

1. Background

- 1.1. Surrey County Council (SCC) and Woking Borough Council (WBC) met on 5th October 2022 to discuss a finance partnership engagement. This was at the request of WBC who need to identify additional expertise and resource to support them to deliver their Medium - Term Financial Strategy and Fit for The Future change programme.
- 1.2. WBC are looking for this support to be targeted at addressing its high levels of borrowing and investment into town centre and housing regeneration programmes and companies that are being used to deliver this regeneration.
- 1.3. Further to the initial meeting on 5th October 2022, WBC have received a letter from the Minister of State in the Department of Levelling Up, Housing and Communities (DLUHC) expressing concerns about WBC's high levels of debt and the ongoing requirement from the Council to provide loan funding to its key regeneration companies over the next 5 years.
- 1.4. Furthermore, WBC has accepted a non-statutory Rapid Review from DLUHC to be delivered in collaboration with WBC and alongside the actions that WBC has and is getting in place to deliver its MTFS. The sector support work from SCC has been specifically referenced and welcomed by DLUHC.
- 1.5. SCC is fully committed to supporting and working in partnership with WBC and the DLUHC review. It was agreed that an initial discovery phase of work would commence with immediate effect, with the aim of working collaboratively towards the production of a more formal action plan for WBC. This engagement will continue to run alongside the planned reviews and support between DLUHC and WBC, with SCC supporting the production of a transformation plan and approach to accompany the Medium-Term Financial Strategy in February 2023.
- 1.6. The engagement will use initial learning from other non-statutory reviews that have taken place through DLUHC (and the Ministry for Housing, Communities and Local Government (MHCLG) before this and the the evolving situation and working arrangements currently in place between Thurrock Council and Essex County Council arising from the statutory review that DLUHC established. The initial discovery phase of work will focus on commercial investments and borrowing, whilst also validating and testing financial assumptions and projections in the Medium-Term Financial Strategy, with the view to jointly agreeing significant areas of highest priority and next steps. This is likely to include areas that require specialist external support, areas that are and can be managed and led by WBC, as well as areas where SCC can support with targeted improvement work.

2. Initial Discovery Phase of work and priority areas

2.1. SCC is currently working with WBC on a discovery phase of work to support WBC in the planning and production of a wider transformation plan for early next year. This discovery phase of work is intended to prioritise reviewing the current commercial arrangements and risks, and stress testing assumptions following recent economic volatility. This work will also cover a review of revenue and capital positions and the medium-long term financial sustainability of WBC. The discovery phase of work commenced in October 2022 with joint reviews taking place in the following areas:

- Levels of debt and the reliance on companies for debt repayments
- Business Plans specifically linked to borrowing and investments
- Going concern assessment of companies
- Operational and Financial Management of subsidiaries (both WBC (as the shareholder) and subsidiary companies)
- Forecasting and underlying assumptions linked to commercial arrangements
- Governance and Risk Management

2.2. Work will continue in those areas throughout November and December with further work planned in:

- Shareholder arrangement review and governance
- Medium Term Financial Strategy assessment incl benchmarking and index
- Detailed Revenue and Balance Sheet reviews
- Budget Monitoring and reporting

2.3. The review will cover both the current financial position, as well as assumptions and projections over the medium to long term as part of the organisations Medium Term Financial Strategy.

2.4. A number of these areas will also be subject to review and support from DLUHC, however, SCC will continue to review and work in partnership with WBC in parallel as part of the collective response. In a number of cases, these are areas which have already been subject to external review such as the company structure review by Ernst and Young (EY) so work will include reviewing the response and actions taken and/or planned.

2.5. As well as technical areas of work, it is suggested that a review of financial governance and management within WBC is considered. The aim being to ensure there is not only suitable scrutiny of decision making, but that the organisation has the right capacity, capability and processes to provide high quality information of the financial implications to members and senior officers.

3. Tandridge District Council partnership

3.1. Surrey County Council has previously worked in partnership with Tandridge District Council (TDC) to provide a comprehensive finance function comprising s151 role and

leadership and management of a full range of financial functions, and support TDC through the Tandridge Finance Transformation Plan.

- 3.2. This agreement saw formal blended structures between SCC and TDC in order to provide management oversight, support and guidance with contributions from TDC to compensate SCC for officer time.
- 3.3. This experience of partnership working and financial transformation places SCC in a good position to support WBC in determining a programme of transformation required to improve financial functions within the Council. At this stage the partnership work does not extend beyond the discovery phase work and the expectations are that delivery of a transformation programme will be led by WBC officers (supported by DLUHC, SCC and other specialist support as required).

4. Next steps

- 4.1. We are still uncertain on the timing and remit of the support and review of WBC from DLUHC. In the most recent letter from DLUHC it was made clear that WBC and SCC should continue to work closely despite their planned work.
- 4.2. SCC will therefore continue to work in partnership with WBC over the coming months on the discovery phase of works outlined in section 2 of this briefing. An initial assessment will be provided, including views on the priority areas of work, key concerns, potential mitigations and some of the potential avenues that require further work. This will help to shape the future transformation plans for the Council.
- 4.3. SCC will support WBC with the production of a transformation plan to accompany the final budget report in February 2023. The role of SCC in supporting any areas beyond this initial discovery phase of work is still to be agreed. For more technical areas such as the company structure and loan finance, it may be the case that external advice is required to be sought by WBC over and above any requirements of the DLUHC review.