Protective financial resilience recommendations

From our key findings we have developed a series of both **strategic** and **interventional** recommendations that will help the Council improve financial resilience and help mitigate risks highlighted within this report.

Interventional	Recommendations that focus on short-term, or immediate, actions to protect against Financial Resilience Risks.
Strategic	Recommendations to be implemented over the course of the next year that will influence the Council's Financial Strategy over a multi-year period.

1. Interventional Recommendations

1

Undertake an Appropriate Level of Scrutiny on Companies in the Group Commensurate With Exposure to Risk: Companies are facing complex risks that in a turbulent trading environment can quickly materialise, the nature of proposed reviews operational and financial viability:

1. **ThamesWey Central Milton Keynes Ltd** – Undertake a market focussed **Financial and Operational Baselining** through evaluation of future development trends in Milton Keynes, the pressures and trends in the Energy Market, and the company alignment with WBC corporate objectives.
2. **ThamesWey Energy Ltd:** Undertake a **Business Plan Focussed Review;** assessing the delta between the pace of infrastructure development forecast and experienced, the impacts of the MRP consultation, and revisit how this project aligns with the regeneration agenda.
3. **ThamesWey Development Ltd:** Conduct additional **stress-testing** of the assumptions around future sales prices of assets and implications of both the MRP consultation and construction cost increases impact the viability of the next phase of the Sheerwater development.
4. **ThamesWey Housing Ltd:** Conduct **scenario planning** that assesses how future changes in house prices and rental values will impact the financial viability of this company and identify performance levels required for the continues affordable housing strategy. In conjunction with the Company assess per development break-even points and key risks, most notably where properties are cash positive and able to cross-subside affordable rents.

Across the ThamesWey Group, the Council should seek to capture the consolidated long-term intra and inter Company financial position, identifying key metrics such as breakeven points, profitability and peak debt, and stress test these figures using sensitivity analysis.

2

Prepare a response to the Minimum Revenue Provision Consultation and develop an MRP Consultation Contingency plan. This should evaluate the implications for the Council and Companies of the changes proposed within the Consultation and any mitigating actions that can be conducted either through material changes to the Council's MRP, Investment or Capital Strategy.

Protective financial resilience recommendations

1. Interventional Recommendations (Continued)

3 — **Develop shareholder centre of excellence that strengthens strategic finance:** Investment within a Shareholder Centre of Excellence is required to strengthen the Councils governance, oversight and delivery of the Companies. This would centralise accountability and responsibility for Officer interactions with the Companies, providing strategic capacity and capability to shape and reinforce the Local Authorities objectives for the Company, assess delivery against original objectives and business plans, and provide financial capacity that can assess financial opportunities and protect against risks of default on the Council's loan book.

4 — **Structured review of policy and regulatory change:** The Council should develop a structured approach to reviewing policy and regulatory updates to ensure they are aware of any changes to regulations that may impact their financial resilience. These include, the Treasury Management Code, the Financial Management Code, MRP regulations, Prudential Code and potential environmental regulations.

2. Strategic Recommendations

5 — **Review revenue reserves:** Conduct an assessment to the rationale and likelihood of drawdown of Reserves and consider which can be released to Free Reserves. This would seek to engage service leadership to validate and model required reserves, and test that forecasts are reasonable. This could be augmented by a new series of reserve indicators, to set reasonable target ratios for the Council as these form part of the Financial Strategy.

6 — **Challenge high cost service expenditure :** Within targeted services explore expenditure projections through baselining, benchmarking or services reviews to evaluate whether higher cost than local comparators is underpinned by 'gold standard' service levels or due to cost inefficiencies. Adopting a different budget setting processes can challenge service managers and develop clearer alignment between outcomes and allocation of financial resources.

7 — **Strengthen the contract register and commitment tracking:** A best practice contract register should be developed that delineates between revenue and capital contracts, captures commitments and spend against each contract alongside core procurement data such as contract end dates, payment model and service mechanisms. This would facilitate greater oversight over commercial spend by the Council, evaluate strategic procurement opportunities and identify and supplier resilience risks.

8 — **Develop a financial resilience strategy:** The Council should formalise a financial resilience strategy that identifies key strategic opportunities, threats and risks. Renewed annually, this document should evidence how risks will be monitored and mitigated and inform decision-making, particularly in relation to Capital expenditure and Loans. The strategy will assist the Council in applying a strategic focus towards the management and mitigation of financial resilience risks.

Protective financial resilience recommendations

2. Strategic Recommendations (Continued)

9 **Evaluate the reporting and business intelligence landscape:** Through Officer and Politician consultation an evaluation and redesign of the financial reporting landscape, ensuring that key indicators and measures of financial resilience risk are tracked and embedded within management information, alongside mitigation actions. Of particular importance is the tracking of external indicators for the markets where the Council is exposed; through either Company or Asset Portfolio.

10 **Develop an asset management strategy:** A Strategic Asset Management Plan can optimises the use of land and buildings in supporting corporate objectives, providing a vision for how the Councils portfolio drives corporate and financial objectives, are managed and maintained safely, and opportunities can be maximised across the estate for consolidation and disposal

11 **Define place-making strategic objectives and investment criteria :** The Council should define its objectives and measures of success for the Placemaking agenda, and validate that current and planned developments by the Council continue to contribute to these redefined objectives and Corporate Strategy. This should be undertaken with a quantified assessment on WBC appetite for risk and the prevailing market conditions for investment.

12 **Review the quality of financial capability and capacity provided to the council and companies:** This report did not evaluate finance capability and capacity, the Council should consider defining the financial job competencies and job families required and whether the Finance Operating Model is fit for WBC's purpose, noting the Council's increasing commercial complexity, and exposure to turbulent markets. This should be aligned with recommendation 3 in relation to the Councils' Shareholder Centre of Excellence.