

RECOMMENDATIONS OF THE EXECUTIVE AND OFFICERS

Executive Summary

The Council is invited to consider the recommendations from the meeting of the Executive held on 14 September 2023. Set out below is an extract from the minutes of the Executive.

The Council is further asked to consider an addendum to this report drawn up by the Interim Director of Finance and S151 Officer. The addendum includes an additional recommendation for Council to consider. The appendix to this report sets out the recommendations of the Executive consolidated with the additional Officer recommendation.

THE EXECUTIVE – 14 SEPTEMBER 2023

9a. MEDIUM TERM FINANCIAL STRATEGY (MTFS)

The Leader of the Council, Councillor Barker, drew attention to the positive and constructive discussion on the Medium Term Financial Strategy (MTFS) which had taken place at the Overview and Scrutiny Committee on Monday, 11 September 2023. Following points raised at the Committee, it was reiterated that Impact Assessments would take place on the proposals being put forward.

The Leader provided an update on the Council's companies. Due to the Council's critical financial position, the Leader explained that the Council would not be able to support or subsidise the companies moving forward and the Council and the companies would need to take advice on how to deal with the challenges presented. The Leader advised that the Council was in positive and supportive discussions with Government in respect of proposals that required borrowing support in order to get the best outcomes for the public purse and delivered the best value for money returns from the historic investments the Council had made. It was noted that the Council would only proceed with additional investment and borrowing where it had Government support and funding.

The Leader reported that Business Cases were being prepared for Government in order to secure Government support in relation to completing, or partially completing, specific schemes that were already in delivery by companies owned by the Council when the Section 114 Notice was issued, primarily ThamesWey and Victoria Square Woking Limited. It was noted that the Council had agreed to the deferral of loan repayments due from companies to the Council until 31 December 2023. This decision had been taken following legal advice and was supported by Commissioners.

The Executive heard that significant progress had been made in confirming this approach with Government and was being progressed for the Victoria Square and the Sheerwater Redevelopments. The Leader proposed an addendum to the MTFS that would be incorporated into the report when it was considered by Council at its meeting on 28 September 2023. The addendum would note that the Council's Investment Programme accommodated investment where full Government funding and support existed to facilitate the completion of assets that were partially complete and to deliver best value for the public purse. Attention was drawn to the capital planning principles contained in the July MTFS report, namely Principle C, which referred to items where following support from Government and Commissioners, resources were provided for specific schemes that were already in delivery when the Section 114 Notice was issued. Therefore, investment in Victoria Square and ThamesWey would continue where it was in accordance with Principle C. A further report

Recommendations of the Executive and Officers

would be brought back to the Executive to set out the actions being taken by Officers to implement those decisions.

Councillor Forster, Portfolio Holder for Key Projects, provided an update on the Sheerwater Regeneration Scheme and advised that the Council and ThamesWey were in negotiations with Government around drawing down previously approved money to complete the Red, Yellow and Copper phases. Once negotiations had been completed and agreed, the Council would have a timescale on when those phases would be implemented.

Councillor Roberts, Portfolio Holder for Finance, introduced the report which set out the strategic financial approach that the Council needed to take to deliver the Improvement and Recovery Plan (IRP) and respond to the Section 114 Notice, whilst continuing to meet the Council's statutory duties. The Executive noted that the report included feedback from the recent resident engagement exercise, alongside next steps for public consultation on proposed changes to Council services.

The Portfolio Holder tabled a proposed amendment to recommendation (iv) to read "the Chief Executive, as Head of Paid Service, has the delegated authority to now proceed with the full implementation of changes to Council staffing structures following consultation on those structures. These changes are contained in the MTFS Fit For The Future savings 3(A) Table of Annex 6 to the report". The Executive agreed the amended recommendation (iv) which would enable the Chief Executive, as Head of Paid Service, to complete the staffing restructures required.

Executive Members highlighted the proposed savings in their individual Portfolio areas, including the phased closure of Pool in the Park, removal of community grant funding, closure of public conveniences, and removal of funding to arts, cultural and sports development. The Executive expressed much regret at the proposed savings contained in the MTFS whilst acknowledging that difficult decisions needed to be taken in order to put forward a balanced budget, which was a legal requirement. The Council would need to demonstrate it had 'its own house in order' before making a case to Government for financial support to deal with the estimated Deficit of £1.2bn due to the Council's historic investment strategy. Subject to the agreement of Council on 28 September 2023, formal public and stakeholder/service user consultation would commence on 2 October 2023 for six weeks to understand the implications of the savings proposals.

RECOMMENDED to Council

- That (i) the MTFS and embedded MTFP are an estimate of the Council's current financial position at Q2, noting that the figures will change as further updating takes place;**
- (ii) it be noted that the Section 114 Deficit continues to be reviewed but is able to be used for conversations with Government to attain financial support and for other sundry purposes as referred in the report;**
- (iii) the Council consults on a number of the proposed savings contained within the MTFS, as set out in Annex 6 to the report; and**
- (iv) the Chief Executive, as Head of Paid Service, has the delegated authority to now proceed with the full implementation of changes to Council staffing structures following consultation on those structures. These changes are contained in the MTFS Fit For The Future savings 3(A) Table of Annex 6 to the report.**

Recommendations of the Executive and Officers

Reason: The decision is sought to ensure open and transparent governance in the financial affairs of the Council in balancing the 2024/25 Budget.

The Council has the authority to determine the recommendations set out above.

Background Papers: None.

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REPORT ENDS

ADDENDUM

Capital Investment Programme for Council Controlled Companies

As previously reported in the Council's Medium Term Financial Strategy (MTFS), it owns or part owns 24 companies and due to its financial position it will not be able to support or subsidise these moving forward as it has sought to do in the past. This means that the Council and the companies need to take advice on how to deal with the challenges that this position presents. The main focus of significant work by officers and Commissioners that has been fed into Government has been on the Victoria Square and Sheerwater Regeneration schemes, both of which still have significant capital spending requirements relating to assets currently under construction but not complete. The other companies do not have significant requirements at this stage and will be reviewed in the coming months.

Despite the Council's critical financial position, we are in positive and supportive discussions with Government in respect of proposals that require borrowing support to get the best outcomes for the public purse and deliver the best value for money returns from the historic investments this Council has made. As a responsible Council we will only proceed with additional investment and borrowing where it has Government support and funding.

These discussions follow those principles within the S114 report and adopted in the Medium Term Financial Strategy.

Business Cases have or are being prepared for Government to secure their support in relation to completing, or partially completing, certain specific schemes that were already in delivery by companies owned by the Council when the Section 114 report was issued.

Furthermore, companies are taking independent advice in relation to the assurances that they need to seek from the Council as funder in order to continue to operate the companies as going concerns whilst assets are completed in accordance with a managed exit plan.

To enable these activities to be undertaken in a managed way, the Council has agreed to the deferral of loan repayments and interest due from companies to the Council until 31st December 2023. This decision has been taken following external legal advice and is supported by Commissioners.

The implications of these actions are being managed within either existing resources or will be supported by additional resources from Government when business cases evidence this support is in the best interests of the public purse.

Significant progress has been made in confirming this approach with Government during the last few days in respect of Victoria Square. Government have indicated their support to allowing additional borrowing to enable completion of the development where this borrowing is for capital assets. This support will allow the remediation of the hotel cladding by contractors to be completed and the value of the asset for potential disposal to be maximised. The Council will progress the requests for additional borrowing where the support from Government means there is no additional financial burden on the Council's general fund budgets.

The Council as funder has received external legal advice on the subsidy control regime in respect of the implications of the both the loan repayment deferral and the provision of capital funding provided by Government.

Recommendations of the Executive and Officers

A business case for the Sheerwater Redevelopment is also in progress with Government but is not as advanced.

This addendum is proposed to the MTFs report presented to Council at its meeting on 28th September. It proposes that the Council's investment programme accommodates investment where full Government funding and support exists to facilitate the completion of assets that are partially complete and to deliver best value for the public purse. This is in line with the capital planning principles set out in the July MTFs and the s114 report as set out below.

The Quarter 1 MTFs report to the 20th July 2023 meeting of Council asked Council to note that the capital investment programme had been suspended by officers following the issuing of the s114 report. In addition, paragraph 29 of the July MTFs report referred to capital planning principles for the period of this MTFs and the financial year 2024/2025 within which all new proposals must fit. Principle C referred to items where, following support from Government and Commissioners resources are provided for specific schemes that were already in delivery when the s114 report was issued.

Investment in Victoria Square and Thamesway (for Sheerwater Regeneration) will, therefore, continue where it is in accordance with Principle C. The s151 Officer will take the necessary steps to accommodate the funding from Government on both schemes in the capital programme in accordance with this principle and his delegated powers to accept funding. A further report will be brought back to Executive to set out the actions being taken by officers to implement these decisions.

Council Resolution

RECOMMENDED

That (v) the Council notes the action to be taken by the s151 officer to accommodate Government supported funding for the Victoria Square and Thamesway Regeneration projects and requires a further report to be presented to the Executive setting out the detail of actions taken and the impact on the Council's finances.

Consolidated Recommendations

Set out below are the recommendations of the Executive consolidated with the additional Officer recommendation.

RECOMMENDED to Council

- That (i) the MTFS and embedded MTFP are an estimate of the Council's current financial position at Q2, noting that the figures will change as further updating takes place;
- (ii) it be noted that the Section 114 Deficit continues to be reviewed but is able to be used for conversations with Government to attain financial support and for other sundry purposes as referred in the report;
- (iii) the Council consults on a number of the proposed savings contained within the MTFS, as set out in Annex 6 to the report; and
- (iv) the Chief Executive, as Head of Paid Service, has the delegated authority to now proceed with the full implementation of changes to Council staffing structures following consultation on those structures. These changes are contained in the MTFS Fit For The Future savings 3(A) Table of Annex 6 to the report.
- (v) the Council notes the action to be taken by the s151 officer to accommodate Government supported funding for the Victoria Square and Thamesway Regeneration projects and requires a further report to be presented to the Executive setting out the detail of actions taken and the impact on the Council's finances.