

## Comprehensive Statement – Management Response (Financial Review) – Update August 2022

Key Issue or Risk	Current Approach and Plans	Actions following the Statement
<p>There is a Risk that commercial properties continue to be devalued as a result of reductions in commercial rent income, this would dilute the councils balance sheet. Where this does occur, the council need to consider whether continued revaluations indicate a need to reassess asset use to meet regeneration objectives.</p>	<p>There is an asset management strategy that is in development and a review of the Property Services Operating Model underway.</p> <p>The Fit for the Future programme has identified a need to develop the commercial management capacity and capability in the Council and how we are organised.</p> <p>The Councils significant investment holding of retail and office estate does support its role in regeneration as it is able, through an asset management strategy, to strategically review how these assets contribute to the priorities of the borough.</p>	<p><b>Statement as at February 2022</b></p> <p>The delivery of the <b>asset management strategy</b> will be escalated as a key project, reporting to CLT as the Corporate Programme Board, alongside a quarterly report on the performance of retail and office assets.</p> <p>Given its significant asset holdings in the town centre, the asset management strategy will need to be guided by a clear vision and strategy for the town centre that is informed by up-to-date market insight and intelligence. This will enable the council to maximise the use of its assets to get a balance between financial return and place making outcomes.</p> <p>The Risk is accepted and will be considered through the Council's Risk Management Policy to determine risk treatment and further mitigations</p> <p><b>Update as at August 2022</b></p> <p><b>Asset Management:</b></p> <p>Strategic property advisors Carter Jonas have been commissioned to draft a strategic asset management plan. This will be in place by December 2022</p> <p>In advance of this plan, proposals are being developed for key strategic assets that can support the delivery of the Medium Term Financial Strategy (MTFS). Progress on these are being brought forward in the MTFS to be reported to the November 2022 meeting of the Executive</p> <p><b>Risk Management:</b></p> <p>A Strategic Risk Register and Risk Appetite framework has been developed as part of the Risk Management policy. An update on the Risk Management Policy was reported to the July 2022 meeting of</p>

		<p>the Executive.</p> <p>The Strategic Risk Register will be reported to Council as part of the Performance Management Green Book Review.</p> <p>The intention is to report the Strategic Risk Register periodically through the Standards and Audit Committee before the Executive. Risk Management Training for officers and Councillors is however being put in place in advance of this reporting.</p> <p><b>Commercial Management Capacity</b></p> <p>New arrangements for the governance of companies has been developed and was agreed by the Executive at its July 2022 meeting. A Shareholder Advisory Service forms part of these arrangements and recruitment to 2 new roles was approved and is now in the process of being recruited to.</p>
A sizeable investment asset portfolio that is highly exposed to conditions in the Retail and Office market	<p>The Medium-Term Financial Strategy recognises the dependency on income from the commercial estate and has a financial strategy to manage this over the next 4 years.</p> <p>The reserves strategy has been reviewed and is under continual review through the MTFS. The strategy is underpinning our response to managing the impact of the economy as well as responding to risks in delivering the Council's business and providing some capacity to invest in transformational change</p> <p>Management of the asset portfolio and the markets these operate in is part of the asset management strategy referred to above</p> <p>A review of the governance of Victoria Square is underway and will report, with recommendations, to the</p>	<p><b>Statement as at February 2022</b></p> <p><b>The Council will develop a vision and strategy for the Town Centre.</b></p> <p>Given its significant asset holdings in the town centre, the asset management strategy will need to be guided by a clear vision and strategy for the town centre that is informed by up-to-date market insight and intelligence. This will enable the council to maximise the use of its assets to get a balance between financial return and place making outcomes (repeated – see action above)</p> <p>Completion of the commissioned review on the governance of Victoria Square in order to identify the most effective approach to the management of the assets to secure the financial and place making interests of the Council.</p> <p>Following this governance review the council will adopt the required changes to develop its <b>commercial and strategic finance capacity and expertise</b> across its whole asset portfolio and investments in order to deliver on the required outcomes for the borough.</p> <p><b>Update as at August 2022</b></p> <p>Masterplan</p>

	Executive.	<p>A draft Town Centre Masterplan was presented to the July 2022 meeting of the Executive and is currently out for consultation.</p> <p><b>Victoria Place</b></p> <p>Financial modelling has been updated and a performance progress report is being developed for reporting to the October 2022 meeting of the Executive</p> <p><b>Thameswey Companies</b></p> <p>A review and update of company cash flow forecasts is underway and is being reported through both the MTFS and Thameswey Business Plans that will be presented to the November meeting of the Executive.</p> <p><b>Commercial Management Capacity</b></p> <p>New arrangements for the governance of companies has been developed and was agreed by the Executive at its July 2022 meeting.</p> <p>A Shareholder Advisory Service forms part of these arrangements and recruitment to 2 new roles was approved and is now in the process of being recruited to.</p>
<p>There is a risk that the high proportionate level of debt payments the council incurs compared to Net Service Expenditure, will reduce the Council's financial resilience in the medium to long term. These commitments reduce budgetary flexibility in the event of volatility.</p>	<p>The Medium-Term Financial Strategy recognises the high level of fixed costs in the general fund that is required to services the costs of borrowing and has a reserves strategy that is informed by an assessment of service and financial risk.</p> <p>There is an asset management strategy that is in development which includes an asset disposal policy. In the short term there is no requirement to sell assets in order to reduce the costs of borrowing.</p>	<p><b>Statement as at February 2022</b></p> <p><b>Continue to strengthen the Council's Medium and Long-Term Financial Strategy (MTFS)</b></p> <p>Be a strong voice in the public sector for the role of Local Government in delivering on regeneration ambitions and recognition of this role in making sources of funding available to Councils.</p> <p>The delivery of the asset management strategy will be escalated as a key project, reporting to CLT as the Corporate Programme Board, alongside a quarterly report on the performance of retail and office assets (Repeated – see action above)</p> <p>The Risk is accepted and will be considered through the Council's Risk Management Policy to determine risk treatment and further mitigations</p> <p><b>Update as at August 2022</b></p>

	<p><b>Medium Term Financial Strategy (MTFS)</b></p> <p>Further updates and developments to the MTFS were reported to the March and July 2022 meetings of the Executive</p> <p>A Financial Resilience Framework has been developed and adopted. This is included within the MTFS and reported as above.</p> <p><b>Risk Management</b></p> <p>A Strategic Risk Register and Risk Appetite framework has been developed as part of the Risk Management policy. An update on the Risk Management Policy was reported to the July 2022 meeting of the Executive.</p> <p>The Strategic Risk Register will be reported to Council as part of the Performance Management Green Book Review.</p> <p>The intention is to report the Strategic Risk Register periodically through the Standards and Audit Committee before the Executive. Risk Management Training for officers and Councillors is however being put in place in advance of this reporting.</p> <p><b>Levelling Up and Regeneration Bill</b></p> <p>Further to the Levelling Up White Paper, a Levelling up and Regeneration Bill was announced in the Queen's Speech in May 2022 and makes provision for the legislative changes required to deliver on some aspects of the levelling up programme set out in the White Paper.</p> <p>The Department for Levelling Up, Housing and Communities (DLUHC) have advised the Council that it is likely to be in scope of the Bill's powers due to its high level of debt.</p> <p>Officers from the Council and DLUHC are working collaboratively to assist the Department in understanding the Council's local borrowing and investment practices into regeneration of the Borough in advance of them establishing new measures that will support the implementation of the Bill.</p> <p>The Council's MTFS will be updated as DLUHC provide further details in response to the</p>
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		<p>information we have provided. At this stage it is anticipated that the focus of the analysis will be on:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> The proportionality of the Council's debt.</li> <li><input type="checkbox"/> The reliance the Council has on commercial income to pay the debt interest and fund services the Council delivers for the borough's communities.</li> <li><input type="checkbox"/> The provisions the Council makes to account for and repay the debt.</li> </ul>
There is a risk that the current level of WBC's existing borrowing will reduce appetite and capacity to borrow to fund infrastructure in the future	<p>The Council's strategy is for borrowing to support regeneration and has been targeted to the areas of greatest regeneration need which is housing and the town centre as the economic hub for the borough. This investment by its nature is future focussed and has accounted for the likely significant demand for Council intervention.</p> <p>The borrowing and investments made by the Council are intended to operate as a catalyst and lever for private sector investment into the borough which will further enhance the regeneration activity and outcomes.</p> <p>The Council takes a strong partnership role to lever benefits for Surrey and the Borough. We are working in partnership with the Surrey District and Boroughs and County Council to develop a Surrey 2050 Place Ambition.</p>	<p><b>Statement as at February 2022</b></p> <p><b>Continue to strengthen the Council's Medium and Long-Term Financial Strategy</b> (Repeated – see action above)</p> <p>Be a strong voice in the public sector for the role of Local Government in delivering on regeneration ambitions and recognition of this role in making sources of funding available to Councils (Repeated – see action above)</p> <p>Given its significant asset holdings in the town centre, the asset management strategy will need to be guided by a clear vision and strategy for the town centre that is informed by up-to-date market insight and intelligence. This will enable the council to maximise the use of its assets to get a balance between financial return and place making outcomes (Repeated – see action above)</p> <p><b>Update as at August 2022</b></p> <p>See response above which also addresses this issue.</p>
There is a risk that the regulatory landscape or market conditions change.	The Council has a risk management policy that has been reviewed in 2021 as part of the Fit for the Future	<p><b>Statement as at February 2022</b></p> <p>The Risk is accepted and will be considered through the Council's Risk Management Policy to determine risk treatment and further</p>

<p>This would provide an immediate risk to the Council, or impact WBC's ability to finance or refinance.</p>	<p>change programme. This policy is in place in order to actively assess and strategically manage risk.</p>	<p><b>mitigations</b></p> <p><b>Update as at August 2022</b></p> <p><b>Risk Management</b></p> <p>A Strategic Risk Register and Risk Appetite framework has been developed as part of the Risk Management policy. An update on the Risk Management Policy was reported to the July 2022 meeting of the Executive.</p> <p>The Strategic Risk Register will be reported to Council as part of the Performance Management Green Book Review.</p> <p>The intention is to report the Strategic Risk Register periodically through the Standards and Audit Committee before the Executive. Risk Management Training for officers and Councillors is however being put in place in advance of this reporting.</p> <p><b>Thameswey Companies</b></p> <p>The Energy Market and Decarbonisation requirements were cited as a key area of risk when this issue was reported by the consultants EY.</p> <p>A review and update of Thameswey Business Plans is underway and will be presented to the November meeting of the Executive.</p>
<p>There is a medium-long term risk that Thameswey Central Milton Keynes could become insolvent</p>	<p>The company analysis in the report uses the Cabinet Office playbook which is a framework for evaluating commercial operations framework. It is important to recognise that the Thameswey Group was established as a wholly owned subsidiary of the Council to fulfil the objectives of the Council addressing need which would not be met by the private sector.</p> <p>The report recognises that the Companies in which the Council have invested in have differing strategic purposes and are in different phases of maturity, meaning the relationship</p>	<p><b>Statement as at February 2022</b></p> <p><b>The Council will undertake a review of the Strategic alignment between the Council and the Thameswey group</b></p> <p>A specific review of the Thameswey Central Milton Keynes (TCMK) and Thameswey Energy Limited Business Plans will be commissioned.</p> <p><b>Update as at August 2022</b></p> <p>The Energy Market and Decarbonisation requirements were cited as a key area of risk when this issue was reported by the consultants EY.</p> <p>A review and update of Thameswey Business Plans is underway and will be presented to the November meeting of the Executive.</p>

	<p>with the Council is not just a contractual one. It also notes that the companies are currently immature and are expected to make losses in the short-term, with the business plans being long-term in nature.</p>	
<p>It is recommended the Council shares the analysis with Companies and requests a management response.</p>		<p><b>Statement as at February 2022</b> Agree with the recommendation. This will be incorporated into the review of the strategic alignment between the Council and Thameswey group, highlighted above, as an early output <b>Update as at August 2022</b> See comments above relating to companies which addresses this recommendation.</p>