

### CEX Position Statement

- 1.1 I have previously reported and advised on the stark financial situation facing the Council. This situation will be a reality for the Council for the foreseeable future. It is and will remain a key determining factor for all of the policy and priority issues for the Council through and beyond the IRP.
- 1.2 When I took on the role of the Chief Executive I was aware that the Council faced some significant financial challenges and that it was exposed to considerable risks through its investment activity and we recognised that we were in the territory of a S114 almost a year before the Notice was issued. But it took the detailed and forensic analysis and investigation to present the extent of the underlying, legacy and current issues.
- 1.3 Those issues present complex and far reaching financial challenges for the Council that are unprecedented in Local Government, the impact of which will be felt for many years to come.
- 1.4 At the Extraordinary meeting of Council on 20<sup>th</sup> June 2023 I reported, with the Interim Director of Finance and Section 151 Officer, on the Section 114 (3) Notice and the Chief Executive's response to this Notice.
- 1.5 The Response of the Chief Executive to the Section 114 (3) notice referenced the Directions from the Secretary of State which required the Council to take certain actions:
  - Prepare and agree an Improvement and Recovery Plan to the satisfaction of the Commissioners, within six months, with resource allocated accordingly. This should draw upon the contents and recommendations of the External Assurance Review published on 25 May 2023. The Plan is to set out measures to be undertaken, together with milestones and delivery targets against which to measure performance, in order to deliver rapid and sustainable improvements in governance, finance and commercial functions, thereby securing compliance with the best value duty. The minimum requirements from an Improvement and Recovery Plan are included in the Directions issued by the Secretary of State.
  - To report to the Commissioners on the delivery of the Improvement and Recovery Plan after three months, six months and thereafter at six-monthly intervals, or at such intervals as Commissioners may direct.
  - To undertake in the exercise of any of its functions any action that the Commissioners may reasonably require to avoid, so far as practicable, incidents of poor governance, poor financial governance or financial mismanagement that would, in the reasonable opinion of the Commissioners, give rise to the risk of further failures by the Council to comply with the best value duty.
- 1.6 I am pleased to be able to report to this meeting of Council the first Improvement and Recovery Plan (IRP) providing both the framework for future reporting and progress made in the first three months. I believe this plan has been well structured and referenced so that it responds to the Intervention Areas raised by the Secretary of State; the Recommendations from the Non-Statutory Review and the Future Actions Required that were part of the Response of the Chief Executive to the Section 114 (3) Notice.

1.7 Good progress has been made within the three months since the statutory intervention and this progress is clearly reported through the IRP at Appendix 2 and the covering report. I would like to specifically comment on a number of overarching areas to the IRP which have been key features within the Commissioners engagement with the Council over this period:

1.7.2 Managing the Council's borrowing.

It was reported in the Section 114 Notice that improvements were needed in a number of areas of financial management and control, including capital financing and treasury management, recognising that they had all contained inaccuracies and misassumptions.

The Council's borrowing requirements are complex and it had been challenging over the first two months to provide information on these requirements in a timely way to government, incorporating the required level of evidence, detail and cashflow forecasting.

Significant progress has been made and it will require ongoing attention. A review of Treasury Management has been undertaken and a suite of Treasury Management Practices has been developed and is being brought forward for adoption.

The Council does need to increase its borrowing in the short term to protect the values of assets its has established companies to deliver for the regeneration of the borough. It is and will continue to be very challenging to build a case that can be supported by government, taking into account the overall financial position of the Council. Taking these cases forward is both very complex and is a significant strain on the Council's commercial capacity and capability, even with significant support from external experts and commissioners.

1.7.3 Delivering the Medium-Term Financial Strategy (MTFS)

The first MTFS report for 2024/25 was reported to the meeting of Council on 13<sup>th</sup> July 2023, with the next report being produced for the Council meeting on 28<sup>th</sup> September 2023.

I am pleased that a set of 14 guiding principles were agreed as part of the July report and are now providing both a framework for which MTFS proposals are developed and also the basis for the development of a suite of policies that will assist the Council in designing its "future state".

We are also making good progress on identifying savings and income opportunities to bridge our business-as-usual budget gap of £11M. We have identified savings and income opportunities of circa £8M, which includes a reduction in headcount as part of a wider service reconfiguration. Consultation with staff on revised management structures started on 7<sup>th</sup> July 2023 and further staff consultation is planned for the autumn.

We will identify a further £4m savings opportunities, in addition to those already identified, to bring the revenue budget into balance and mitigate the risks from further budget pressures and savings slippage. This work is underway and leadership will bring forward high level proposals to Executive and Council meetings in September.

The Council will need a more comprehensive understanding of all budgets; the trading performance of its investment assets and how the Council's spending benchmarks with comparable well performing district and borough councils.

Whilst good progress is being made, the proposals for savings that will start the Council on a path to balancing the general fund and the HRA will be very challenging to take and to deliver but such decisions will be essential if the Council is to be able to set a balanced budget.

#### 1.7.4 Business Cases for Invest to Save

A significant amount of work has taken place over the last 2 months, and is continuing, to develop business cases for Victoria Square Woking Limited and Thamesway through 2023/ 24 into 2024/25 that will enable the Council to take a strategic approach with respect to its investments, ultimately releasing it from its unaffordable commitments and reduce its debt burden. The business cases will enable continued funding from government and ensure best value is delivered for the public purse.

The Council has developed a much stronger commercial awareness of the performance of these companies and is better placed to make risk informed and evidenced based invest to save cases.

The Commercial workstream of the IRP will need to make continued progress over the coming 3 months in order to give confidence to Commissioners that it can deliver a significant asset rationalisation plan and commercial strategy for retained assets. The ongoing support from Commissioners to assist in developing collaborative and partnership working with other areas of government will be important over the early period of the IRP.

#### 1.7.5 Delivering an Improvement and Recovery Plan within 6-months.

The first plan and progress report has been delivered within 3 months and therefore ahead of the required deadline which allows us to make stronger and more purposeful progress for the 6-month report. The Council has significantly benefitted from the support of the Commissioners in this respect and their experience of best value interventions in other authorities. Equally the Council has benefitted from the experience of other authorities and my thanks goes to those authorities for sharing their experiences and learning.

We need to continue this progress however as our plan is still at its early stages and concerted attention will need to be maintained. For our 6-month plan we will need to have progressed on developing a set of Key Performance Indicators that we can report and measure progress against. These measures will need to be integrated into the Council's integrated service and financial reporting framework and will be developed through over the coming 3-6 months.

#### 1.7.6 Key Risks

The IRP highlights 3 key risks covering Resources; Pace of Change and Reliance on external expertise. These risks are at the heart of the challenges facing the Council when considering the size and financial resilience of the Council against the value; complexity and risks relating to the investment decisions that have been made.

It will be a key challenge for delivery of the IRP and sustainability of the Council to bring the rest of the Council's workforce along the IRP journey and to support skills and capability transfer to Council employed staff, systems and ways of working.

It is in this context that we need to collaborate with partners in the public sector, Surrey and more widely, to adopt a sector support approach to resourcing, retaining and sustaining the support that is required to deliver this IRP and the future state Woking Council.

This focus will need to be taken forward through the organisation and service design workstream of the IRP.