdown restrictions continues, the Council is planning future working arrangements and the safe return to the workplace.

Our planning includes considerations of working practices and models of service delivery. Using feedback from teams about the successes and challenges of working remotely over the last year, as well as the needs of the service, the Council has established a project to evolve its working practices and spaces to ensure we have modern and flexible workspaces that enable hybrid ways of working.

Human Resources and Organisational Development, Property and IT Services are working collaboratively to provide a holistic response to changing working practices. IT Services are reviewing an interim solution for video conferencing equipment in meeting rooms and planning the rollout of Microsoft O365 which will see the migration to cloud hosted solutions which supports greater flexible working and introduction of collaborative working solutions.

New working practices will drive efficiency, as well as significantly reduce carbon emissions through a reduced requirement for staff travel. We also expect the success of hybrid working arrangements to enable us to attract and secure job applicants from a wide geography.

5.8.10 **Digital** - A Digital Strategy is being developed to provide a framework to connect corporate and departmental digital technology investment decisions and to provide a One Council view of the development of digital technology and skills. The vision is for WBC to be known for digital enterprise. A leading economic hub, driving prosperity and growth and attracting inward investment. With super-high connectivity, we will lead the way on smart, sustainable growth.

5.8.11 **Procurement Green Paper and Bill** - Following the UK's exit from the EU, the Government is taking the opportunity to replace the current procurement regime, which was transposed from EU procurement directives. In the 2021 Queen's Speech, the Procurement Bill was announced which intends to simplify procurement in the public sector. This will overhaul the complex procurement procedures and replace them with three simple modern procedures.

The Government believes the benefits will include increased transparency, simpler accessibility for suppliers, increasing consideration for wider social value and tackling unacceptable behaviour more easily (such as supplier fraud). These changes will take place over the next 18 months to two years.

5.8.12 **Cultural sector recovery** - Cultural and heritage destinations, visitor attractions and hospitality contribute to the Woking economy and support local health and wellbeing. These sectors were significantly affected by national restrictions in response to COVID19. National bodies, such as Historic England and Arts Council England, are campaigning for continued financial support, with the £1.57bn Cultural Recovery Fund being the most significant form of financial support.

In June, the Government published its Tourism Recovery Plan to support a growing, dynamic, sustainable and world-leading tourism sector in all parts of the UK. The plan aims to recover domestic overnight trip volume and spend to 2019 levels by the end of 2022, and inbound visitor numbers and spend by the end of 2023.

5.8.13 **Health and Wellbeing** – The Health and Wellbeing Strategy and associated action plan sets out the background, objectives and priority actions for the Council on this challenging

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agenda. Demographic change is likely to present additional demands over time and future resource planning will need to consider the greater use of digital infrastructure and stronger partnership working with multiple agencies, including the County Council, in order to manage cost pressures and service demands.

6.0 Engagement and Consultation

- 6.1 The Council has a bold vision to be in constant communication with residents and to have an embedded culture of consultation in how it operates and makes decisions that are in the best interests of the communities of Woking Borough Council.
- 6.2 Investment has been made into an on-line civic engagement digital platform, the Woking Community Forum, and a representative Residents Panel has been established. At the time of this report the Woking Community Forum has already hosted engagement on the Housing Strategy and Electric Charging Points.
- 6.3 The first meeting of the Residents Panel was on the 7th July. It was webcast from the Council Chamber and also accommodated some socially distanced in person attendance from Residents Panel members. There are in excess of 750 residents who have registered to be on the Panel and they provide a good representation of our resident community for us to undertake detailed engagement on the issues that are of the greatest importance to them.
- 6.4 We engaged with the Panel on a programme of engagement activity for the year and have started to plan the details of this engagement, thinking about how we can use innovative, digital and interactive methods that give us the best reach into our communities and ensure inclusivity and diversity of voice.
- 6.5 The Council faces significant financial challenges and it also has an ambitious development and growth agenda. It is critical that the views of residents, businesses, partners and staff are sought in setting out a clear vision for the future and clear priorities that will guide the development of our five year Corporate Plan for 2022-2027.
- 6.6 Our vision for community engagement, the activity we have already delivered and the plans we are putting in place will establish a culture of trust as we collectively invest in the future for the communities of Woking. Our engagement approach will enable the Council to understand what people value and what their hopes are for the future to help us shape a Borough that works for all. It will provide a shared vision about what people want Woking to be like as a place to live and work and set out our priorities.
- 6.7 The community engagement plan will provide the approach to a programme of constant communication with residents and communities so that feedback forms part of decision making and setting the corporate priorities for the Council.

7.0 Summary Financial Forecast

- 7.1 The Medium Term Financial Strategy (MTFS) report agreed by Council at its meeting on 8th April 2021 identified a budget shortfall by the end of 2024/25 of £3.358m after assuming £3m recurring efficiency savings and forecasting opportunities from increasing some areas of fees and charges. The table below is replicated from the 8th April Council report for ease of reference.

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<u>MEDIUM TERM FINANCIAL STRATEGY - MARCH 2021</u>	2021/22	2022/23	2023/24	2024/25	TOTAL
	£'000	£'000	£'000	£'000	£'000
<u>In year Pressures</u>					
Remove use of Reserves 2021/22		9,562			9,562
Remove Business Rates pooling/Collection fund surplus/deficit		244		-68	176
General Service Pressures		725	725	725	2,175
Potential SCC Funding reductions			153		153
Land Charges transfer to Land Registry		80			80
<u>Funding and Council Tax</u>					
Reduce reliance on New Homes Bonus to zero		200			200
Government Funding reductions		794	448	432	1,674
<u>Investment Programme pressures:</u>					
Investment Programme projects		885	747	562	2,194
Town Centre Car Parks financing costs	-631	1,359	386		1,114
Increase in interest rate	117				117
Woking Gateway - loss of rents			350		350
York Road Project			160		160
Reduction in TEL/TCMK annuity interest		53	75	75	203
	-514	13,902	3,044	1,726	18,158
Funded by:					
<u>Economic Recovery</u>					
Car Parking	318	-1,225	-764		-1,671
Commercial Rents - removing provision for irrecoverable debts	-1,871	-1,939			-3,810
Commercial Rents - recovery of some vacant units			-250	-285	-535
Leisure income		-116			-116
	-1,553	-3,280	-1,014	-285	-6,132
<u>Other Contributions</u>					
Increase in Taxbase		-310	-80	-82	-471
Council Tax increase		-208	-214	-220	-642
Fees and Charges - Car Park income 10p a year from Oct 21	-200	-400	-400	-200	-1,200
Fees and Charges - New Car Park income	-130	-510	-530	0	-1,170
Less: car park operational costs (TBC)					
Investment in Housing		-687	-749	-749	-2,185
Productivity and Procurement Saving Target	-1,000	-1,000	-500	-500	-3,000
	-1,330	-3,115	-2,473	-1,751	-8,669
In year cost pressure/saving	-3,397	7,507	-442	-310	3,358
Annual Use of Reserves	-3,397	4,110	3,668	3,358	

- 7.2 The assumptions within this table have been reviewed and at this stage it is still prudent to use the same information and assumptions for our planning purposes and update these as an integral part of developing options to address the budget shortfall and reporting back to the Executive to its meeting on 18th November 2021.
- 7.3 Areas of search for proposals to cover the budget shortfall will be undertaken through the Fit for the Future programme over the summer and reported back to the above meeting of the Executive.
- 7.4 The use of reserves as forecast above would leave the Council with minimal balances left at the end of the MTFS period, and with a budget deficit still to be met. To ensure that a sufficient level of reserves are maintained, and to provide options to enable a balanced budget beyond

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2024/25, it is proposed that a further £1m of options to cover the budget shortfall are developed for each year 2022/23, 2023/24 and 2024/25.

- 7.5 A high level overview of the budget shortfall and targets for closing this is highlighted in the table below. The table excludes the recovery of income over the MTFS as the economy emerges from the Covid-19 pandemic which is shown separately in the forecast.
- 7.6 The underlying budget shortfall results from income growth from a lower level than previously assumed, reductions in commercial income incorporated into the 2021/22 base budget, and previously known pressures from the Council's Investment Programme (including new car park asset), and assumed government funding reductions.
- 7.7 The Budget shortfall is cumulative and is shown before the use of reserves or savings targets. It reflects the non-Covid related difference between income and expenditure which must be met either through savings, additional income, or use of reserves. Proposed targets for the efficiency programme, additional savings and resulting necessary use of reserves are shown for each year.

	2021/22	2022/23	2023/24	2024/25
Budget Shortfall	-1.8	-4.0	-5.1	-6.0
Efficiency Programme	-1.0	-2.0	-2.5	-3.0
Additional Savings Target		-1.0	-2.0	-3.0
Use of Reserves for General Fund	-0.8	-1.0	-0.6	0.0

- 7.8 There will be a number of approaches which will be used to develop proposals for closing the budget shortfall which will include:
- Reviewing financial and service pressures
 - Updating confirmed funding from Government
 - Organisational efficiencies
 - Reviewing fees and charges and activity projections
 - Reviewing treasury management and investment costs
 - Working with partners
 - Searching for alternative and additional sources of funding
 - Taking a commissioning approach to the funding of services
 - Service reviews and prioritisation

Parking Charges

- 7.9 The MTFS approved by Council in April 2021 assumed that parking charges would be increased by 10p an hour from 1 October 2021. This was forecast to generate £200k additional income in 2021/22, £400k in a full year.

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- 7.10 Parking charges in the town centre were last increased in October 2019. Previous financial plans have assumed that the hourly rate would be increased on completion of the new improved parking facilities on the launch of Victoria Place.
- 7.11 It is critical that the Council achieves the return on investment in its town centre and that parking income contributes to the costs of the new car parks. However, the current economic climate is uncertain, and customer demand unpredictable. It is therefore recommended that both the level of charges, and the charging methodology, be reviewed in the context of the current environment with proposed changes to be considered by Council in September.

8.0 Investment Programme

- 8.1 A summary of the Investment Programme (IP) approved by the Council in February 2021 is set out below:

	PLANNED EXPENDITURE				
	20/21	21/22	22/23	23/24	24/25
	£'000	£'000	£'000	£'000	£'000
General Fund	441,916	179,645	52,579	33,764	5,616
Housing Investment Programme	165,858	178,642	125,594	149,339	532,555
Total Investment Programme	607,774	358,287	178,173	183,103	538,171

- 8.2 Over the summer the IP will be updated to reflect the capital outturn at 31 March 2021 and slippage into 2021/22. A number of projects were suspended in November 2020 while the potential financial impact of the pandemic was established. It is unlikely that any projects currently on the suspended list will be incorporated into the funded plan while the Council has a significant level of budget savings to be achieved to achieve a sustainable financial position.
- 8.3 Investment will continue on the Council's key active projects: Victoria Square, Sheerwater, the Town Centre HIF and Housing provision through Thamesway Housing. Where funding is available it may be possible to progress other projects.
- 8.4 The Investment Programme will be further reviewed with the objective of minimising use of revenue reserves. This may result in recommending changes to the current funding of projects to retain reserves where borrowing or other capital resources could be applied.
- 8.5 The MTFS in April approved a budget for investing in commercial units in order to secure new tenants. As the year progresses further proposals may be brought forward which seek investment in order to restore income. The business case for any such investment will be brought forward for consideration by the Executive.
- 8.6 The management of the Council's treasury activity considers opportunities that both give the Council the greatest flexibility in the short term and medium term and recognise the benefit derived from investments over the life of the asset.
- 8.7 During 2020/21, the Council secured short term borrowing at very low rates as it was anticipated that the government would remove the additional 1% charge applied to PWLB interest rates. In November 2020 the 1% was removed subject to local authorities providing details of borrowing plans and assurances that they did not include proposals to acquire

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commercial investments for yield. Since January 2021 the Council has returned to taking long term PWLB borrowing to match the long term nature of the majority of the Investment Programme.

- 8.8 Whilst there is a short term benefit of the lower short term rates, this is at the risk of long term rates rising over time. Currently long term borrowing rates are above those assumed in setting the 2021/22 interest estimates, however they remain historically very low and so as far as possible short term borrowing will be converted to long term as the loans mature, in order to provide long term certainty. As the lower cost short term loans will be in place for a proportion of 2021/22 there will be a saving against budget which will mitigate any costs through increasing long term rates. The position will be reported in the Green Book each month.

9.0 Reserves

- 9.1 The Medium Term Financial Strategy report agreed by the Council at its meeting on 8th April 2021 identified available revenue reserves of £24.946 which were all utilised by the end of 2024/25.
- 9.2 As set out in the 2020/21 budget process, the Council applied for exceptional support from the government for revenue losses as a result of the pandemic. The support requested was a capitalisation direction allowing the flexibility to meet unfunded commercial and income losses in 2020/21 and 2021/22 through capital resources. This would spread the cost of the 'once in a generation' global social and economic event over a longer period, protecting revenue reserves and allowing time for income to recover.
- 9.3 The exceptional support process has been completed and the Council is awaiting the government's response. Only a very small number of local authorities have been granted flexibility, and where they have there has been an immediate need for support. Woking has sufficient reserves to cover forecast losses through the MTFS, the request for support was to reduce the need to make immediate service related decisions while the future economic position remained so uncertain. It is prudent to assume that the support will not be forthcoming and that losses will need to be managed using existing resources.
- 9.4 Part of the review of financial proposals during the 2021 MTFS process will be to consider any flexibilities available to the Council which could be used to achieve the same protection of reserves as would have been secured through the capitalisation directive. This will include review of capital financing, funding of the Minimum Revenue Provision (MRP) which sets aside resources for the repayment of debt, and the use of capital receipt flexibilities to fund transformation programmes.
- 9.5 The search for further savings highlighted in this report would reduce the demand from the General Fund for use of reserves over the period so that a balance is available at the end of this period that is sufficient to meet the requirement of a budget robustness assessment and provide some provision for risks and an ability to invest into future priority investment programmes.
- 9.6 This provision, highlighted below, is circa £10m which will be reviewed as part of this MTFS process.

General Fund Balance (set at 4% of Gross budget)	£4.8m
Priority Outcomes and Transformation	£3.2m
Finance and Service Risk	£2.0m

10.0 Lobbying

- 10.1 We will work with the County Council and other Surrey District and Boroughs to lobby, for the urgent funding the sector, the South East region and Woking Borough Council needs in the coming financial period to make our services sustainable in the long term.
- 10.2 We will use our membership of political and officer networks to be a powerful voice for the role of District and Borough Councils.

11.0 Next Steps

- 11.1 Areas of search will be developed and costed over the summer aligned to the Council's Priority Outcomes. It will form the basis of our future lobbying work and discussions with residents, businesses and partners about what we can realistically provide and how we can help to create resilience in places where the Council can no longer step in.
- 11.2 More detailed plans will be considered by Executive and Finance Task Group throughout the autumn in the lead up to our budget setting meeting in February 2022.

12.0 Corporate Plan

- 12.1 The Medium Term Financial Strategy report provides the planning approach to aligning resources to the priority outcomes within the Corporate Plan.

13.0 Implications

Finance and Risk

- 13.1 The financial and risk implications are detailed within the report.

Equalities and Human Resources

- 13.2 No specific Human Resource or Training and Development implications.
- 13.3 There are no equalities implications.

Legal

- 13.4 Section 151 of the Local Government Act 1972 places a general duty on local authorities to make arrangements for 'the proper administration of their financial affairs'. The Local Government Act 2003 places a duty on the Council's Chief Finance Officer to advise on the robustness of the proposed budget and the adequacy of reserves. The Medium Term Financial Strategy is a policy framework document that is required by law to be adopted by Council. The Medium Term Financial Strategy report was presented to the Executive at its meeting on 25th March 2021 and Council on 8th April 2021. This report is part of the Council's integrated service and financial planning cycle. The report sets out the context and provides an overview of the latest position in preparation for more detailed planning for 2022/23 and beyond.
- 13.5 Under the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 the responsibility for approving any plan or strategy for the control of local authority borrowing, investment or Capital Strategy or for determining the minimum revenue provision is a decision of the full Council. The function of the Executive is to prepare and propose the relevant strategy to the Council. This document provides a comprehensive update on the Council's current position and shall inform future strategy.

REPORT ENDS