

UPDATE ON DEVELOPMENT OF CORPORATE STRATEGY AND MEDIUM TERM FINANCIAL STRATEGY (MTFS)

Executive Summary

This report provides an update on the financial position of the Council for the 3 years 2022/23 to 2024/25, following the earlier report to the Executive at its meeting on 15th July 2021 and in advance of the draft budget proposals which will be reported to the Executive at its meeting on 18th November 2021.

The outlook over this period remains very difficult to assess as the country emerges from the impact of the Covid pandemic and ending of Covid restrictions, alongside understanding the impact on the economy and speed of economic recovery.

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. It will be important to review performance in the second quarter and specifically performance through September 2021 which will be incorporated into the draft budget proposals for the November Executive meeting. Whilst it can be assumed that this income will recover, it may take some time before pre-Covid income levels are achieved. A full recovery is assumed to extend beyond the 3 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 and recovery from Covid-19. The update in this report forecasts a reduction in the use of reserves in the region of £10m resulting from work over the last 3 months on the Fit for the Future programme and MTFS. The requirement to use reserves is still significant due to the forecast reduction in income and returns from investments in the Borough's 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.

A review of pressures and local economic and service demand pressures undertaken since the 15th July Executive meeting has increased the scale of the savings target by £0.85m to £6.85m per annum by 2024/25. Options have been developed over the last 3 months that would deliver £4.83m of recurrent annual savings by 2024/25. These are being prepared for inclusion in the draft MTFS report to the 18th November 2021 meeting of the Executive. The impact of these options is to reduce the use of reserves to support the general fund by approximately £10m over the 3 year period.

At this point it is not possible to propose a balanced MTFS position over the period without the use of reserves. With the considerable level of national funding uncertainty in advance of the Government's Spending Review for 2021 (SR21), the signalling from Government of a 3 year settlement 2022/23 – 2024/25 and an improving reserves position for the Council, this forecast strategic use of reserves at this stage is appropriate and prudent.

The approach taken supports the development of a sustainable approach to delivering service changes over the medium term and enables investment into the Fit for the Future programme of

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organisational change. The Fit for the Future programme approach is being progressed and refined to provide the update to the MTFS report to the 18th November 2021 meeting of the Executive.

The Council has established a significant performance reset over the last 6 months through the emerging Fit for the Future programme in order to 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. In addition, the programme seeks to deliver a modern council way of working that is in tune with the priorities for and opportunities that the Borough offers. An overview of the key components of the Fit for the Future programme are highlighted at section 3 within the body of this report.

Now is the time to drive out the benefits enabled from the investments the Council has made into establishing the Borough as a place that has vitality and prosperity in order to maximise its potential.

The Council's application to the government for Exceptional Support for 2020/21 and 2021/22 was not successful as the assessment from MHCLG was that the Council's overall position did not meet the criteria for support, the Council is not facing an immediate unmanageable cost pressure and there are a range of actions that the Council could take to help manage its financial position in the coming years. The Council was prudent in assuming that this support would not be available and it does not therefore impact on our financial planning assumptions.

There was an additional resolve of the Executive at its meeting on 15th July 2021, supported by a motion that was agreed by Council at its meeting on 29th July 2021, which has led to the commission of a full, independent and comprehensive review of all the assets and liabilities of the Council and all companies of which it has an interest. The award of the contract for this review is planned for week ending 8th October and commencement of the work during the following week commencing 11th October. This review will produce a report by the end of December 2021 which will be incorporated into the Medium Term Financial Strategy and reported in the Budget report to Executive on 3rd February 2022, following consideration by the Overview and Scrutiny Committee at its meeting on 24th January 2022. Council will be required to approve the budget at their meeting on 10th February 2022.

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 the following be noted:

- a) update to the funding and economic outlook;
- b) progress on the Medium Term Financial Strategy following work over the last 3 months;
- c) progress on the Fit for the Future Programme;
- d) progress on Community Engagement and proposals for a series of community roadshow events;

And That:

- e) the Council joins the Surrey Business Rates Pool for 2022/23 if offered the opportunity.

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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 progress report on the Council's Medium Term Financial Strategy is part of the Council's integrated service and financial planning cycle. The report provides an overview of the latest position, following work over the summer and in the context of the Fit for the Future programme that has been planned and implemented over the last 6 months.
- 1.2 It follows the Medium Term Financial Strategy report presented to the Executive at its meeting on 15th July 2021 and is in preparation for the draft Medium Term Financial Strategy report to the meeting of the Executive on 18th November 2021.
- 1.3 The report sets out our performance and achievements over the last year, more notably the last 6 months, 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, adopted at Council 8 April 2021, 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 provides 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.

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2.0 Current Position – Context and Update

- 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 the Borough 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 the Borough 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 the Borough;
 - 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 the Borough. 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 that have been previously reported to the Executive and as evidenced in the Lambert Smith Hampton UK 2021 Vitality Index and Legatum Institute prosperity index 2021.
- 2.7 The outlook over this period remains very difficult to assess as the country emerges from the impact of the Covid pandemic and ending of Covid restrictions, alongside understanding the impact on the economy and speed of economic recovery. Key areas in which it is useful to reflect developments since the MTFS report to the 15th July meeting of the Executive are:

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- **Spending Review 2021** – The Chancellor of the Exchequer issued a letter to Secretaries of State on 7th September to launch Spending Review 2021 to set Government Departments' budgets for the 3 year period 2022/23 to 2024/25. The review should be published alongside the Autumn Budget and conclude in the last week of October 2021. The letter confirmed the priorities in the review as:
 - Ensuring strong and innovative public services
 - Levelling up across UK to increase and spread opportunity
 - Leading the transition to net zero
 - Advancing Britain's global standing post EU exit
 - Delivering the “plan for growth”

The launch of the Spending Review confirmed that the Government remains committed to the existing plans of a balanced national budget by 2024/25 – 2025/26.

The Office for Budget Responsibility (OBR) published an update on public sector finances on 21st September 2021 which reported that the position was better than previously forecast, with public sector net borrowing up to end of August 2021 lower than previously forecast. The institute for Fiscal Studies has suggested that this may grant the Chancellor flexibility to make some short-term investment in public services in the Spending Review.

Whilst the confirmation of a three year spending review is positive and there has been an improvement in forecast, there remains pressure on national finances and at this stage we need to continue our financial planning based on current assumptions which have not changed and will not become clearer until the end of October 2021.

- **Levelling Up** – A White Paper is expected later this year to set out the Government's plan for addressing the health, social and economic inequalities between, and within, places and regions in the UK, to improve the opportunity for all raising living standards and improving public services. This, when published, will have implications for work we are doing on delivering the Corporate Plan priority of Promoting a Strong Economy.

The Department of the Ministry of Housing Communities and Local Government (MHCLG) will take on a new responsibility for delivering the Levelling Up agenda and has been retitled the Department for Levelling Up, Housing and Communities under the Rt Hon Michael Gove MP who has been appointed as the Secretary of State. A task force has been established and has a remit to work across Government to deliver this policy agenda.

The Council will work closely with Surrey County Council and District and Boroughs on further developments in devolution to empower local leaders to deliver the Levelling Up agenda.

- **Climate Change** – The UK will host the UN's Climate Change Conference, COP 26, in November and we will continue to monitor announcements of Government funding and initiatives in advance of this to identify opportunities that could support the Council's work on the Woking 2050 Climate Change Strategy.
- **Health and Social Care** – In early September, Government announced its plans for Health and Social Care reform, to be funded by a Health and Social Care Levy (including a 1.25% increase in national insurance). Details of these reforms will be set out in a White Paper for adult social care later this year. The Council will need to understand the

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implications of the White Paper on the Council's "Living Well in Woking – a Health and Wellbeing Strategy 2021-2031" and the work of the NWS Integrated Care Partnership.

3.0 Fit for the Future

3.1 The Fit for the Future programme has been established by the Chief Executive (CEX) as the programme of change for the Council that will establish the culture, regime and focus for the how the Council will operate as a trusted voice, advocate and agent of change for the Borough. This programme is established on the themes of:

- A culture of engagement - to understand and respond to the priorities of the Borough's Communities
- A regime of conducting Council business with openness and transparency enabling strong democratic accountability
- A focus on a one council way of working to deliver strong organisational performance and resilience

3.2 This is a cultural and extensive programme of change which has been developed and progressed over the last 6 months but will be a continual feature of how the Council operates and wants to become known for.

3.3. The key components and areas of activity to evidence the breadth and range of activity that is underway and progressed over the last 6 months are highlighted at 3.3.1 to 3.3.11 below. As can be seen, Fit for the Future is more than a programme of activity, it represents a mantra for how the Council relates to the Borough's communities; embraces democratic accountability and seeks to continually improve the ways that the council does its business in an integrated, coherent and transparent way:

3.3.1 Corporate Plan

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.

The Corporate Plan for 2021-2022 provides an overview of the Council's strategic focus for the year. It encapsulates the commitments made previously by the Council, bringing them together into a single plan of action.

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. Details of this community engagement are highlighted in Community Engagement Strategy at 3.3.7 below.

Many of the areas of development and activity highlighted below directly support the delivery of priorities within the Corporate Plan. In addition to these a few significant deliverables within the first 6 months of 2021/22 have been:

- Adoption of a Health and Wellbeing Strategy
- Adoption of a Housing Strategy
- Agreement of the Economic Development Action Plan

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3.3.2 Integrated Service and Financial Planning

The Medium Term Financial Strategy report to the Executive at its meeting on 15th July 2021 established the approach to integrated service and financial planning where clear organisational priorities established through engagement and committed through the Corporate Plan drive the funding and resourcing of activity and services in the Council.

The approach establishes the framework for clear decision making for the Council needing to operate within significant resource constraints whilst transforming services and the outcomes delivered to the residents of working.

3.3.3 Review of Governance

The CEX has established a Corporate Leadership Team (CLT) which replaced the previous Corporate Management Group arrangement. This is establishing strong cross council officer leadership and ways of working focusing on the key strategic priorities.

CLT has already established itself as the Corporate Programme Board gaining visibility and oversight of all key change activity; overseen reviews of service planning, risk management, project management and proposals for the campaign of community engagement.

A review is being commissioned for the governance of Victoria Square to ensure the Council can transition its client management focus from the development and build phase to operation and delivery phase.

The strategic interface between the Council and Thamesway is being developed to reflect the changes the Council is making to corporate and integrated service and financial planning.

The Council has actively responded to the recommendations of the Corporate Peer Review and the Dr Gifty Edila report. A further update on actions will be reported to Council in January 2022.

3.3.4 Project Management Assurance

The Executive received a report to its meeting on 9th September which reflected a comprehensive assurance review done through August of all projects to assure they were complying with the established project management methodology and operating within approved priorities and funding approvals.

Out of the 42 current live projects, almost 70% are now delivering within approvals which reflects a significant improvement in performance and establishes a stronger culture of leadership oversight of performance

3.3.5 Risk Management Strategy

The Executive received a report to its meeting on 9th September 2021 on the developments to the Council's Risk Management policy and practice that reflects the required risk management culture and environment that is being established to support the Fit for the Future programme. The Council recognises that risk management is an integral component of good management and corporate governance and is therefore at the heart of what we do. It is important that the Council is proactive in the identification and control of risk to ensure there is continued financial and organisational well-being.

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3.3.6 Financial Review and Insight

As a component part of the Medium Term Financial Strategy and approach to integrated service and financial planning the Council has commissioned a full, independent and comprehensive review of all the assets and liabilities of the Council and all companies of which it has an interest.

The Council is an entrepreneurial and commercially orientated Council that has made significant commitment and investment into assets and activity within the borough in order to support:

- regeneration;
- the supply of quality and affordable homes;
- economic development; and
- Council financial independency and resilience.

The Council prides itself on providing a comprehensive range of services for the benefit of the communities of Woking that are enabled and enhanced by its entrepreneurial and commercially orientated approach.

Aligned with our culture of adopting risk management as an integral component of good management and corporate governance and continually seeking new and improved ways of working and establishing sustainable and resilient approaches, the commissioned review will give the Council additional insight to:

- the extent that our interest in Companies aligns to supporting the priorities of the Council;
- opportunities and exposures arising from our long term assets and interests in Companies;
- key strategic risks facing the Council;
- market economy context and financing strategies related to key risks and opportunities;
- short, medium and long term financial considerations; and
- a comprehensive statement covering net realisable value of assets, borrowing, contractual obligations, fixed and floating charges, grants, loans or other contracts containing performance conditions.

The award of the contract for this review is planned for week ending 8th October and commencement of the work during the following week commencing 11th October. This review will produce a report by the end of December 2021 which will be incorporated into the Medium Term Financial Strategy and reported in the Budget report to Executive on 3rd February 2022, following consideration of the final report by the Overview and Scrutiny Committee at its meeting on 24th January 2022. Council will be required to approve the budget at their meeting on 10th February 2022.

3.3.7 Community Engagement

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.

Substantial progress has been made on establishing the components of a system and culture of democratic engagement and embedding this into the decision making processes.

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 a number of key projects including:

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- Housing Strategy;
- Economic Development Action Plan for Woking's recovery 2021-2023;
- Planet Woking; and
- Public Spaces Protection Order for Woking Town Centre.

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. On the night we responded to in excess of 60 questions about the Council's activity. 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.

Resident and stakeholder engagement on the Town Centre Masterplan has been launched and by 10th September 2021, 6 engagement sessions had been delivered to in excess of 200 residents interested in engaging and providing feedback. This engagement fits within the overall plan to deliver a Townscape strategy by January 2022 and a draft Masterplan for formal public consultation by mid-April 2022.

A new post to lead the development of our community engagement campaign and calendar of community engagement activity is being recruited to and baseline analysis and campaign activity has been developed.

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.

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 the Borough. 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.

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.

A series of community roadshow events are being established through November 2021, alongside an engagement questionnaire to get community feedback into the priorities for the Council and Communities. This engagement is part of the integrated service and financial planning in order to reflect this engagement in the medium term financial strategy and new Corporate Plan.

3.3.8 Strengthening Overview and Scrutiny

The Overview and Scrutiny Committee is the Council's main scrutiny committee. It is responsible for co-ordinating and managing the work programme of scrutiny, identifying areas of need or issues of concern and ensuring that there is effective and timely scrutiny of Council policy, budget and authority-wide performance.

For scrutiny to be effective it needs to be seen as a 'critical friend' and it is important to identify where decisions could be improved and how to prevent mistakes being made or repeated.

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However, the focus should be on forward thinking and making positive changes, rather than apportioning blame and focusing on the negatives. This will help to foster positive and constructive relationships between scrutiny, councillors and officers.

Corporate Leadership Team attention and support has been aligned with the Overview and Scrutiny Committee (O&S) to develop the integration of scrutiny oversight into the Council's forward plan of decisions and support democratically inclusive visibility of and contributions to the development of key Council policies and priorities. This has led to the development of forward looking plan of scrutiny activity into 2022/23.

The following highlights actions taken this year to support the role of the O&S Committee:

- the appointment of a dedicated part-time Scrutiny Officer post which was recruited to in September;
- the allocation of a dedicated budget to O&S Committee;
- the appointment of a CLT lead officer to support the work of the O&S Committee;
- the 13th September 2021 meeting of the Committee considered a report following a review undertaken through the summer on a series of wide ranging options to strengthen the Council's overview and scrutiny work using the latest best practice guidance published by the Ministry of Housing, Communities and Local Government (MHCLG) as a framework. This report follows recent training on overview and scrutiny provided for the Committee Members. A key outcome is an agreement to develop an Executive / O&S protocol to support effective working. This recommendation was supported by the Council's Leader;
- equally at this meeting of the O&S, proposals were developed that aligned the remit of O&S with that of the Standards and Audit Committee to provide an integrated one council proposal for the scope of a focussed review of the Housing Infrastructure Fund Programme (HIF); and
- the Financial Review and Insight commission highlighted in 3.3.6 has embraced the principle of using the O&S to support the development of policy through the Committee's oversight role as the review progresses and consideration of the final report as part of the MTFS proposals.

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

The impact of the pandemic provided an unprecedented opportunity to accelerate our planned changes to how we work in the future. With the ending of lockdown restrictions the Council has transitioned into hybrid working arrangements. A safe return to the workplace in September 2021 has been managed, supported by modernised working practices and technology supported office and work spaces. A new policy on remote working has been adopted and arrangements are being kept under review and development in order to consolidate and mature our new ways of working.

A 2021 Employee Survey was undertaken over 3 months to May 2021 and an action plan developed and agreed. The response rate was a strong 63% and gave a very positive picture of the employee relations and satisfaction with the Council as an employer and how it is lead and managed. Out of 98 questions, 80% show continued improvements in satisfaction and feedback

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The CEX holds quarterly full staff engagement sessions in support of the already positive relationship and to ensure that they remain aware of the key priorities and challenges for the Council and Woking communities and we maintain this strong connection.

A senior manager forum has been established which covers all managers that report directly to a member of CLT. The forum is used to:

- share information with managers so that they can operate having the best knowledge of the key issues for the Council and the progress of the Fit for the Future programme;
- empower them to be the best advocates for the communities of Woking that they can be;
- gain their input and insight into the development of council strategies; and
- promote a collaborative and cross council culture of multi-disciplinary peer working.

3.3.10 Digital and Transformation

A post of Head of Digital and Transformation has been recruited to and the candidate will take up post on 18th October 2021. The post holder brings significant experience of digital transformation in local government across a wide range and tiers of local and central government. They will lead on Digital and Information Communication Technology (ICT) in order to provide an integrated and connected approach that will challenge and enable our Digital First aspirations.

A Digital Strategy has been 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. This is to be reported to the Executive at its meeting on 18th November 2021. 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.

The Council is currently in the middle of moving to the Microsoft 365 platform which is a cloud based package of desktop applications and email which will enable greater flexible, agile and remote working so that the Council can deliver services closer to customers and support operational efficiencies.

Delivering this Fit for the Future programme will include a review of the operating model of the Council to ensure it is best organised to drive forward and support the delivery of the programme. Proposals will be developed over the next 6-9 months to bring forward proposals that will establish a model of working for the Council that best addresses the challenges and maximises the returns from the best characteristics of the Council. The key principles that are informing the approach include:

- Digital First service delivery designed around the residents' journey of dealings with the Council;
- working in partnership with public and commercial sector organisations to reduce the cost of operations; provide sustainable and resilient services; adopting best practice and innovation and positioning the Council as a key influencer and advocate in the region; and
- adopting our version of operating as a commercial organisation in support of the Council's role as an active steward of the Borough's communities and generating wealth and benefit within the local economy.

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3.3.11 Partnership Working

By working with all public service partners we can make a huge difference to the wellbeing of residents, making services more accessible and focussing on joining up services in a way that makes sense to residents and businesses.

Active networking and engagement across all partners is a key management focus as part of the Fit for the Future approach to ways of working, influencing and operating as a trusted voice, advocate and agent of change for the Borough of Woking.

Specific developments and progress to note as examples are:

- Work with the York Road Project to fundamentally review and re-position the homelessness service, taking learning from the response to the Covid pandemic, and working with the Ministry for Homes Communities and Local Government to maximise funding and monitor service delivery and outcomes.
- Developing stronger community leadership as part of the Sheerwater Regeneration priority and encouraging greater take up of Covid vaccines as part of an integrated response with health to addressing community issues and developing community resilience
- The Council has Investment Partner status with Homes England which enables us to pre-qualify in any bid for grants in order to deliver the priority of affordable homes.

4.0 Summary Financial Forecast

Context

4.1 It remains difficult to plan for 2022/23 and beyond. The level of Government funding that the Council will receive between 2022/23 – 2024/25 is yet to be confirmed as highlighted earlier in this report. The Spending Review (SR) 2019 and 2020 were both single year settlements and therefore funding for this planning period will be announced at Spending Review 2021 (SR21) at the end of October. On September 2021 the Chancellor published the SR21 launch letter which confirmed that it will be a multi-year spending review covering the years 2022/23 to 2024/25. Following the decisions determining funding for government departments, it is unlikely that allocations to individual local authorities will be announced until December. The Business Rate Retention reform continues to be delayed.

4.2 As a reminder, the MTFS position reported to the meeting of the Executive on 15th July showed a budget gap by 2024/25 of £6.010m which was made up by:

- | | | |
|---|--------|---------|
| • General Service Pressures and Increased Costs | £0.74m | |
| • Net Investment Programme Costs | £2.54m | |
| • Shortfall from recovering from economic impact of Covid | £0.48m | |
| • Loss of Government and External Funding | £2.25m | £6.010m |

4.3 In response to the budget gap, the MTFS included efficiency targets amounting to £3m in total to be achieved over the 3 year period. It was also proposed that a further £1m savings target be included in each year. This would reduce the annual use of reserves, ensuring a minimum level of balances is maintained, and would result in a balanced budget position by the end of the forecast period. The table shows the targets as proposed, together with the budget gap arising from underlying service provision. There is a further temporary use of reserves

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assumed to fund the impact of Covid which was expected to recover by the end of 2024/25 which is over and above the information highlighted below.

	2022/23 £m	2023/24 £m	2024/25 £m
Budget Shortfall	4.0	5.1	6.0
Less: Efficiency Programme	-2.0	-2.5	-3.0
Less: Additional Savings Target	-1.0	-2.0	-3.0
Use of Reserves for General Fund	1.0	0.6	0.0

MTFS Baseline Update

- 4.4 Since July initial work on updating the baseline position of the MTFS has identified further pressures which need to be recognised and provided for prior to consideration of the savings requirement. This has increased the forecast budget gap and savings requirement by a net £0.85m. These reflect the current economic environment the Council is operating in and pressures on corporate capacity in the Council to strategically and proactively respond to the challenges and opportunities. It is considered that these are either outside the Council's control or are necessary to maintain the operations of the Council and budgetary provision should be allowed.
- 4.5 Whilst the MTFS provides for increases in staffing costs, a number of new posts have been established to ensure that the Council has sufficient corporate capacity to adequately resource its projects, transformation and engagement activities. In some areas current underlying pressures should be recognised as ongoing and included in the base budget.
- 4.6 In September the Government announced the Health and Social Care tax, a 1.25% increase in National Insurance contributions, for both employees and employers. Within the *Build Back Better; Our Plan for Health and Social Care* policy paper published by Government on 7th September 2021, it was stated that "the Government intends to compensate departments and other public sector employers in England at the Spending Review for the increased cost of the Levy". This increase and the additional funding for it are both recognised in our updated MTFS forecasts at this stage and this will be reviewed and updated when there is further clarity provided on the methodology for compensation or specific funding allocations are published.
- 4.7 A summary of additional pressures is set out below:

Pressures

	2022/23 £'000	2023/24 £'000	2024/25 £'000	TOTAL £'000
Homelessness	60	20	20	100
IT & Digital Infrastructure	45			45
Pension Fund Contribution increase	60	50	50	160
Increase in National Insurance	150			150
Additional funding for National Insurance	(150)			(150)
Planning Services Pressure	95			95
Legal Services	50			50
Council Wide priority improvement investments:	340	30	30	400
<ul style="list-style-type: none"> • Community Engagement • Transformation and Digital First • Governance and Scrutiny • Lexcel – legal practice accreditation • Strategic Finance 				
Total	650	100	100	850

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4.8 There will be other areas where there may be further costs or the risk of reduced income. These will be considered in more detail, and quantified where the risks remain, for the draft 2022/23 budget and MTFS update to the meeting of the Executive on 18th November 2021. Examples of these which reflect current national and local economic factors and conditions:

- Energy costs
- Contract inflation in excess of MTFS allowance
- HGV driver shortages
- Recovery of underlying Parking and Commercial Rent income
- Investment Programme

4.9 These known and considered movements are summarised in the table below to provide a revised baseline to the MTFS.

	2022/23 £m	2023/24 £m	2024/25 £m
Budget Shortfall	4.00	5.10	6.00
Additional Pressures (Point 4.7 of the report)	0.65	0.75	0.85
Further Pressures (Point 4.8 of the report)	TBC	TBC	TBC
Updated Budget Shortfall	4.65	5.85	6.85

Fit for the Future – Search for efficiencies, service prioritisation and transformation

4.10 As set out above, our forecast budget gap for 2022/23 is £4.65m with an aggregate gap of £6.85m to 2024/25. However we know that there is uncertainty about future funding allocations and we are looking for some greater clarity from the SR21 to enable the development of proposals that are coherent and sustainable in the medium term.

4.11 The work on the MTFS over the last 3 months has focussed on aligning the Council's funding of services to priorities; benchmarking with other like authorities where this provides meaningful insight and understanding the areas of where we would seek to reduce the Council's contribution to and funding of services.

4.12 The MTFS report to the meeting of the Executive on 18th November will provide the detail behind proposals to close the budget gap. This report provides an update of progress over the last 3 months in preparation for this following report.

4.13 All services across the Council have considered options to secure savings towards the budget gap with the focus on the following areas:

- Reviewing fees and charges – using benchmarks with other like authorities and moving towards cost recovery models for universal services
- Working with partners to deliver services or to pool resources
- Searching for alternative and additional sources of funding

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- Review of service offer and direct contributions
- Taking a commissioning approach to the funding of services
- Efficiencies that can be driven out and don't have policy implications
- Services delivered to a specification higher than comparable authorities
- Outcomes that align to corporate plan priorities that can be delivered with a reduced funding contribution

Savings and efficiency options amounting to £3m over the 3 year period can be achieved and work is being progressed to bring these forward.

- 4.14 In addition, a number of proposals are being pursued where further work is underway to establish the impacts and further refine the potential value of savings. In total these further options were estimated to achieve a further £1.58m towards the savings target.
- 4.15 The transformational areas of the Fit for the Future programme will provide further savings opportunities. The details of these will be worked through over the next 6-9 months as highlighted in section 3.3.10 of this report. At this stage it is prudent to assume and target £0.25m minimum savings per annum and to review any changes to this as proposals develop. This review will incorporate profiling savings to reflect the level of management required to deliver developed proposals for change.
- 4.16 There are a further range of options that we are not proposing to actively progress at this stage due to the impact they would have on priorities for delivering services to Woking communities. The Council will need greater clarity provided by the SR21 for the Council's budget gap in order give these any further consideration.
- 4.17 The table below gives an overview of the forecast position that will be presented to the 18th November meeting of the Executive prior to any further updates to pressures, refinement of the deliverable savings and in advance of any further updates to the Government's SR21.
- 4.18 This position shows a forecasted general fund budget shortfall over the period, which can be funded from the use of reserves, of £5.4m. The work done since the MTFS report to the meeting of the Executive on 15th July has reduced this forecast use of reserves down from £15.1m over this period.

	2022/23	2023/24	2024/25
	£m	£m	£m
Update Budget Shortfall (point 4.9 in the report)	4.65	5.85	6.85
Service Review - identified savings (point 4.13 in the report)	-1.90	-2.80	-3.00
Fit for the Future (point 4.15 in the report)	-0.25	-0.25	-0.25
Additional savings - to be further developed (point 4.14 in the report)	-0.46	-1.46	-1.58
Updated Budget Shortfall	2.04	1.34	2.02

- 4.19 In addition to this improving position, section 6 of this report highlights the improvement in the level of reserves resulting from the 2021/22 General Fund Outturn performance.

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- 4.20 At this point it is not possible to propose a balanced MTFS position over the period without the use of reserves. With the considerable level of national funding uncertainty in advance of the SR21, the signalling from Government of a 3 year settlement 2022/23 – 2024/25 and an improving reserves position for the Council, this strategic use of reserves is appropriate and prudent.
- 4.21 The approach taken supports the development of a sustainable approach to delivering service changes over the medium term and enables investment into the Fit for the Future programme of organisational change.
- 4.22 We will progress the Fit for the Future programme approach and refine the budget to provide the update to the MTFS report to the 18th November 2021 meeting of the Executive.

Business Rates Pooling

- 4.23 The Surrey Business Rates Pool provides an opportunity for member authorities to retain a greater proportion of Business Rates collected. Membership is assessed every year based on projections provided by the Surrey Districts and Boroughs. Typically the Pool comprises Surrey County Council together with 4 or 5 of the Districts and Boroughs. In the past the London Borough of Croydon has also been a member which allows additional Surrey Districts and Boroughs to benefit.
- 4.24 Woking was a member of the pool during 2020/21 but is not currently a member in 2021/22.
- 4.25 Analysis has been undertaken by LG Futures on behalf of the Surrey authorities and suggests that Woking is well placed for 2022/23. These forecasts are being finalised and discussions are ongoing amongst the group, and with other neighbouring London Boroughs, to establish interested authorities and the most advantageous membership.
- 4.26 Initial indications, and past experience, are that membership of the pool could benefit the Council by over £250,000 in the year. The pool needs to be determined by 8 October 2021 and it is recommended that if the opportunity arises, the Council joins the Surrey Business Rates Pool for 2022/23.

5.0 Investment Programme

- 5.1 The Investment Programme is currently being updated to incorporate outturn expenditure in 2020/21, approved changes, and to continue to minimise the use of revenue reserves where possible.
- 5.2 Senior Managers across the Council will then review the programme to reflect updates to:
- Timing of projects
 - Project cost estimates
 - Funding
- 5.3 An early working draft has been shared with the Finance Task Group for their comment and input at the meeting on 29 September 2021.
- 5.4 Once the programme has been updated, the revised financing implications will be included in the MTFS to the 18th November 2021 meeting of the Executive.
- 5.5 It is currently assumed that projects previously on the suspended list will remain suspended for the draft Investment Programme presented in November. Should funding become available to progress these projects they may be moved into the funded programme.

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- 5.6 Once the overall financial position has been updated for 2022/23, and the Fit for the Future programme has progressed sufficiently, the possibility of funding future projects proposals will be assessed. Projects will reflect the priorities established for the Corporate Plan.

6.0 Reserves

- 6.1 The Medium Term Financial Strategy has previously assumed available revenue reserves of £24.946m which, based on the initial £3m efficiency target, would all be utilised by the end of 2024/25.

- 6.2 Following the preparation of the draft Statement of Accounts for 2020/21 the reserves position at 31 March 2021 has improved. Whilst the service revenue outturn was consistent with the forecast £7.5m deficit, a number of one-off items assumed charged directly to reserves have improved the overall reserves position. Some are allocated to specific reserves, but could be used in the short term if time was required for planned savings to be realised.

- 6.3 The most significant mitigating variances were:

High Speed 2 funding - £2.8m - invoiced by the Council in March 2021 for long term maintenance commitment of a site at Brookwood Cemetery.

Business Rates Pooling - £2.3m - the Council was a member of the Surrey Business Rates Pool in 2020/21. A reduction in the required provision for appeals which had been established at March 2020, provided a surplus in year.

Interest and MRP – £1.9m – a significant amount of short term borrowing was taken during 2020/21 at rates lower than the assumed long term rate. In addition the Minimum Revenue Provision was less than budgeted.

Lease Surrender - £2.1m – the surrender of a lease was received. This one-off income was assumed transferred directly to reserve to manage future commercial tenant moves.

Victoria Square - £1.7m – the 1% arrangement fee was included as a direct transfer in the reserves forecasts.

- 6.4 The overall increase in revenue reserves (excluding the timing difference of Business Rates income) was £2.4m. A full reserves forecast will be prepared for the November Executive once the draft Investment Programme is available. This will reflect:

- the revised opening reserve balances;
- the current forecast use of reserves to support the MTFS; and
- the impact of Investment Programme financing and revenue projects.

- 6.5 Both the performance to date in identifying efficiencies and savings, and the 2020/21 outturn as set out above, put the Council in a stronger position. However there remains a considerable call on reserves to meet income losses as parking and commercial rents take time to recover. In total this is forecast to require £10m of reserves over the MTFS. These are assumed short term in nature with income returning by the end of 2024/25. Should these income sources not recover alternative savings will need to be secured.

- 6.6 The minimum level of reserves, sufficient to operate as a provision for risks and enable future priority investment, will also be reviewed as the forecasts are updated through the budget cycle.

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7.0 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.

8.0 Next Steps

- 8.1 The draft MTFS will be prepared for the 18th November meeting of the Executive in line with the proposals and actions identified within this update report through the Fit for the Future programme.
- 8.2 A series of community roadshow events will be delivered through November 2021, alongside an engagement questionnaire to get community feedback into the priorities for the Council and Communities. This engagement is part of the MTFS and will be incorporated into the Budget report to the 3rd February 2022 meeting of the Executive.

9.0 Corporate Plan

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

10.0 Implications

Finance and Risk

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

Equalities and Human Resources

- 10.2 No specific Human Resource or Training and Development implications.
- 10.3 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