Executive Summary

Summary of Medium-Term Financial Resilience.

The Council's financial resilience in the medium-term will be impacted by the strength and speed of the economic recovery. For the Council's key income streams from Car Parking and Commercial Rents, the Council are reliant on economic recovery to help income recover in these areas. Furthermore, for Council Tax and Business rate income, the Council are reliant on economic recovery to help raise collection rates, dampen demand for Council Tax Reduction Schemes and help grow the tax base. Current economic forecasts indicate that recovery in Woking will be stronger than the UK average, indicating that these positions should improve in line with the Council's expectations. Nevertheless, concerns around the new virus strains could weaken this position and the Council should continue to monitor economic forecasts closely.

In the medium-term time horizon, a significant threat to the Council's financial resilience is the ongoing consultation on the Minimum Revenue Provision. This consultation has the potential to result in significant additions to the provision made within the Council's revenue position, requiring significant long-term savings to achieve a balanced budget.

The economic environment will also further impact the position of the Council's commercial property portfolio, with valuations being heavily influenced by the position of the local real estate market over the period. It was noted during our review that the Council do not have an asset management strategy governing this position, presenting both a potential risk, but also opportunity for the Council to strategically review their asset base and assess whether opportunities for consolidation and disposal exist.

To achieve a balanced budget over the medium-term, Woking Borough Council are reliant on utilising its revenue reserves, with the Council forecasting using 80% of their reserve position over the MTFS period. This represents a risk to financial resilience, as does the ThamesWey Central Milton Keynes company performance which has been significantly impacted by the Development market in the geography.

Key Findings - Assessment of Medium-Term Position

Key Finding	Description	Conclusion or Risk	Significance of Risk	Protective financial resilience recommendations
The MRP Consultation could have material financial consequences for the Council from 24/25.	The Consultation proposes debt repayments previously classified as Capital Receipts cannot be used in lieu of a revenue charge, an approach adopted by WBC. If implemented a charge in excess of £10m could be due to the CIES in 24/25, a figure that would increase significantly as the Councils forecast CFR increases over the subsequent period.	There is a risk the Council have to refinance, restructure or reprogramme the Capital and Investment Programme and associated Financing Strategy.	High	**R2: Prepare a response to the Minimum Revenue Provision consultation/ R4: Structured review of policy and regulatory change**
Significant use of Revenue Reserves is required to balance the budget over the MTFS period.	The Council are reducing revenue reserves by 80% between 2021 and 2026 to help deal with the financial impacts related to the Covid-19 pandemic, reserve funding also composed 45% of total funding during 2022/23. This high reliance on revenue reserves reduces Woking's financial resilience in the latter phase of the period to further shocks.	There is a risk WBC could not employ revenue reserves to deal with other sustained financial shocks to its revenue position.	High	**R5: Review revenue reserves**
Pace and scale of development within Milton Keynes – ThamesWey Central Milton Keynes Ltd	The financial viability of TCMK Ltd has been diluted by slower than anticipated development growth in Milton Keynes; in the event developments are not accelerated the Company has a medium and long-term financial solvency risk.	There is a risk that if the pace and scale of future development continues to stall, or does not realise the expected connections for the company, significant losses will continue for the company.	High	**R1: Undertake an appropriate level of scrutiny on companies in the group commensurate With exposure to risk**
Reductions in car parking income could represent a permanent trend	The Council receive significant income from its owned car parks, which are currently forecast to be underoccupied in both 2022/23 and 2023/24 compared to pre-Covid levels. Further societal restrictions or behavioural changes would be of further detriment to the Council's financial resilience.	There is a risk that car park occupancy does not return to pre-Covid levels, reducing the level of income that the Council can receive from this key income stream.	Medium	**R9: Evaluate the reporting and business intelligence landscape**

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High net cost of interest within total budget requirement	A significant portion of the Woking Borough Council's budget requirement is made up of the net cost of interest. Of the £22m budget requirement that Woking are forecasting for 2022/23, £17m (77.1%) will be determined of the net cost of interest. This represents an inflexible component of the Council's budget.	There is a risk that WBC faced further financial shocks, it is unable to reduce this budget category making further service efficiencies necessary.	**Medium**	**R8: Develop a financial resilience strategy**
Group Company Risk Monitoring	The Council have no formal risk monitoring process to captures key risks for its group companies.	There is a risk that the Council are not capturing key risks within the financial position of its Group Companies, which could impact the recoverability of their financial investments.	**Medium**	**R3: Develop shareholder centre of excellence that strengthens strategic finance**
Financial oversight of companies	The capacity of the finance team has not been expanded to reflect the scale and complexity of the Council's investment portfolio. Strategic finance work within the Council rests with a small number of individuals within the Finance function.	There is a risk that the Council are not undertaking financial governance reflective of the complexity of the Company portfolio.	**Medium**	**R12: Review the quality of financial capability and capacity provided to the council and companies**
Tax income recovery will be linked to the economic outlook in the borough	The Council's rate of recovery and growth in income for both Council Tax and Business Rates will be dependent on the economic outlook in the borough over the MTFS period. Where this outlook is worse, it will result in reduced income across these two income streams.	There is a risk that further economic decline will dampen recovery against both Council Tax and Business Rate income. This will reduce funding available to the Council, either requiring further savings or further drawdowns from reserves.	**Medium**	**R9: Evaluate the reporting and business intelligence landscape**

Key Findings - Assessment of Medium-Term Position

Key Finding	Description	Conclusion or Risk	Significance of Risk	Protective financial resilience recommendations
Commercial property portfolio is subject to market volatility in the real estate market	WBC commercial property portfolio is subject to market conditions for commercial rents, and consequently an assets rental value is a key determinant in its underlying value.	There is a risk continued downward revaluations undermine the Council's regeneration agenda, and weaken the balance sheet.	Medium	**R11: Define place-making strategic objectives and investment criteria**
Interest rate risk to group companies	Changes to interest rate against future borrowing would increase the costs associated with borrowing. Where these loans are being passed onto the Council's subsidiaries, the increased interest rates could place pressure on their underlying financial models and impact their financial resilience.	There is a risk that rises in interest rates on the Council's borrowing will result in additional costs for the Council's group companies, which could reduce the recoverability of the Council's loans to these companies.	Medium	**R1: Undertake an appropriate level of scrutiny on companies in the group commensurate With exposure to risk**
The Council do not have an asset management strategy	WBC do not have an asset management strategy governing the use of its asset base. This makes assessing whether the Council is most effectively deploying and maintaining its assets to achieve its objectives difficult, and could mean opportunities for disposal and consolidation are not seized.	There is a risk the Council is not maintaining asset conditions, impacting value.	Low	**R10: Develop an asset management strategy**
Inflation on key contracts	The number of contracts (86) expiring in 2022 presents potential inflationary risk due to current rates of inflation.	There is a risk where contracts are to be renewed and have renewal prices linked to inflationary indices that the Council will face increased cost.	Low	**R7: Strengthen the contract register and commitment tracking:**

Key Findings - Assessment of Medium-Term Position

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High service expenditure per capita	The income generated by Car Parking and Commercial Rents allows the Council to spend comparatively high amounts across the remainder of the Service Position. The Council spend higher than comparable peers on Children's Social Care, Adults Social Care, Housing Services, Cultural and Related Services, Environmental and Regulatory Services, Planning and Development and Central Services.	Previous surpluses the Council had against its car parking and commercial rent position has allowed the Council to afford to spend higher amounts across its core services. This provides the Council with levers to reduce expenditure from its service expenditure position in the short-term if required.	**Protective finding toward Resilience**	**R6: Challenge high cost service expenditure :**
Woking exhibit good practice in the development of savings proposals	WBC exhibit good practice in the development of savings proposals, with proposals generated by service practitioners and developed on a line-by-line basis. These savings are appropriately diversified between directorates and themes and there proportionate and appropriate governance planned to monitor their delivery.	The Council have a well developed savings programme, which will ensure they can make effective and sustainable efficiencies within their budgeted position.	**Protective finding toward Resilience**	**No action required**
Debt costs are relatively fixed.	All long-term debt is held with the Public Sector and primarily at Fixed Rates.	The Council are not overly exposed to interest rate risks, as their debt portfolio is predominately at fixed rates,	**Protective Finding Toward Financial Resilience**	**No action required**