

COUNCIL – 4 MARCH 2024

GENERAL FUND BUDGET AND COUNCIL TAX SETTING 2024-25

Executive Summary

The report to Council on 8 February 2024 brought forward the decisions required to deliver £8.4million of savings to be made by the Council in 2024/25, year one of its five-year Medium-Term Financial Strategy (MTFS). The approval of that report allows the Council to proceed with implementation of the savings and agree business as usual budgets for its core services to residents.

The purpose of this report is to set out the full 2024/25 budget position for the Council, taking into account the previously agreed service changes, the final changes in the level of resources available to the Council and the final debt position. It sets out the proposed treatment of the deficit from the Council's debt arising from its historic investments and how the Exceptional Financial Support being offered by Government will be used to set a legally balanced budget.

The report also:

- Explains the medium-term financial context of the ongoing costs and implications of debt repayment.
- Deals with the "going concern" question for the Council via the statutory requirement of a Section 25 statement by the Chief Financial (s151) Officer.
- Sets out the position on the Council's level of reserves.
- Makes recommendations on a number of budget related matters: agreeing a Hardship Scheme, revising the policy for discretionary business rate relief and the policy on council tax charges for second homes and long-term empty homes
- Makes the formal recommendation on Council Tax for next year.

Significant work has been undertaken with Government on how the Council can set a legal budget given the scale of its debt problem. Without that support the Council's budget deficit next year could be up to £785million. Much of this is a one-off, including restating the debt repayment provision (Minimum Revenue Provision) that should have previously been made, but there is also a significant ongoing annual liability that is unaffordable without Government support.

Whilst the form of the proposed support has been known for some time and was set out in the 8 February report, the final package offered by Government will only be confirmed in a letter from the Minister which is likely to arrive after the dispatch of this report. In addition, the £785m is based on estimated costs in January and updates to the Council's budget since then will reduce the actual requirement below £785m. Only the required amount of support will be utilised.

This report therefore contains the latest position on the budget and assumes that the Government support is delivered as expected. The Chief Financial Officer (s151) and Commissioners have jointly agreed this report and the s25 statement in this report in that context and if required, an update will be delivered to full Council on 4 March.

Discussions with Government on the level of Council Tax increase have led to a proposal for a 10% increase (9.99% to be under the Government limit), in line with that of other Council's in intervention that require Government support packages. This expectation has been confirmed in the Final Finance Settlement and is included as part of the Council's 'Spending Power' calculation. Woking household Council Tax bills will only increase by 1% because of the 9.99% increase. This is because most of the tax income (around 90%) relates to services provided by Surrey County Council and Surrey Police.

Recommendations

The Council is requested to:

RESOLVE That

- (i) Council considers and acknowledges the Section 151 Officer's s25 report on the robustness of the proposed budget and the adequacy of the Council's reserves, as set out in Appendix 8 to the report, including the factors which underpin the budget and specifically the need for exceptional financial support to balance the budget;
- (ii) it be noted that the financial position has been based on the final Local Government Finance Settlement announced on 5 February 2024 together with any further announcements at that date;
- (iii) it be noted that the Council was granted permission to raise council tax by an extra 9.99% without the need for a local referendum and that the report assumes a council tax increase of 9.99%;
- (iv) it be noted that the net cost of services position includes previously agreed savings and pressures included in the 'Business as Usual Budget' approved by Council on 8 February 2024, as updated in the report (link provided in background papers);
- (v) the final changes to the budget set out in paragraphs Section 5 and Table 4 of the report, be approved;
- (vi) the flexible use of capital receipts to support transformation activity under the Improvement and Recovery Plan set out in Appendix 7 be approved;
- (vii) the position of the Business Rates and Council Tax Collection Fund, and the Council Tax and Business Rates bases for 2024/25 as set out in Section 11 be noted;
- (viii) it be noted that Exceptional Financial Support (EFS) is required to balance the 2023/24 budget and that discussions with Central Government are ongoing, as per Appendix 2 to the report;
- (ix) it be noted that the budget has been set based on the assumption that the request for Exceptional Financial Support in respect of the 2024/25 budget deficit is granted;
- (x) it be noted that the projected revenue impact of the Minimum Revenue Provision (MRP) historic and 2024/25 requirements under the revised MRP policy agreed as part of the Treasury Management report elsewhere on the agenda and that the draft MRP guidance has been applied to the treatment of MRP in the report as set out in Appendix 2;

General Fund Budget and Council Tax Setting 2024-25

- (xi) the Council's position on Reserves, recognising the unique situation the Council faces, be noted;
- (xii) it be noted that work on the budget will continue during 2024/25 on a medium-term financial position, with more savings likely to be required to Council services;
- (xiii) the full net cost of services requirement for 2024/25, including the impact of the historic borrowing position is £189m as per Table 3, be agreed;
- (xiv) the revised Business Rates Discretionary Policy and its application for 2024/25 as set out in Appendix 4 to the report, be approved;
- (xv) the overall Hardship Policy and associated costs as set out in Appendix 5 to the report, including the revised Council Tax Hardship scheme, which is set out in Appendix 6 to the report, be approved;
- (xvi) the changes to the level of council tax premium applied to second and long-term empty homes as set out in paragraphs 11.21 and 11.22 of the report, be approved;
- (xvii) it be noted that a Council Tax Base of 42,255.5 is the amount calculated by the Council, in accordance with the Regulations;
- (xviii) the Council increases its share of Council Tax for a Band D household by £26.31 (9.99%), with other bands increased in line with the formula, be agreed;
- (xix) an amount of Council Tax be set for each valuation band in accordance with Section 30 of the Local Governance Finance Act, 1992 as set out in the Council Tax Resolution in Appendix 10 to the report, be agreed; and
- (xx) quarterly updates on progress against the delivery of the Improvement and Recovery Plan including the budgeted savings on the revenue and capital monitoring position be required.

Reasons for Decision

Reason: The contents of the report is 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 recommendation(s) set out above.

General Fund Budget and Council Tax Setting 2024-25

- Background Papers:** [8 February 2024 Council Report – General Fund Budget 2024-25 and Proposed Savings](#)
- Reporting Person:** Eugene Walker, Interim Finance Director & Section 151 Officer
Email: eugene.walker@woking.gov.uk, Extn: 3070
- Contact Person:** Eugene Walker, Interim Finance Director & Section 151 Officer
Email: eugene.walker@woking.gov.uk, Extn: 3070
- Portfolio Holder:** Councillor Dale Roberts
Email: cllrdaledale.roberts@woking.gov.uk
- Date Published:** 23 February 2024

General Fund Budget and Council Tax Setting 2024-25

1.0 Introduction

- 1.1 This report on the 2024/25 budget incorporates updates to the proposals previously reported in the 8 February 2024 Council meeting. The approach to the budget has been to deal separately, as far as possible, with the historic debt issue and the Council's core (or business as usual) budget for services to residents. Council approved £8.4m of savings on 8 February, setting service budgets and allowing early implementation of savings to begin to ensure that full year savings can be delivered.
- 1.2 The purpose of this report is to set out the full 2024/25 budget position for the Council, taking into account the previously agreed savings and service changes, the final changes in the level of resources available to the Council and the impact of the legacy debt position. The report also sets the level of Council Tax for 2024/25.
- 1.3 A further, critical, element of the report is the statutory section 25 statement by the Section 151 Officer on the robustness and legality of the Council's budget, which is highly dependent on the Exceptional Financial Support (EFS) package offered by Government. Whilst the detail of the proposed support has been known for some time and was set out in the 8 February report, the final position will be confirmed in a letter from the Minister and is likely to be after the dispatch of this report.
- 1.4 This report therefore contains the latest position on the budget and assumes that the EFS is delivered as expected. The ministerial letter confirming the EFS forms an appendix to the report and will be circulated to Council Members once received. Council Members are asked to note the S25 Statement summarised in the report and appended in full, which sets out the considerations and assumptions that support the setting of a budget for 2024/25.
- 1.5 The Chief Financial Officer (s151) has worked closely with the Commissioners and the S25 Statement and work set out in this report represent the agreed view of the budget position and issues.

2.0 Government Intervention and Strategic Context

- 2.1 On 25 May 2023, the Department for Levelling Up, Housing and Communities (DLUHC) published the outcome of its non-statutory external assurance review into Woking Borough Council's (WBC) finances, investments and related governance. The Secretary of State considered the Council was failing to comply with its best value duty under the Local Government Act 1999. In particular, it highlighted the scale of financial and commercial risk due to the Council's legacy of disproportionate levels of debt at over £2billion. The government's intervention will be in place for five years and the Council's financial sustainability is highly dependent not only on its own actions in stabilising its budget, but also Government support on the unaffordable level of debt it has.
- 2.2 A key part of the intervention is the need to develop and deliver an Improvement and Recovery Plan (IRP). The three to five year plan, which was adopted by Council in August 2023. This details the actions and delivery targets to deliver sustained improvements in financial management, governance and commercial functions, and organisational effectiveness. Included in the list of actions outlined, the plan commits the council to deliver a Medium-Term Financial Plan to close the 'business as usual' budget gap for 2024/2025, reduce outstanding debts through asset rationalisation and commercial strategies, strengthen governance underpinning financial decision-making and agree financial support from government. More recently a fourth workstream was added to delivery improvements in the delivery of housing services.

General Fund Budget and Council Tax Setting 2024-25

2.3 The IRP is underpinned by the MTFs which has the following strategic goals:

- To provide a framework within which the Council is eventually able to achieve a series of balanced budgets in the medium term to support the delivery of the Improvement & Recovery Plan and against the backdrop of the Section 114 Notice and past events.
- By so doing to reach for and deliver where possible both financial stability and sustainability to do so in the short, medium and long term.
- To enable successive budgets to be balanced using a set of Guiding Principles that are commonly adopted across the Local Government Sector and to apply these rigorously. The Guiding Principles were approved by Council in July 2023 and are appended to the report as Appendix 1.
- To provide a budget and risk structure within which the IRP can be delivered successfully.

2.4 It is important that there remains a clear vision for the Council and how it will deliver for its residents, businesses and stakeholders. The Woking for All Strategy, published in 2022, sets out a number of priorities for the Council. Due to the significant changes since then the Strategy needs to be reviewed. The developing work on the Council's vision and mission will now help inform a review of the Council's objectives. This work will be finalised in Spring/Summer 2024, with a revised Woking for All Strategy coming to Council in early Autumn. This will set out how Woking will be a financially and environmentally sustainable Council, delivering services that residents value in every part of the Borough. The draft accompanying Mission Statement is to be a trusted and transparent Council that:

- Lives within its means
- Is focused on services that make a difference to people in the Borough
- Works in partnership with the community to deliver positive outcomes
- Continually engages with residents to design more efficient and effective services
- Invests in talent to deliver for Woking's future

3.0 The Council's Debt Position

3.1 On 7 June 2023, the then Section 151 Officer issued the Council with a Section 114 Notice. The notice was required because the Council's expenditure was likely to exceed the financial resources available, and therefore it could no longer balance its budget for the remainder of the financial year and subsequent years. The Council faces this extremely serious financial shortfall because of its historic investment strategy that has resulted in unaffordable borrowing, inadequate steps to repay that borrowing, and high values of irrecoverable loans. The notice stated that against available core funding of £16m in the 2023/24 financial year (£19m in 2024/25), WBC faced a deficit of £1.2bn, which includes two key elements: the cost of impaired loans (£614m) which is a balance sheet adjustment and the need to make backdated provision for the repayment of debt and write-off of some loans. The latter part of the s114 is now assessed as up to £785m, as outlined later in this report, making the total impact currently £1.4billion. The loan impairment will be dealt with as a balance sheet adjustment in the final accounts for 2023/4.

3.2 Clearly, the size and scale of the historic debt prevents a legal budget being set for 2024/25 without some form of support from Government. Detailed discussions on a solution to this for 2024/25 have been ongoing via the Commissioners and s151 Officer. However, to access any support, the Council has to show that it is 'living within its means' and taking steps to meet a significant part of the deficit from its own resources. This was demonstrated by the agreement to £8.4million of savings on its service budgets at Council on 8 February. There is an imperative to reduce the level of debt held and the Council also needs to further develop its Asset Rationalisation Plan for the Council's property portfolio, in a way that delivers the best returns

General Fund Budget and Council Tax Setting 2024-25

for the public purse, allowing key services to be maintained and reducing the cost of debt servicing through a Debt Reduction Plan. An outline of the current approach is included in this report.

The Council's Deficit and Government Exceptional Financial Support (EFS)

3.3 Given the significance of the costs of the debt, the Improvement and Recovery Plan work has included a detailed cashflow forecast and full reconciliation of the capital financing budget in accordance with proper accounting practice. As part of the budget setting process and in line with discussions with government the following have been addressed:

- The approach to Minimum Revenue Provision (MRP) i.e. the proper provision for the repayment of debt not previously followed by the Council.
- The treatment of principal and interest repayments no longer fully recoverable from the companies following the suspension of the Revolving Credit Facility that the Council had operated with its two main subsidiaries Thamesway and Victoria Square Woking Limited.
- An updated forecast for interest costs on borrowing, taking into account the additional borrowing agreed through the proposed Government support and the requirements to support the Capital Programme approved at Council on 8 February.
- A separate report on this agenda includes the Capital Strategy, Treasury Management and Investment Strategies required by good practice. These reports are a significant departure from those in previous years, now reflecting the adoption of proper accounting practice including the revised policy on Minimum Revenue Provision (MRP)

3.4 The total Government support package is summarised in the table below. It includes backdated debt repayment provision and the write-off of loans, plus adopting proper accounting practice for 2024/25, making a package of up to £785million next year. The detail behind these figures is set out in Appendix 2 and explained in summary below. A legal budget could not be set with this level of costs. Hence, the Government is providing the interim support to allow the Council to set a legal budget for next year. The £785m is based on estimated costs in January and updates to the Council's budget since then will reduce the actual requirement slightly below £785m.

Table 1: Summary of Government Support for the Budget

| | 2023/24 and Historic Pressures £m | 2024/25 £m | Total £m |
|--------------------------|--|-----------------------|---------------------|
| Capitalisation Directive | 235.1 | 95.6 | 330.7 |
| MRP | 356.4 | 97.3 | 453.7 |
| Total | 591.5 | 192.9 | 784.4 |

3.5 This support involves two mechanisms, each of which is explained here in turn.

Capitalisation Directive

3.6 The first method of support is a Capitalisation Directive that allows costs in the budget to be capitalised (moved to the balance sheet) and spread over several years, until funds from the debt reduction plan are available to meet them. This approach is the standard one at all Councils in intervention with financial difficulties. The Minister for Local Government wrote to

General Fund Budget and Council Tax Setting 2024-25

the Leader and Chief Executive on 18 December 2023 asking for confirmation of the amount of capitalisation support required with a response date of week commencing 8 January 2024.

- 3.7 The Minister’s letter also recognised the unprecedented scale of the Council’s challenge and the number of years it will take to resolve:

“You will also recognise that due to the scale and unprecedented nature of the Council’s financial liabilities, Woking will need ongoing support from Government for several years to come. This will of course include support to set a balanced budget for 2024/25. Work overseen by Commissioners has confirmed that the Council cannot reasonably meet the cost of its Minimum Revenue Provision (MRP) and that this is a contributing factor to the Council’s ongoing deficit position.”

- 3.8 The Leader wrote back to the Minister on 12 January 2024 requesting a Capitalisation Directive of £331m. The breakdown of this is set out in summary and explained below, split between the backdated adjustments and the elements for 2024/25. The full request is included at Appendix 2 but summarised below:

Table 2: Analysis of Capitalisation Directive

| | 2023/24 & Prior Yrs £m | 2024/25 £m |
|--|---|-----------------------|
| <u>Legacy issues</u> | | |
| 1. Repay borrowing for revenue | 155.0 | - |
| 2. Correct legacy recharges to HRA* | 5.0 | - |
| <u>Capital financing costs</u> | | |
| 3. Interest costs previously met by Revolving Credit Facility to Companies | 44.0 | 46.0 |
| 4. VSWL & Sheerwater business case interest | 2.0 | 5.2 |
| <u>Revenue budget issues</u> | | |
| 5. Opening 2023/24 reserve deficit* | 19.7 | - |
| 6. Estimated 2023/24 overspend* | 8.7 | - |
| 7. Correct in year incorrect recharges to HRA* | 0.8 | 0.8 |
| 8. Budget gap 2024/25* | - | 11.6 |
| 9. Restate a general fund reserve | - | 5.0 |
| 10. Reserve for grant clawback risks | - | 7.0 |
| 11. Provision for Asset repair & maintenance | - | 20.0 |
| Total | 235.1 | 95.6 |

- 3.9 The table shows:

- loans of £155m previously provided to the companies for revenue purposes that should have been charged to the revenue budget.
- the interest previously recharged to companies under the Revolving Credit Facilities that cannot now be covered (£44m in 2023/24 and £46m in 2024/25).

General Fund Budget and Council Tax Setting 2024-25

- the interest costs of the business cases agreed with Government to finish the Victoria Square and Sheerwater schemes (£2m in 2023/24 and £5m in 2024/25).
- cumulative reserves deficit including budget overspends in 2022/23 and 2023/24 (approx. £29m including the re-instatement of £10m ringfenced reserves for financial commitments the Council will have to honour e.g. HS2 monies for Brookwood Park and the PFI reserve are maintained).
- a deficit in 2024/25 (assessed at the time the submission was made) after savings of £11.6m, plus backdated HRA recharge adjustments of up to £5m.
- in order to create more resilience to risk, provision for asset maintenance of £20m; for grant clawback and project risks of £7m and the re-creation of a General Fund reserve of £5m
- The items marked with an asterisk* are those most likely to change between now and the final accounts

Minimum Revenue Provision

3.10 The second way that the Council's budget is being supported is in respect of the provision that Woking BC should be making for the repayment of its debt if proper practice is followed. The Council has historically not made provision for debt repayment (Minimum Revenue Provision or MRP) for council loans. To correct this and to make the required MRP provision on the costs of the Capitalisation Directive (CD), an additional £97m would be required for 2024/25, on top of the existing £8m provision. The backdated MRP that should have been made on council loans equates to £356m, a total additional requirement of £454m.

3.11 The total MRP payable in 2024/25, alongside the interest costs on the debt equate to debt servicing costs for the Council of over £170m in 2024/25. This sum is nearly ten times the size of Woking's net revenue budget of £19m, which demonstrates the scale of the problem.

3.12 The Government recently finalised its approach to tightening up guidance on the provision of MRP – it originally consulted in 2021-22 on strengthening the duty to make provision for the repayment of loans. The final proposed amendments to statutory guidance were recently published with a deadline for response of 16 February 2024:

<https://consult.levellingup.gov.uk/local-government-finance/consultation-on-changes-to-statutory-guidance-and>

3.13 The guidance makes it clear that the Council's previous approach would not now be compliant with the duty to provide for MRP and seeks to prevent that approach in future. Recognising the challenges this could cause for local authorities in cases of serious financial failure intervention, the draft guidance includes the following:

"In very exceptional cases, where the government has made arrangements to intervene in a local authority and has, or is in the process of, put in place financial support arrangements for that authority, it may be appropriate to reflect the nature of any such financial support in the determination of a prudent amount. Where this is the case the local authority must seek agreement from the government on how any assumptions with respect to support are reflected in the determination of MRP." (para 46 of the draft statutory guidance)

3.14 The exceptional circumstances are intended to apply to Woking Borough Council. The backdated MRP and additional MRP that should be payable in 2024/25 total £454m if it were charged in full. The guidance will allow the Council not to charge this full amount, with Government permission.

3.15 This exceptional support (£454m) and the capitalisation (£331m) would amount to total support next year of up to £785m, although the actual deficit will be slightly lower, as explained below. The approach taken by Government therefore allows the Council to set a legal budget for and

General Fund Budget and Council Tax Setting 2024-25

continue to provide services in 2024/25. Future years will be subject to further work, linked to Asset Rationalisation and Debt Reduction plans that the Council is producing.

- 3.16 The EFS will come with a requirement that the Council should take all reasonable action and necessary steps to minimise the financial risks and reduce its levels of debt. The support will come with specific conditions, that are likely to be linked to the actions required in the Improvement and Recovery Plan. The Government response to the request for EFS will be circulated to Council Members when it is received.

4.0 Asset Rationalisation (ARP) and Debt Reduction (DRP) Plans

- 4.1 On 7th December 2023 the Woking Commissioners provided the Secretary of State with their second report relating to the Council's Improvement and Recovery Plan, which was passed by the Council on 30th November 2023.

- 4.2 A key part of the Improvement and Recovery Plan is the asset rationalisation and debt reduction work. The work is in the context of the strategic aim 'to release the Council from unaffordable commitments whilst protecting the public purse and optimising the value of from existing assets.' This is the medium to longer-term work that the interim support from Government to set a legal budget (capitalisation and MRP) explained above, will facilitate.

- 4.3 The development of the Council's overall commercial strategy, of which the Asset Rationalisation Plan (ARP) part, is being led by the Strategic Director - Corporate Resources with the s151 Officer. They are supported by expert advisors who have provided advice to councils with similar financial and commercial challenges. The strategy will focus on bringing together all council commercial activities under one clear plan.

- 4.4 This objective is based on having:

- A full understanding of the activities of all council owned companies and joint ventures, and a plan for the council to exit these arrangements.
- A full understanding of all council owned property interests, whether freehold ownership, leasehold or leased.
- To have a clear plan for the rationalisation of property that matches the future needs of the council.
- A review of procurement and contract management arrangements of suppliers, goods and services to ensure best value is maintained throughout the life of contracted out services which includes services provided by council owned companies.

- 4.5 The Woking Commissioners have recognised progress in the asset rationalisation work to date and the plan over the first quarter to produce a prioritised plan which will need to balance the need to reduce the levels of debt with achieving value for money any the assets sold. This will take the form of an Asset Rationalisation Plan (ARP) covering all the Council's assets and also those Council owned companies that have significant asset holding, primarily the Thamesway Group and Victoria Square Woking Limited. The strategy is planned to cover a 3-to-5-year period.

- 4.6 Within the Asset Rationalisation Plan, all assets are under review irrespective of which portfolio they sit within, although it is accepted that there are considerations such as the continuing provision of services, social needs and contribution to revenue that will need to be considered for both Council services and the companies.

- 4.7 A Debt Reduction Plan is being developed by the s151 Officer alongside the ARP and is included for approval in the Treasury Management report also on the agenda for this Council.

General Fund Budget and Council Tax Setting 2024-25

This will include the approach to the repayment of debt from the proceeds of any sales under the ARP. The key principle is that all sales proceeds will be assumed to be applied to reducing the level of debt, except for housing assets as explained below.

- 4.8 It is an imperative for the Council to reduce its levels of outstanding debt and the Asset Rationalisation Plan and associated Debt Reduction Plan will need to be completed and approved by the Council and Commissioners within the first quarter of 2024/25.
- 4.9 Council housing assets held within the Housing Revenue Account will require a different approach: HRA assets have been underinvested in during recent years, hence the Capital Programme approved by Council on 8 February included the most significant level of investment in fire safety and decent homes standards for many years to ensure that the regulatory standards are being met. This programme is contained within the HRA. Whilst this is separate from the General Fund position, any additional borrowing from PWLB will be subject to Government approval.
- 4.10 It should be noted that the budgets set out in the Capital Strategy and HRA are the budget allocations and do not represent approval to spend or to borrow to finance that spend. Given the position the Council is in all projects will require robust business cases and appropriate Council approvals and any borrowing will need to be supported by Government.

5.0 Updated Revenue Budget Position

- 5.1 The report to Council on 8 February set out a summary revenue budget position with a deficit after savings and pressures is £12.4million. This represented the “business as usual” deficit on services, excluding the adjustments explained above relating to the Council’s debt problem. This report now sets out the total deficit over two year (2023/24 and 2024/25) of £785m and shows how this is being treated to provide a comprehensive position that leads to the Council Tax calculation and recommended tax increase.
- 5.2 This report also reflects updates to the £12.4m business as usual deficit resulting from further work on finalising the position, following the receipt of the Final Finance Settlement, the decisions on setting the Council Tax and Business Rates base for 2024/25, the Collection Fund year end position and the ongoing detailed work on the budget position. The changes (a net £0.9m increase) are explained in the next section of this report, resulting in a revised business as usual deficit of £13.3m. Detailed service budgets that follow from this final position are also now attached as Appendix 11.
- 5.3 The 2024/25 summary revenue budget for the Council is shown below. The table shows both 2023/24 and 2024/25, firstly as shown in the 8 February report and then restated with:
 - a) the debt adjustments prior to Government support and
 - b) updating of some operational budgets.
- 5.4 These restated figures show a deficit of £591.5m in 2023/24 and £188.9m in 2024/25. This leads to a total deficit of £780.4m, before Government support, broken down across the years in Table 3 below.
- 5.5 This is now slightly lower than the total previously reported of £785m, due to updates in some of the figures included in the original Capitalisation Directive in January. Every effort will be made to minimise the need for drawdown against the Capitalisation Directive – the key requirement is that they need to always be lower than the Capitalisation Directive. A full reconciliation will be made in the 2023/24 and 2024/25 accounts.
- 5.6 Further sections of this report provide the statutory basis for calculating the Council Tax, which is the net funding requirement after Government grants and all of the Government Exceptional

General Fund Budget and Council Tax Setting 2024-25

Financial Support. The income from Council Tax is £12.2m in 2024/25 as shown in the table below and is the starting point for the calculation of the tax that is the final balancing of the budget and the basis for calculating individual household bills.

Table 3: 2024/25 General Fund Revenue Summary – Restated

| General Fund Summary | 2023-24 | 2024-25 | Restated 2023-24 | Restated 2024-25 |
|---|-------------|-------------|---------------------|---------------------|
| | Estimate | Estimate | Estimate | Estimate |
| | £'m | £'m | £'m | £'m |
| Communities | 9.7 | 6.7 | 9.7 | 6.8 |
| Place | 7.4 | 7.1 | 7.4 | 9.0 |
| Corporate | -12.2 | -5.6 | -12.2 | -5.5 |
| Total Service Directorates | 4.9 | 8.2 | 4.9 | 10.3 |
| Management of Change | 0.3 | 0.0 | 0.3 | 0.0 |
| Risk Contingency | 0.3 | 0.0 | 0.3 | 0.0 |
| Impact of lease surrender | 0.0 | -1.9 | 0.0 | -3.0 |
| Pay Provision | 0.0 | 0.1 | 0.0 | 0.1 |
| Council Tax Hardship Scheme | 0.0 | 0.1 | 0.0 | 0.1 |
| Reduction in M&A recharge to HRA | 0.0 | 0.3 | 0.0 | 0.4 |
| Other | 0.0 | 0.1 | 0.0 | 0.1 |
| PFI Unitary Charge Equalisation | 0.2 | 0.2 | 0.2 | 0.2 |
| Investment Programme items funded from revenue | 0.1 | 0.0 | 0.1 | 0.0 |
| Net cost of Services | 5.8 | 7.1 | 5.8 | 8.2 |
| Minimum Revenue Provision | 7.5 | 8.1 | 363.9 | 105.4 |
| Interest payable | 54.5 | 64.0 | 54.5 | 64.0 |
| Interest receivable* | -43.3 | -47.7 | -1.3 | -1.4 |
| Net Financing Costs | 18.7 | 24.4 | 417.1 | 168.0 |
| Amounts to be met from Local Taxation, Government Grants, and Reserves | 24.5 | 31.5 | 422.9 | 176.2 |
| External Finance - Settlement Funding Assessment | | | | |
| Business Rates | -2.2 | -4.5 | -2.2 | -4.3 |
| Business Rates Surrey Pool | -1.1 | -0.3 | -1.1 | -0.3 |
| Business Rates (Surplus)/Deficit | 0.0 | -0.3 | 0.0 | -0.7 |
| Council Tax (Surplus)/Deficit | -0.2 | -0.2 | -0.2 | -0.1 |
| Revenue Support Grant | -0.1 | -0.1 | -0.1 | -0.1 |
| New Homes Bonus Grant | -1.2 | 0.0 | -1.2 | 0.0 |
| Services Grant | -0.1 | 0.0 | -0.1 | 0.0 |
| Minimum Funding Guarantee Grant | 0.0 | -1.5 | 0.0 | -1.6 |
| Total - External Finance | -4.9 | -6.9 | -4.9 | -7.1 |

General Fund Budget and Council Tax Setting 2024-25

| Reserves and Asset Management Budget Adjustments | | | | |
|--|--------------|--------------|--------------|--------------|
| Reserves reinstated | 0.0 | 0.0 | 0.0 | 12.0 |
| Asset repair and maintenance provision | 0.0 | 0.0 | 0.0 | 20.0 |
| Prior Years Capitalisation Directive | 0.0 | 0.0 | 184.7 | 0.0 |
| Council Tax income | -11.2 | -12.2 | -11.2 | -12.2 |
| Deficit | 8.4 | 12.4 | 591.5 | 188.9 |

NOTES: table 3 shows the £780.4m (previously £785m) for Capitalisation across the years 2023/24 (£591.5m) and 2024/25 (£188.9m).

- * Note that most of the interest receivable (£46m of the £47m in 2024/25) is due from ThamesWey and Victoria Square companies where there is currently an arrangement in place to suspend payment. The cost of this suspension is included in the Capitalisation Directive.

2024/25 Base Budget – Changes Since 8 February Report

- 5.7 The change in the 2024/25 net deficit from the 8 Feb report is £176.5m, as set out in the table and narrative below. This movement can be covered within the Capitalisation Directive, which has reduced overall to £780.4m. Note that the underlying business as usual deficit has changed slightly from £12.4m to £13.3m, as shown in in the table below.

Table 4: Summary of Budget Movements

| | £m | £m |
|--|------|--------------|
| 2024/25 Budget DEFICIT per PREVIOUS REPORT | | 12.4 |
| Changes | | |
| Victoria Gate - Removal of refinancing gain* | 0.9 | |
| Additional retained Business Rates** | 0.1 | |
| Additional Business Rates surplus** | -0.4 | |
| Reduction in Council Tax surplus | 0.1 | |
| Additional external audit fees*** | 0.3 | |
| Additional finance settlement grants | -0.2 | |
| Reduction in ICT software license costs | -0.2 | |
| Additional interest payable | 0.1 | |
| Revision of Afghan refugee grant income | 0.2 | |
| | | 0.9 |
| ESF | | |
| MRP | 97.3 | |
| Balance of Capitalisation Directive (see note below****) | 78.3 | |
| | | 175.6 |
| Total Net Change | | 176.5 |
| | | |
| Restated 2024/25 Budget DEFICIT | | 188.9 |

General Fund Budget and Council Tax Setting 2024-25

- * The September report included a £1.9m saving from a potential lease surrender paid by the tenant of one of the Council's office buildings (Victoria Gate). This surrender has now been agreed and the tenant is moving to another Council owned office. The £1.9m saving was a net amount of a £2m reduction in rent, offset by an annual lease surrender premium (available for four years) of £3m: a £1m saving. However, the September MTFS report also assumed a £900k saving from the reduction in debt arising from the capital receipt from the sale. This assumption has been reviewed and a prudent approach will be taken for now of only assuming a £1m saving, because further work is needed on the debt reduction plan. Further savings in capital financing costs are possible, not only from debt reduction, but secondly if the Government agrees to WBC not paying the 1% premium on the Capitalisation Directive and thirdly the Council owned companies may be able to pay some of the suspended interest (work is ongoing on this), but the budget will not pre-empt any of these savings at this point in time.
- ** Based on updated forecasts of business rate income [having regard to reliefs funding by Government section 31 grants, appeals and allowances for non-collection], the budgets for retained business rates has decreased by £93k and declared business rates surplus has increased £441k.
- *** The Public Sector Audit Appointments (PSAA) body both appoints and sets the fees for WBC's external audit. Due to the backlog of audits the Council has (in common with many other Councils), but also the very specific issues and risks in WBC's budgets and accounts, the PSAA has set a significantly higher audit fee for the new auditors, Grant Thornton: their total estimated fee is £306k. This does not include the cost of the VFM review, which will have to be treated as an exceptional item.
- ****The total potential Capitalisation Directive is £95.6m as per Table 1. The balance shown here of £78.3m differs because part of the Capitalisation Directive requirement is already included in the budget i.e. the deficit of £13.3m, plus the interest costs of the company business cases (£5.2m), less the HRA recharge of £0.4m less other minor amendments.

6.0 Expenditure Budgets

Service Budgets

- 6.1 The updated analysis of the gross and net spend of the Council is shown in the table in Appendix 3.
- 6.2 The service budgets are inclusive of the changes previously agreed as part of the Fees and Charges Report which went to Council on 30 November 2023, and the savings agreed by Council on 8 February, plus changes to since the 8 February report set out in section 5 above. The most significant change is including the proper accounting for MRP, prior to the Government support package.
- 6.3 The Council's gross budget can be described at several levels: in 2024/25 including all debt costs it is £263.2m. However, gross service spend is shown as £61.2m, but this includes benefit payments which the Council administers for Government and receives 100% funding for. The level of gross spend on services controlled by the Council excluding this is £40.3m.
- 6.4 The 8th February Report that includes the service savings schedule can be viewed on the [Council's website](#).
- 6.5 Appendix 11 shows the breakdown of gross and net spend for the Council's main divisions of service. Further work is needed as part of improving budget monitoring during to re-set how the staffing budgets are organised to make the provision of financial information to Members

General Fund Budget and Council Tax Setting 2024-25

and managers more meaningful and accessible. The attached analysis of costs is a starting point for that work and represents work in progress. Note that the Net Cost of Services line differs from Table 3 due to the way certain corporate items are shown.

Corporate Items

6.6 Alongside the service budgets the following corporate provisions [see table 3 above] have been made:

- £3m for Victoria Gate. This is the lease premium received by the Council that is reflected in the general fund budget over a 4-year period until 2027/28. This will be used to support the Council's overall budget position.
- A £82k provision to meet the costs of the commitment to meet the Real Living Wage Increase. This will be allocated to the service budgets in the first quarter of 2024/25.
- £100k hardship budget – this is the allowance for the additional discretionary hardship support for residents following the council tax increase. Full details are set out later in the report.
- £428k Reduction in recharge to HRA – this increase in cost to the general fund arisen through a review to ensure the recharges of costs better reflect the service areas that management and administration staff are supporting.
- £200k PFI credits for the Council's (non-HRA) housing scheme with a local Housing Association

Capital Financing Budget

6.7 The Capital Financing Budget has now been restated to show the full amounts of MRP and interest payable.

6.8 The table below sets out the full MRP position.

Table 5: MRP Provision

| | 2023/24 £m | 2024/25 £m | 2025/26 £m |
|--|---------------|---------------|---------------|
| Working MRP Budget | - | 8.12 | 8.57 |
| MRP on Business Cases | | 1.95 | 2.09 |
| Understated MRP | 356.40 | 80.46 | 59.96 |
| Sub Total | 356.40 | 90.53 | 70.62 |
| MRP on CD | | 14.86 | 19.34 |
| Total | | 105.39 | 89.95 |
| Amount to be deferred under regulations | 356.40 | 97.27 | 81.38 |

6.9 The total interest payments for the Council's current debt and anticipated borrowing (either for refinancing, as part of the capitalisation directive or approved capital expenditure) have been included in the budget estimates. The actual costs may vary depending on the PWLB rates chargeable at the point borrowing is incurred. The gross estimated interest is £64m, with £1.4m interest received from loans to organisations other than the Councils companies.

General Fund Budget and Council Tax Setting 2024-25

7.0 Flexible Use of Capital Receipts

- 7.1 In 2023/24 Government agreed the use of up to £3.5m of capital receipts to enable a comprehensive Improvement and Recovery Programme to be developed and an update is provided in Appendix 7 on spend to date and proposed spending in 2024/25.
- 7.2 Set in the context of government intervention, this first year of transformation largely focussed on establishing the vision for a smaller organisation, focussed on delivering core services within its means. Extensive engagement and consultation was carried out with staff and residents, leading to the decision by members on a 2024/25 revenue budget savings of £8.4m.
- 7.3 The Council's companies have all been reviewed against a commercial governance framework and actions are now being delivered to address identified issues. An asset rationalisation strategy and plan have been developed and the actions will now be implemented. Spend this year has totalled £1.9m as set out in Appendix 7.
- 7.4 The second year of transformation will build on the strong foundations that have been put in place during 23/24 and will move into an implementation phase - of savings and change. The focus for the organisation will be on developing the culture to support the delivery of the vision. Key projects will include the channel shift programme, Organisational Development, improvement to the core functions (process, people, platforms) and delivering the changes required to companies, the reduction in the level of debt and further move toward sustainable financial management. Approval is now sought for the planned level of spend set out in Appendix 7 for the remaining transformation of £1.5m in 2024/25.

8.0 Asset Management

- 8.1 The S114 notice included £45m was likely to be required to maintain the Council's property portfolio. This was an estimate based on an asset valuation formula which sets out the proportion of asset values that should be spent on repairs. An asset repair maintenance programme itself is usually derived from the detailed work carried out on condition surveys. The Council does not hold this information. Whilst the £45m has not been required in 2023/24, it is highly likely that some expenditure will be required in the future so a provision of £20m has been allowed for to support asset maintenance and the developing Asset Rationalisation Plan.
- 8.2 As asset rationalisation work progresses it is likely expenditure will be ready on both making assets fit for sale and on the costs of sale (fees etc). There will be full transparency with Government on any required spend in order to realise the receipt. All receipts from the asset rationalisation work will be applied to reduce the need to borrow (Capital Financing Requirement or CFR) in accordance with the Debt Reduction Plan. The expenditure is covered in the request for EFS, but this will only be used if required.

9.0 Reserves

- 9.1 The Council's reserves are currently negative, due to prior year underspends and incorrect accounting. However, if this report is approved and the Government provides the requested Capitalisation Directive, the Council will be able to reconstitute a prudent level of general and earmarked reserves. This will be a critical step towards creating future financial resilience.
- 9.2 The recommended reserves are set out in the table below. The earmarked reserves are either restating previous reserves held that are deemed to be required, or to cover new risks including the clawback costs and provision to correct incorrectly charged costs to the HRA.
- 9.3 The Town Centre Management reserve was previously committed to specific costs that have now been met in 2023/24, so the reserve will be given a broader purpose of covering the risks arising in year from voids on the town centre commercial estate budget.

TABLE 6: Summary of Reserves

| £m | |
|---------------------------|--|
| 5.0 | General Fund Reserve – the Guiding Principles set out in the September MTFS indicated a need to maintain an unearmarked General Fund Reserve of 5% of revenue spend (c£0.8m). However, the Council is still in financial discovery mode and there may be further issues uncovered. Therefore a £5m reserve is recommended during this period to ensure all risks can be met without the need to request additional EFS. The level of reserve required will be reduced for future years. |
| Earmarked Reserves | |
| 2.7 | PFI reserve: to meet liabilities arising from the Council’s Housing (General Fund) PFI. |
| 2.8 | HS2 reserve: for the maintenance of HS2 graves at Brookwood cemetery: this figure will be updated for interest due on the balance as part of the 2023/24 accounts |
| 7.0 | Project Risk Reserves: to address potential abortive cost or clawback risks on regeneration and s106 project costs. |
| 5.1 | Other Earmarked Reserves (£5.142m) <ul style="list-style-type: none"> - Business Rate Equalisation Reserve £3.196m - Syrian Refugee support grant £1.193m - Homelessness costs reserve £183k - Town centre management reserve £570k |
| 4.6 | £5m has been allowed to address potential incorrect recharges to the HRA. The correction for 2024/25 of £0.4m (£0.3m in 8 Feb report) has been included in the budget. The remainder will be allocated as part of the final accounts work. |
| 27.3 | Total Earmarked Reserves |

9.4 The reserves, in addition to confirming that funds for any s106 agreements or Community Infrastructure Levy (CIL) projects will be met in full, should reassure Members that adequate funds for fall known future liabilities have been assessed and provided for.

9.5 As part of the request for government support, a request for a Direction under the 1989 Housing Act has been sought to correct the budgets within the HRA reserve for incorrectly recharged revenue costs.

10.0 Government Settlement Funding Assessment

10.1 The Council receives a formula driven Settlement Funding Assessment (SFA) from Government which comprises of their assessment of the level of Business Rates income, or Business Rates Baseline. The Council’s SFA for 2024/25 is £2.426m.

10.2 Core Spending Power (CSP) is a measure of the resources available to local authorities to fund service delivery. It sets out the money that has been made available to local authorities through the final Settlement and includes SFA, indexation grant relating to business rates, an assumed Council Tax requirement, New Homes Bonus, and the Minimum Funding Guarantee.

10.3 The CSP does not reflect the total actual resources the Council receive as the CSP includes government’s estimates [i.e. notional amounts] for Council Tax, SFA or business rate. The Council’s CSP is £16.942m. This has increased since the Provisional Finance Settlement for

General Fund Budget and Council Tax Setting 2024-25

the change in the minimum funding guarantee from 3% to 4% (worth £151k). The main increase is the change in the Council Tax increase from 3% to 10%.

- 10.4 The table below sets out Woking Borough Council's 2024/25 final settlement in comparison to provisional settlement.

TABLE 7: Summary of Government Grant Settlement

| | 2024/25 Settlement - Provisional £m | 2024/25 Settlement – Final £m | Variance | |
|------------------------------------|--|--|--------------|--------------|
| | | | £m | % |
| Core Spending Power | 15.999 | 16.942 | 0.943 | 5.89% |
| Grants | | | | |
| Revenue Support Grant | 0.099 | 0.099 | - | 0.00% |
| New Homes Bonus Grant | 0.025 | 0.025 | - | 0.00% |
| Services Grant | 0.014 | 0.015 | 0.001 | 7.14% |
| Minimum Funding Guarantee Grant | 1.466 | 1.617 | 0.151 | 10.30% |
| Total Grants | 1.604 | 1.756 | 0.152 | 9.48% |

11.0 Business Rates and Council Tax

- 11.1 The Collection Fund is an account all authorities collecting Council Tax and Business Rates (“billing authorities”) are required to maintain separately as it contains funds collected for both the billing authority itself and “precepting” authorities i.e. in Woking that is Surrey County Council and Surrey Police (which actually make up nearly 90% of the council tax raised).
- 11.2 Each year the Council is required to declare the surplus or deficit on the Collection Fund and also the Council Tax base, and retained business rates, which represents the total tax raising power of the area. These calculations are technical ones made by officers but are key to setting the level of precepts so they are required to be shared with precepting authorities in January.

Business Rates

- 11.3 The Business Rates funding regime is becoming increasingly complicated and is make up of a number of different elements, including Business Rates Income, Business Rates Top-up or tariffs, levy, and Section 31 grants including an element for under indexation from government. All income in relation to business rates yield is accounted for within the business rates collection fund account, with tariff and Section 31 grant being outside the collection fund. In order to have a complete picture of the business rates position the income from the collection fund and the grants have to be viewed together.
- 11.4 Business rates income would usually increase in line with the September CPI through an upward adjustment to the multiplier. In the Autumn Statement the Chancellor confirmed that for 2024/25 the small and standard multiplier would be ‘decoupled’ and would not both increase by inflation; with the small multiplier remaining at 49.9p and the standard multiplier increasing by CPI to 54.6p. However, Indexation grant will be provided to authorities for the freeze on the small multiplier, ensuring they would still benefit overall from a CPI increase.

General Fund Budget and Council Tax Setting 2024-25

- 11.5 The Government also confirmed the continuation of the Retail, Hospitality and Leisure Relief offering 75% discount in 2024/25 with a national cap of £110k per business. The Council is compensated for the loss of business rates income due to these changes through a S31 grant payment.

The Business Rates Baseline

- 11.6 The business rates baseline sets the level of business rates yield government expects billing authorities to generate. The information in setting the 2024/25 base is returned to Government in the NNDR1 return which includes assumptions on the levels of mandatory and discretionary relief and provisions for appeals and bad debt.

Retained Business Rates

- 11.7 The calculation of income to be received through business rates retention is critical in determining the amount of resources that the Council will have available to fund general fund services.
- 11.8 The Council has undertaken an assessment of the amount of business rates that it expects to collect during 2024/25, based on this and after allowing for the allocation of resources to Government and to the County Council, and the tariff and levy, it is estimated that £4.284m of the £52.988m of business rates generated within the borough, will be retained by the Council. The technical calculation for the Council's estimated 2024/25 retained business rates is shown below:

| | £m |
|--|--------------|
| Total Business Rates collected | 52.988 |
| Woking Share of Business rates collected (40%) | 21.195 |
| Tariff | -19.439 |
| Section 31 Grants | 3.584 |
| Levy | -1.056 |
| Retained Business Rates | 4.284 |

Collection Fund Surplus/Deficit - Business Rates

- 11.9 Billing authorities are required under section 32 of The Local Government Finance Act 1992 to estimate any surplus or deficit on their collection fund for the year. The estimated surplus or deficit is shared between the billing authority and its major precepting authorities.
- 11.10 Business Rates - The Council's 40% share of the declared Business Rates surplus of £1.747m, is £699k.

Business Rates Pool

- 11.11 Woking Borough Council is a member of the Surrey and Sutton Business Rates Pool, along with Epsom and Ewell, Runnymede, Spelthorne, Surrey County, Surrey Heath, and Sutton. There has been a business rates pool in Surrey since 2013/14 (first year of the scheme).

General Fund Budget and Council Tax Setting 2024-25

11.12 The benefit of pooling is that authorities in the pool can be better off collectively through a reduction in the amount of levy [being growth in business rates above a certain threshold]. The arrangements for the Surrey and Sutton Business Rates Pool are that this retained levy is allocated 50% (split based on levy) to the districts and 50% (split based top-up) to the County Council and Sutton.

11.13 The 2024/25 estimated pool gain attributable to Woking is £300k.

Business Rates Discretionary Relief Policy

11.14 The Council has statutory powers for the granting of mandatory and discretionary rate relief under the Local Government Finance Act 1988 and the Local Government and Rating Act 1997. The Localism Act 2011 also permits the granting of discretionary relief to any premises where the Council believes that the granting of such relief would be of benefit to the local community. The provisions are designed to give the Council flexibility in granting relief where it would be of benefit generally to the area and be reasonable given the financial effect to Council Taxpayers.

11.15 Previously, the Council did not have consistent and clear approach to reliefs, so the attached new policy at Appendix 4 recommended for approval provides for a consistent policy-based approach to all current and future applications for relief in future.

11.16 Each case will be assessed on its own merits having regard to:

1. The eligibility criteria set out in this policy,
2. The benefit that the organisation or business brings to the local community and
3. The cost to the Council Taxpayer of awarding the discretionary rate relief.

11.17 Members having agreed this policy, all applications for relief will be assessed by a Panel chaired by the s151 Officer. Existing reliefs will be reviewed on a rolling basis – all those receiving reliefs were informed of this in March 2023. All reliefs over £5,000 in value will now be re-assessed on an annual basis, starting from 1 April 2024 and ratepayers are being written to again alongside their 2024/15 bills to inform them of the application process. Existing reliefs under £5k will be reviewed every three years, commencing April 2025.

Council Tax

11.18 Council Tax Base – The S151 Officer has made the decision under delegated powers to determine the Council Tax base for 2024/25 as 42,255.5 Band D equivalents. This reflects the number of dwellings in a billing area falling within each valuation band represented as Band D equivalents. This is adjusted for discounts and exemptions, such as single occupancy, unoccupied houses, various disregards and student exemptions. A further reduction is made to reflect Council Tax Support claimants.

11.19 The forecast council tax collection rate is 98% in 2024/25.

11.20 Council Tax Collection Fund Surplus / Deficit - the Council's share of the declared Council Tax surplus is £126k.

Council Tax on Second and Empty Home

11.21 Under the Levelling Up and Regeneration Bill from 1 April 2024 authorities can apply a 100% premium (i.e. double charge) on unoccupied and unfurnished (empty) properties after one year, updated from two years. This is also estimated to generate an additional £42k in 2024/25.

General Fund Budget and Council Tax Setting 2024-25

11.22 The same bill, from 1 April 2025 authorities are permitted to apply a 100% premium to unoccupied and furnished properties second homes. This is estimated to generate an additional £68k per annum from 2025/26.

Setting the Council Tax for 2024/25

11.23 The Council Tax referendum limit is 3% for most local authorities without social care responsibilities. Council tax increases above that level are normally subject to public consultation process but are also usually part of the Government's position via an intervention. In other Councils subject to intervention, tax increases above the cap have previously been implemented as part of dealing with budget gaps. Thurrock and Slough Councils increased their tax by 10% and Croydon increased theirs by 15%.

11.24 The Minister for Local Government's letter of 18 December made it clear that the severity of the Council's financial position makes a Council Tax increase of 10% "appropriate and proportionate" The Government has therefore made bespoke provision for the Council to be exempted from the normal referendum limit of 3%. In the context of the Government's support for the legacy debt problem, the recommendation in this report is to set a tax increase for Woking of 9.99%, which raises £1m of income above the level in 2023/4.

11.25 Woking Borough Council is the billing Authority for the borough area and is required to set a Council Tax that will cover not only its own requirements, but also those of the County Council and Police and Crime Commissioner.

11.26 The following 2024/25 precept increases have proposed by the respective organisation:

- Surrey County Council, 4.99% (2.99% General Council Tax, plus 2.0% Adult Social Care (ASC) Precept), and
- Surrey Police and Crime Commissioner, 4.19%

11.27 The level of Council Tax will vary between households throughout the borough and will depend upon which Band the property falls within.

11.28 Taking account of the above demands, the Council Tax at Band D for 2024/25 is as follows:

| | £ | % Share |
|------------------------------------|-----------------|----------------|
| Woking Borough Council | 289.43 | 12.20% |
| Surrey County Council | 1,758.60 | 74.15% |
| Surrey Police & Crime Commissioner | 323.57 | 13.64% |
| Total Band D Charge | 2,371.60 | 100.00% |

11.29 Appendix 10 sets out the statutory calculation and recommendation of the 2024/25 Council Tax for Woking Borough Council, and precepts for Surrey County Council and Surrey Police and Crime Commissioner.

12.0 Hardship Scheme

12.1 The Minister's Letter of 18 December 2023 asked the Council to consider mitigation measures for any hardship created by a 10% tax increase. However, because the majority of every household's Council Tax bill goes to Surrey County Council, an increase of 10% for Woking BC will only increase bills by 1%. In addition, Woking offers a Council Tax Support Scheme which covers 100% of council tax for the vulnerable or those on low incomes.

General Fund Budget and Council Tax Setting 2024-25

12.2 The mitigation proposal recommended, costing up to £100k will therefore consider wider hardship issues than just Council Tax and provide links with debt advice partners in the Borough. Appendix 5 provides further detail of the scheme, but in summary the recommended scheme will provide:

- £25k for a Council Tax hardship fund (policy for approval at Appendix 6).
- £50k of funding for Citizen Advice Woking to provide a Hardship Support Coordination package.
- £25k funding for grants that replicates the Government's Household Support Fund (which is likely to end in 2024/25), to be administered by the WBC Living Well Team.

13.0 Prior Year Costs and Impact on Budget Setting

13.1 Additional challenges arise from the overspends in current year budget 2023/24 of £3.3m as at Quarter 3 (plus £8m of reserves used to set the budget) and also the previous year's 2022/23 outturn £9m above budget, as reported to November Executive.

13.2 Normally, prior year overspends must be added to the following year's budget if they cannot be covered by reserves. However, due to the lack of reserves these deficits have been added to the Capitalisation Directive, along with the revised £13.3m deficit on the 2024/25 business as usual budget. The impact of this is included the Capitalisation Directive of £331million.

14.0 Medium Term Financial Analysis and Budget Monitoring

14.1 This report deals with the 2024/25 budget: further work is needed on a Medium-Term Financial Analysis and a framework for commencing 2025/26 budget planning. This will need to cover both the business-as-usual budget and the debt related issues. The Asset Rationalisation and Debt Reduction Plans will need to move the level of debt to a level sustainable within the budget, for example considering the level of commercial estate that can be sustained in the longer term by a Council of Woking's size. A report on the medium term will need to be brought back via Executive in the first quarter of next financial year.

14.2 Given the level of savings to be delivered, early monitoring of savings delivery will commence in March, using a RAG rating to be reported monthly to the Corporate Leadership Team (CLT). This early delivery monitoring will then form part of the monthly budget monitoring reporting to CLT starting in April and reported through to Executive every quarter.

15.0 Section 25 Statement

15.1 The s25 Statement is appended in full in Appendix 8. The Statement has been prepared in two parts, the first setting out the assessment made by Commissioners and the Chief Financial (s151) Officer, which considers the overall financial position of the Council, the scale of the historic and 2024/25 deficit, alongside the request for Exceptional Financial Support to Government.

15.2 The second part of the statement focuses on the fiduciary and statutory considerations, explained below, that the Commissioners and S151 Officer must make in determining that the budget being set is reasonable and prudent. In making decisions in relation to the revenue budget and council tax the Council has various legal and fiduciary duties. The Council is required by the Local Government Finance Act 1992 to make specific estimates of gross revenue expenditure and anticipated income leading to the calculation of the council tax requirement and the setting of the overall budget and council tax. The amount of the council tax requirement must be sufficient to meet the Council's legal and financial commitments, ensure the proper discharge of its statutory duties and lead to a balanced budget.

General Fund Budget and Council Tax Setting 2024-25

- 15.3 Section 25 of the Local Government Act 2003 requires that when a local authority is making its budget calculations, the Chief Finance Officer ('CFO') of the authority must report to the Council on:
- the robustness of the estimates made for the purposes of the calculations; and
 - the adequacy of the proposed financial reserves.
- 15.4 The Council has a statutory duty to have regard to the CFO's report when making decisions about the calculations.
- 15.5 The financial position the Council is in is extremely challenging. The s114 notice issued in May 2023 at the start of intervention set out a number of issues including:
- The understatement of Minimum Revenue Provision (MRP) for debt repayment
 - Loans funded by borrowing paid to its companies for revenue purposes which would need to be written off to revenue
 - A requirement to significantly impair other loans made to companies
 - An understated repairs and maintenance budget
 - An in year and ongoing budget shortfall
- 15.6 The circumstances facing the Council are unprecedented. The solutions that will be required are complex and are likely to require regulatory changes. The formal intervention has been in place for less than 12 months and has not reached the position to determine the way forward at this stage that provides a sustainable long-term solution.
- 15.7 Despite the challenges faced, it is the opinion of the Commissioners and CFO that the budget reports are based on prudent and reasonable assessments of the position. In reaching this assessment the following should be noted:
- Due to the levels of uncertainty around the HRA position, a revised HRA budget and the 30 year business plan will be brought back to Executive and Council during 2024/25.
 - The position against the Financial Management Code, Prudential Code and Treasury Management Code has been set out in the attached appendix and reports on this agenda. The Council is taking all possible steps to ensure compliance with the Codes.
 - The Council is still in 'Discovery mode' and any new issues identified will be reported as part of the IRP arrangements and it will be ensured that corrective action is identified. The assumptions on which the budget has been proposed, whilst challenging, are reasonable and can be sustained within the overall level of resources available including the EFS.
 - Measures have been put in place and risk assessed by Commissioners and the CFO to restate a General Fund Reserve and some required earmarked reserves for known commitments and risks. These arrangements are felt to be reasonable and prudent in the circumstances the Council is facing.
 - The approach to the Council's debt position and the support required from Government has been agreed as part of the 2024/25 budget, as set out below
- 15.8 It is a condition of the Exceptional Financial Support that the Council does everything possible to reduce its levels of debt, in line with the EFS conditions and with the need to achieve best consideration and good progress is being made to ensure these requirements can be met. All of the above work is being closely monitored by the Improvement and Recovery Board, which is now chaired by the Lead Commissioner.

General Fund Budget and Council Tax Setting 2024-25

15.9 Despite the work carried out and the significant programme of savings approved by Council on 8 February, the level of historic debt mean that a balanced budget cannot be achieved without Government support. A request for Exceptional Finance Support has been submitted to Government and this will need to be finalised by Government prior to the 4 March to enable the Council to set a budget for 2024/25. It is important to note that this is an interim finance support arrangement, pending further discussions with Government to reach a way forward that addresses the issues outlined above.

15.10 The request for the exceptional financial support is in two parts:

- A Capitalisation Directive
- As Minimum Revenue Provision (MRP) cannot be capitalised, using the principles set out in the draft MRP guidance that a local authority can take into account government support to defer the payment of MRP on both the historic MRP that needs to be made good and the new MRP that becomes payable in 2024/25.

15.11 The Council has also requested that the additional 1% 'premium' on the costs of PWLB borrowing is waived, in recognition of the work underway to reduce levels of historic debt and the fact that this work alone will not be sufficient to resolve the legacy debt issues.

15.12 On the basis of that support, it is believed to be reasonable to set a legal budget for 2024/25. This includes the fact:

- The capitalisation directive regularises/addresses the historic issues of loans for revenue purposes and budget deficits prior to 2024/25.
- The capitalisation directive provides access to funds for the local authority to be a going concern in 2024/25.
- Assurances have been received from government that enable the council to place reliance on the draft MRP guidance and that in any event, the MRP guidance is guidance and it is the Council's interpretation is that judgement has to be used and the approach taken is believed to be reasonable in the light of the ongoing discussions with government. The Council's MRP policy, set out in the Treasury Management Strategy report is drafted on this basis.

15.13 Discussions with Government are ongoing and there is a commitment to reach a more sustainable solution that will provide assurance that a legal budget can be set for 2025/26 within the statutory timescales.

16.0 Implications

Finance and Risk

16.1 There are no additional financial implications to those set out in the report.

Equalities and Human Resources

16.2 In considering the budget, the Council must also consider its ongoing duties under the Equality Act 2010 to have due regard to the need to eliminate discrimination and advance equality of opportunity between all irrespective of whether they fall into a protected category such as race, sex, religion, etc. Having due regard to these duties does not mean that the Council has an absolute obligation to eliminate discrimination but that it must consider how its decisions will contribute towards meeting the duties in the light of all other relevant circumstances such as economic and practical considerations.

General Fund Budget and Council Tax Setting 2024-25

- 16.3 The Council has sought to understand the equalities impacts of proposed service changes and any potential mitigations which can be offered as part of the report on service savings to 8 February. The only proposal requiring an Equality Impact Assessment (EqIA) in this report is the level of Council Tax and the related hardship proposal which is attached as Appendix 9.

Legal

- 16.4 The Council is still obliged to meet its statutory duties and continue to make decisions in accordance with public law principles. The setting of a balanced budget in March 2024 is a legal requirement.
- 16.5 Council must agree to set the budget and do so by no later than 11th March 2024. This legal duty arises from the Local Government Act 2000, Local Authorities (Functions & Responsibilities) Regulations 2000 and the Local Government Finance Act 1992. This duty is both individually owned and collectively shared between all elected Members that make up the Council.
- 16.6 In deciding how to exercise its duty to set a lawful budget, the Council must have regard to the advice of the Chief Finance Officer and the Monitoring Officer. The Council must act in accordance with the Council's statutory duties, common law duties and administrative law principles.
- 16.7 Failure to meet the 11th March 2024 deadline to set a budget would have significant financial, legal, and reputational impact on the Council and its residents. The Council would be acting unlawfully.
- 16.8 With no agreement on the budget, no budgetary allocations exist and there can be no provision for services, staff, or contractual commitments of the Council. The Council's ability to perform its statutory responsibilities, would be in jeopardy and would in effect 'grind to a halt'. This would have a significant impact on most residents. At its basic level, bills and staff wages would not be able to be paid, new contracts could not be entered into and there would be a breach of existing contracts.
- 16.9 In addition, the Council would not be able to process and send out council tax bills to residents, direct debits would not be set up and payment demands could not be sent out. The whole council tax payment process will be delayed, and not just for the Council but also for Surrey County Council, and the Police. Delays in billing and chasing council tax collection reduces the probability of fully collecting what is due. This would also include what is due to Surrey County Council and the Police who would expect Woking to compensate it for losses of income given that the delay would be entirely of Woking's making.
- 16.10 This would also mean that the initial council tax payments the Council receives would be significantly delayed. This would obviously significantly worsen the Council's financial position and at a time when revenue is most needed. All this and the uncertainty that follows would damage the Council's reputation locally and nationally and with central government, other local authorities, staff, partners, businesses, contractors, residents, and potential investors in the borough. The Council and Members would be at risk of litigation in these circumstances.
- 16.11 Member's fiduciary duty (i.e., legal duty as trustee of the public purse)¹ is a material consideration to reflect upon. This includes the duty to council taxpayers to avoid unlawful action (i.e., not to set a budget by 11th March 2024) that would result in the loss of significant revenue to the Council or a failure to deliver services with consequential litigation and adverse financial implications to the Council. Personal liability may arise in the form of misfeasance in public office² depending on the nature and extent of conduct at the Council meeting and its impact.

General Fund Budget and Council Tax Setting 2024-25

¹ *Bromley London Borough Council v Greater London Council*² "It is well established . . . that a local authority owes a fiduciary duty to the ratepayers from whom it obtains moneys needed to carry out its statutory functions, and that this includes a duty not to expend those moneys thriftlessly but to deploy the full financial resources available to it to the best advantage (Lord Diplock)" *Roberts v Hopwood*³ "... [a] body charged with the administration for definite purposes of funds contributed in whole or in part by persons other than the members of that body, owes, in my view, a duty to those latter persons to conduct that administration in a fairly business like manner with reasonable care, skill and caution, and with a due and alert regard to the interest of those contributors who are not members of the body. Towards these latter persons the body stands somewhat in the position of trustees or managers of the property of others. (Lord Atkinson)"

² Misfeasance in public office is an action against a holder of public office. It provides a remedy for persons who are injured by the actions of a public officer who has exercised his powers in bad faith. It is an unusual tort in that the prime focus is on the motivation of the defendant. There are similarities between the tort of misfeasance in public office and the criminal offence of misconduct in public office. However, the two are not the same and care should be taken before transferring principles between them. The ingredients of the tort a) The defendant must be a public officer; b) The defendant must have exercised power as a public officer; c) The defendant must have acted with malice or in bad faith, either with the intention of injuring the claimant or, being aware of the risk of such injury, without an honest belief that his conduct was lawful; d) That conduct must have caused the claimant material injury or damage of a sort foreseen by the defendant.

REPORT ENDS

APPENDIX 1

In undertaking its financial operations over the period of the Medium-Term Financial Planning, the Council adopted from July 2023 the following Guiding Principles ('The Principles'). The Principles are based on sound management and professional practice. They are presented as *Guiding Principles* because there may be occasions where – after careful consideration - the exigencies of strategic or operational management may necessitate from time to time a departure from the Principles.

| No. | Guiding Principles |
|-----|--|
| 1 | Fees & Charges will be reviewed annually and adjusted for inflation, comparability, and competitiveness. |
| 2 | As a compassionate Council, in setting charges, the impact on vulnerable groups will be considered carefully. |
| 3 | Service level spend will be benchmarked regularly with a suitable peer group and proposals to align with the benchmark will be brought forward. |
| 4 | The Council will adopt a policy of Digital First in service delivery but as a compassionate Council will be mindful of the risks of <i>digital exclusion</i> in doing so. |
| 5 | A rolling programme of Service Reviews launched as part of the <i>Budget Gateway</i> process will continue within the timeframe of the MTFs and will be used to ensure that operating models, organisational design and cost footprints are subject to regular review and adjustment across the Council. |
| 6 | Service developments, savings and investment will be brought forward on the basis of business cases that must demonstrate feasibility, deliverability, and appropriate financial pay back and other investment appraisal techniques. |
| 7 | The Council will consult with residents and other stakeholders in the Borough in forming budget proposals |
| 8 | Where business cases are prepared for decision, a proactive approach will operate encompassing review in depth prior to such presentation; this will include rigorous application of investment appraisal techniques, peer review and use of the Scrutiny function to achieve searching review and challenge before business cases are adopted. |
| 9 | The Council will welcome approaches from regional and other partners for joint working and joint management initiatives. |
| 10 | The Council presently has a <i>negative</i> balance on the General Fund. The Council will seek to re-balance the General Fund through (a) its own endeavours generally (b) a programme of property rationalisation and (c) with support to be sought from Government. The Council will seek to reach for Unearmarked Reserves at a level of 5% of Net Expenditure (i.e. £0.8m based on current core funding of £16m), [Addendum Feb 2024: but adjusted for the level of risk required] |
| 11 | Given the financial position of the Council and the need to maintain key statutory services the Council will seek to maximise receipts from all funding streams including Council Tax and income over the period of the MTFs. |
| 12 | Growth in service budgets must be funded from (a) grants or other contributions, (b) realistic estimates of commercial income or fees and charges (c) or revenue savings. No other growth will be adopted into the Budget within the period of the MTFs. |

General Fund Budget and Council Tax Setting 2024-25

| | |
|----|--|
| 13 | Council will develop enhanced means of assessing and managing risks at both strategic and operational levels and these will be used to inform the annual Budget process. |
| 14 | The Council will seek to make Value for Money decisions and be mindful of its obligations to obtain best value for the 'public purse' generally. |

REQUEST FOR EXCEPTIONAL FINANCIAL SUPPORT

(AS SUBMITTED TO GOVERNMENT JANUARY 2024)

this note sets out the elements of the debt support package requested from Government, including an analysis of which are one off and which ongoing and to link this to the longer-term core service budget deficit at WBC. This includes an analysis in detail of the two elements of the request for Government support, as submitted to DLUHC on 12 January i.e.:

The figures in this note are the ones in the January request and a maximum: they will be finalised as part of the 2023/24 accounts as some of the figures will change (e.g. the outturn spending figure for 2023/24 and any changes to the final budget deficit for 2024/25).

The exceptional financial support is in two parts:

1. A capitalisation direction of £454m
2. As Minimum Revenue Provision (MRP) cannot be capitalised, using the principles set out in the draft MRP guidance that a local authority can take into account government support to defer the payment of MRP on both backdated MRP and the new MRP that becomes payable in 2024/25.

A summary of the EFS ask is set out below:

| | 2023/24 and Historic Pressures £M | 2024/25 £m | Total £m |
|--------------------------|--|---------------|--------------|
| Capitalisation Directive | 235.1 | 95.6 | 330.7 |
| MRP | 356.4 | 97.3 | 453.7 |
| Total | 591.5 | 192.9 | 784.4 |

MRP

The amount of MRP that Woking is required to pay is included in the table below. The table includes the MRP provision that the Council was and will continue to make for its internal capital programme. The intention is to apply the new draft MRP policy to the external capital expenditure on company loans where MRP provision had not been made.

| MRP Provision | 2023/24 | 2024/25 |
|---|----------------|----------------|
| | £m | £m |
| Woking MRP Budget (correctly accounted for) | - | 8.12 |
| MRP on Business Cases | | 1.95 |
| Understated MRP | 356.40 | 80.46 |
| Sub Total | 356.40 | 90.53 |

General Fund Budget and Council Tax Setting 2024-25

| | | |
|--|---------------|---------------|
| MRP on CD | | 14.86 |
| Total | | 105.39 |
| Amount to be deferred under regulations | 356.40 | 97.27 |

Historic MRP – the required corrections to MRP predate the last set of audited accounts and the amount required up to and including 2023/24 is £356.4m. The more detailed work means that this figure has changed slightly from that previously used in the S114 notice. The Council are currently reviewing in which years accounts the adjustment should be made with a preference to work with the new external auditors to correct in the 2023/24 accounts.

2024/25+ - The ongoing MRP required had the draft guidance not been applied equates to £80.46m in 2024/25 and £59.96m in 2024/25. In addition, the MRP required for the business cases for VSWL and Thamesway has now been included. These are the business cases for new capital expenditure funded by borrowing. The amount deferred in 2024/25 i.e. £97m excludes the proper provision of MRP that WBC was making i.e. £8m.

Summary of the CD Request

A breakdown of the different factors behind the CD request are set out in the table below. 2025/26 is an illustrative figure and not included in the ask but is used below as a starting point to explain the ongoing deficit.

Note that the figures below are as submitted to Government on 12th January a maximum estimate for the CD and will be updated for the 4 March Council. The figures with an asterisk (*) are the most likely to change i.e. the reserve deficit brought forward, the 2023/24 outturn and 2024/25 budget deficit and the HRA recharge adjustments.

| | 2023/24 & Prior Yrs £M | 2024/25 £M | 2025/26 £M |
|---|------------------------------|---------------|---------------|
| <u>Legacy issues</u> | | | |
| 9. Repay borrowing for revenue | 155.0 | - | - |
| 10. Correct legacy recharges to HRA* | 5.0 | - | - |
| <u>Capital financing costs</u> | | | |
| 11. Costs previously met by Revolving Credit Facility | 44.0 | 46.0 | 46.0 |
| 12. VSWL & Sheerwater business case interest | 2.0 | 5.2 | 5.2 |
| <u>Revenue budget issues</u> | | | |
| 13. Opening 2023/24 reserve deficit* | 19.7 | - | - |
| 14. Estimated 2023/24 overspend* | 8.7 | - | - |
| 15. Correct in year incorrect recharges to HRA* | 0.8 | 0.8 | - |
| 16. Budget gap 2024/25* | - | 11.6 | 11.6 |
| 17. Restate a general fund reserve | - | 5.0 | - |
| 18. Reserve for grant clawback risks | - | 7.0 | - |

General Fund Budget and Council Tax Setting 2024-25

| | | | |
|--|--------------|-------------|-------------|
| 19. Provision for Asset repair & maintenance | - | 20.0 | 20.0 |
| Total | 235.1 | 95.6 | 82.8 |

The issues are explained below.

Legacy Issues

1. *Repay borrowing for revenue* – this represents the loans paid to VSWL (a joint venture with the Council) and Thamesway Group of Companies (wholly owned council companies) that was used to then pay the Council for their debt and some limited principal repayments. The figure was initially calculated by CIPFA and has been verified and updated by a more detailed review of the payments made by the companies to the Council.
2. *(and line 7) Incorrect recharges to the HRA* – Work has been undertaken to quantify what has been incorrectly recharged to the HRA. The figures shown here were based on earlier estimates of the 2023/24 adjustment and a further allowance of £5m for prior years back to the last accounts being signed off in 2019/20. The total adjustments have now been confirmed as lower (£2.1m as reported to 8 February Council), but further work is still ongoing to confirm whether adjustments are required in years prior to 2019/20.

Capital Financing Costs

3. *Costs previously met by the revolving credit facility (RCF)* - This relates to interest payments due from VSWL and Thamesway. It should be noted that a number of the VSWL loans are on an annuity basis where there is mix of interest and principal within the repayments. Given the complexity of the loan book this is hard to accurately quantify. The total budget in 2023/24 is £44m of which £1m is the interest from smaller loans which is still being received.

As part of the Asset Rationalisation workstream, work is being carried out to quantify how much VSWL and Thamesway can afford to contribute towards these costs as part of a refinancing prior to exit/disposal. This should start to reduce the £46m figure from 2024/25.

4. *VSWL and Thamesway business cases* – associated interest payments for the agreed borrowing to complete the hotel at VSWL and the housing under construction at Sheerwater. As part of the commercial workstream of the Improvement and Recovery Plan, work is being completed on both the exit and disposal strategies and on the cashflow positions. The latter will determine affordable financing payments to the Council.

Revenue Budget Issues

Opening 2023/24 revenue deficit

5. The S114 statement and 2023/24 Medium Term Financial Plan (MTFP) had assumed the council had £30m of reserves on the balance sheet that would provide support to the 2022/23 budget and the 2023/24 budget positions.

General Fund Budget and Council Tax Setting 2024-25

6. The updated reconciliation and changes are summarised in the table below. The items in red have been identified as part of the detailed budget review undertaken with support by PWC and are explained underneath the table.

| | Sept MTFS Table £'000 |
|---|-----------------------------|
| Reserves Reconciliation | |
| Revenue Reserves at 31 March 2022 | |
| General Fund Revenue Reserves | 28,640 |
| Less: Ringfenced Reserves | (5,142) |
| Restatement of required ringfenced reserves | (5,900) |
| General Fund Balance | 1,500 |
| Revenue Reserves add General Fund | |
| Usable Revenue Reserves at 31 March 2022 | 19,098 |
| 2022/23 budget use of reserves | (5,421) |
| Investment Programme revenue projects | (684) |
| Development income recognised | 6,000 |
| Car Park Management Fee saving | 1,466 |
| Forecast additional use of reserves for overspend | (3,420) |
| Additional allowance for outturn as per Sept 2023 | (4,938) |
| Additional Use of Reserves to Cover Service Pressures | (4,000) |
| Company debt suspension | (12,800) |
| £6m development income not available | (6,000) |
| Required use of Reserves 2022/23 | (29,797) |
| Forecast usable reserves at 31 March 2023 | (10,699) |
| Investment Programme revenue projects | (612) |
| Planned Use of reserves 2023/24 | (8,345) |
| Opening 2023/24 Reserves Corrected Position | (19,656) |

7. *Restatement of ringfenced reserves (£5.9m)* - this relates to two ringfenced reserves where expenditure is likely to be required. It includes £2.7m in the PFI reserve and £3.2m for HS2 funding which will be required to maintain some graves which needed to be relocated. This increased overspend is mainly due to additional loss of Commercial rent and service charges in Estate management.

8. *Additional allowance for outturn as per September 2023* – the 2022/23 outturn report published in September showed a deficit of £13.9m, an increase of £8.4m on the budgeted use of reserves of £5.4m. This figure will be updated

General Fund Budget and Council Tax Setting 2024-25

9. *Additional Use of Reserves to Cover Service Pressures (£4m)*. Late in the 2023/24 budget process the Council added additional use of reserves. The source of these is still being investigated as part of work on the accounts. For this Capitalisation Directive the uncertainty requires a provision to be made to cover this.
10. *Company debt suspension (£12.8m)* - no payments were received for interest and principal from VSWL and Thamesway during the final quarter of 2022/23. The accruals and accounting entries made meant that this was not immediately clear in the accounts.
11. *Development income not available (£6m)* - The additional income added to the reserves for 2023/24 related to funding for planning obligations which are legal obligations entered into to mitigate the impacts of a development proposal. This is usually via a planning agreement entered into under S106 of the Town and Country Planning Act 1990 by a person with an interest in the land and the local planning authority. These are legally binding and enforceable and commonly referred to as 'section 106'. In this case the S106 receipts were linked to a housing development and the Council had incorrectly assumed the obligations had been discharged.

12. *Forecast 2023/24 Overspend*

The £7.6m is the forecast outturn overspend is as at the last published monitoring report (quarter 2). Note the Q3 is showing a reduced overspend of £3.3m, so this figure will be updated.

13. *Current Year HRA recharge* – see note above item 1

14. *2024/25 Budget Shortfall*

The September MTFS report had a residual gap after the £8.5m savings of £11m. That gap is now £12m, after savings and taking into account a proposed 10% increase in council tax so the number will be updated. Of the gap, a net £5m is now for additional capital interest costs, including the costs of the capitalisation directive.

15. *Provision for a general fund reserve* – an allowance has been made for a general fund reserve to cover in year risks of £5m.

16. *Reserve for clawback risks* – as part of the detailed budget work the following risks have been identified:

- Potential challenge on use of a S106 receipt - c£1m
- grant clawback risk and potential abortive costs (£6m)

17. *Asset Management Plan (AMP)* - The S114 notice included £45m was likely to be required to maintain the Council's property portfolio. This was an estimate based on an asset valuation formula which sets out the proportion of asset values that should be spent on repairs. The asset management programme itself is usually derived from the detailed work carried out on condition surveys. The Council does not hold this information. This has not been required in 2023/24. However, it is likely that some expenditure will be required in the future so a provision of £20m has been allowed for. How this is treated in the CD (as it could be capital) still needs to be agreed.

General Fund Budget and Council Tax Setting 2024-25

As asset Rationalisation work progresses it is likely expenditure will be ready on both making assets fit for sale and on the costs of sale (fees etc).

January 2024

APPENDIX 3

GROSS EXPENDITURE AND GROSS INCOME ANALYSIS

| | Restated 2023- 24 £m | Restated 2024- 25 £m | Budget Change £m |
|--|----------------------------|----------------------------|------------------------|
| Gross Expenditure | | | |
| Employee Costs | 20.9 | 17.3 | -3.6 |
| Benefits payments | 20.7 | 20.9 | 0.2 |
| Other Non-Employee Costs | 21.4 | 23.0 | 1.6 |
| Gross Service Spend | 63.0 | 61.2 | -1.8 |
| Management of Change | 0.3 | 0.0 | -0.3 |
| Risk Contingency | 0.3 | 0.0 | -0.3 |
| Pay Provision | 0.0 | 0.1 | 0.1 |
| Mid-point Vacancies | 0.0 | -0.1 | -0.1 |
| HRA Recharge Adjustment | 0.0 | 0.4 | 0.4 |
| PFI Unitary Charge Equalisation | 0.2 | 0.2 | 0.0 |
| Investment Programme items funded from revenue | 0.1 | 0.0 | -0.1 |
| Minimum Revenue Provision | 363.9 | 105.4 | -258.5 |
| Interest payable | 54.5 | 64.0 | 9.5 |
| Reserves Reinstated | 0.0 | 12.0 | 12.0 |
| Asset repair and maintenance provision | 0.0 | 20.0 | 20.0 |
| Prior Years Capitalisation Directive | 184.8 | 0.0 | -184.8 |
| Total Gross Expenditure | 667.1 | 263.2 | -403.9 |
| Gross Income | | | |
| Fees and Charges | -12.1 | -12.3 | -0.2 |
| Commercial Rents | -20.0 | -13.5 | 6.5 |
| Service Specific Grants | -21.1 | -22.7 | -1.6 |
| Other Income | -5.0 | -5.1 | -0.1 |
| Interest Receivable | -1.3 | -1.4 | -0.1 |
| Business Rates | -2.2 | -4.3 | -2.1 |
| Business Rates Surrey Pool | -1.1 | -0.3 | 0.8 |
| Business Rates (Surplus)/Deficit | 0.0 | -0.7 | -0.7 |
| Council Tax | -11.2 | -12.2 | -1.0 |
| Council Tax (Surplus)/Deficit | -0.2 | -0.1 | 0.1 |
| Revenue Support Grant | -0.1 | -0.1 | 0.0 |
| New Homes Bonus Grant | -1.2 | 0.0 | 1.2 |
| Services Grant | -0.1 | 0.0 | 0.1 |
| Minimum Funding Guarantee Grant | 0.0 | -1.6 | -1.6 |
| Total Gross Income | -75.6 | -74.3 | 1.3 |
| | | | |
| (Surplus)/Deficit | 591.5 | 188.9 | -402.6 |

DISCRETIONARY BUSINESS RATES POLICY

1.1 Legislation

The Council has statutory powers for the granting of mandatory and discretionary rate relief under the Local Government Finance Act 1988, and the Localism Act 2011. The list of regulations is not exhaustive and regulations may be amended. This policy is subject to the most up to date legislation as enacted by the UK Parliament.

The Localism Act 2011 permits the granting of discretionary relief to any premises where the Council believes that the granting of such relief would be of benefit to the local community. The provisions are designed to give the Council flexibility in granting discretionary Business Rates relief where it would be of benefit generally to the area and be reasonable given the financial effect to Council Taxpayers.

Business Rate payers will need to ensure compliance with the UK's subsidy control regime established by the Subsidy Control Act 2022 and will not be able to receive any more than the de minimis levels which are set by the legislation.

This policy sets out the Council's position as to how it will deal with discretionary Business Rates relief under the Localism Act 2011. These regulations may not be exhaustive.

1.2 Overarching principles for all types of discretionary rates relief

1. The principle consideration is that any relief is in the best long-term interests of the Council Tax payers of Woking Borough Council as a whole because the Borough Council, Surrey County Council and central Government bear the cost of any relief granted.
2. The use of the property must contribute to one or more of the Council's key strategies as contained in the Council's current Corporate Plan, which may be updated from time to time.
3. Additional principles may apply to specific types of discretionary rate relief.
4. Each application will be considered on its own merits.

2 Discretionary rates relief (for charities, community amateur sports clubs (CASCs) and not for profit organisations)

2.1 Additional principles

1. The policy applies to registered charities and CASCs. Any Organisations which are set up for charitable or amateur sports purposes, but not officially registered as such, must explain why they are not registered as charities or CASCs. Discretionary rate relief to any unregistered organisation will only be offered in extenuating circumstances, if there is an evidence based, proven business case.

2.2 Definitions

Charity – an institution or other organisation established for charitable purposes only, or any persons administering a trust established for charitable purposes only.

Organisations established or conducted as not for profit, whose main objectives are charitable, philanthropic, religious or concerned with education, social welfare, science, literature or the fine arts, will also be considered. Relief will only be awarded in exceptional circumstances.

Community amateur sports club (CASCs), which are not for profit.

2.3 Criteria

| Properties considered for discretionary rate relief | Relief type | Amount of relief |
|--|--------------------------------------|--------------------------------|
| 1) Occupied property that is wholly or mainly used for charitable purposes which is: a) occupied by a charity, or b) a charity shop selling mainly donated goods, or c) certain not for profit organisations, as defined in 2.2, or d) occupied by a registered community amateur sports club (CASC) | a) Mandatory b) Discretionary | 80% Up to a further 20% |

2.4 Applications and decisions

1. Applications should be made promptly, but as long as applications are made in good time to allow a decision to be made before the end of September in the current year, they will be applied from the beginning of the previous financial year if appropriate.
2. Applications will be considered after receipt of a completed application form. Supporting information should be attached when requested.
3. There must be a good reason why a not-for-profit organisation is not registered, or considered, as a charity or CASC.
4. Applications will be considered by a panel chaired by the Council's 151 Officer and consisting of a Finance Manager, Revenues Manager, Revenues Team Leader or Recovery Team leader. The panel will meet annually and more frequently when required.
5. Notification about the outcome of the decision will be provided in writing, or via email, within 14 days of the decision being made.
6. Business Rates remain due and payable while a decision is pending.

2.5 Award period

1. Applications for less than 20% but more than £5,000 discretionary relief must apply annually. Continuation of relief will be subject to reapplication or review.
2. Applications for less than 20% and less than £5,000 discretionary relief will be required to apply every three years. Continuation of relief will be subject to reapplication or review.

2.6 Allocation of the relief

If an account is in credit after the award, it will be transferred to debts on other bills or accounts. Any remaining credit will be offered as a refund, at the Council's discretion.

3 Hardship relief

The Local Government Finance Act 1988 permits discretionary relief to be awarded on the basis of hardship, with consideration to the interest of local Council Tax payers.

ENDS

HARDSHIP SCHEME

Introduction

1. Woking Borough Council (WBC) has been asked by Government to consider a Council Tax increase of 10%. The Minister for Local Government has also asked WBC to mitigate the impact of any potential Council tax increase on those on those least able to pay. This paper put forwards the proposed approach to mitigating the impact of the proposed Council tax increase, considering how Woking differs from other Councils in intervention and with high tax increases. The proposal suggests that the Council puts in a place a holistic resource to deal with debt issues, not just a Council tax scheme.

Impact of this Change on Household Bills

2. Woking is a lower tier Council, whereas other Councils in intervention with high Council tax proposals are unitary, so the impact of a 10% increase will be relatively small on individual household bills, in comparison to other areas. For example:
 - [Woking Borough Council's precept](#) currently accounts for 12% of the overall Council Tax charge. Surrey Police and Crime Commissioner accounts for 13% and Surrey County Council 75%.
 - Woking Brough Council's precept for a band D property is £263.12. A 10% increase would represent a yearly increase of £26, equivalent to 50p per week, for households paying the full band D charge.
3. However, although the impact of the Council tax rise on household bills is relatively small in comparison to other areas, the Council recognises that the increase will be implemented at the same time as a number of other changes to its services, which may have an impact on those from lower socio-economic backgrounds. Therefore, the Council is allocating 10% of the additional proceeds from the proposed Council tax rise to support those struggling with additional costs. This means that there is a total of £100,000 allocated to the Council's Hardship Fund.

Current Council Tax Hardship Arrangements in Woking

4. A discretionary [Hardship Relief Scheme](#) already exists, which can reduce the amount of Council Tax that has to be paid by certain households, that have exhausted all other options. Payments can cover up to 100% of the bill, capped to a maximum equivalent of a band D charge.
5. Woking Borough Council also has a [Council Tax Support scheme](#) that covers up to 100% of the Council Tax bill, for some households on low incomes. The scheme is means tested, with payments restricted to a maximum value of a band D charge for working age residents, who must be eligible to at least £5 per week. Other than being means tested, restrictions do not apply to pensioners.
6. Since 2019, the current Hardship Relief Scheme has awarded less that £5,000. The current scheme is quite restrictive, and the following amendments have been suggested by the Revenue and Benefits Manager, to extend access to the Scheme:
 - Expand 1.4: Has applied for other help and must be in receipt of Council Tax Support
 - Remove the restriction in 2(iv): that applicants do not own their own property

General Fund Budget and Council Tax Setting 2024-25

- Remove the restriction in 2(vi): payments are capped to band D equivalent
- 7. It is suggested that the Council sets a budget of £25,000 for the Hardship Relief Scheme, to ensure payments are not excessive and are affordable. However, a significant expansion of the hardship scheme would not be well targeted to the issue of Woking's Council tax – as stated above the increase is relatively small on the overall bill and any hardship scheme would remit taxes that largely cover Surrey County Council's element of the bill. In addition, there would be additional overhead costs for a small revenues team in administering a discretionary scheme. Therefore, a small expansion of the scheme is proposed but as part of a wider approach to debt

Development of a Wider Debt Proposal

8. Alongside the proposal listed above, the Council is proposing two other uses of the Hardship Fund which are intended to provide a more holistic and person-centred approach to dealing with debt issues rather than simply increasing the Council Tax Hardship Relief Scheme.

Resourcing of Hardship Support Coordination

9. Firstly, the Council is proposing resourcing Citizen's Advice Woking (CAW) to provide a Hardship Support Coordination package. The full details of the package are still being scoped, but high-level objectives are likely to include:
 - Supporting volunteers from CAW to continue to provide advice services (related to debt, money management, employment etc) within their new business model.
 - Working with partners and community groups to identify and map the range of hardship support services available across Woking, in order to produce a comprehensive directory.
 - Delivering an "Advice First Aid" approach to upskill volunteers within faith and community groups to expand knowledge locally of the range of services that customers can be signposted to.
 - Actively signposting clients to a range of providers of hardship support.
 - Facilitating a network of hardship support providers across Woking, bringing together the variety of voluntary, community and faith organisations, and ensuring that information is shared and voluntary capacity maximised.
 - Monitor the impacts of the increased Council tax and gaps in service provision, building community capacity where required.
10. CAW will identify a lead contact to oversee the delivery, but the package will be delivered by multiple staff and volunteers. It is anticipated that the outcomes of this package will be two-fold – supporting residents immediately with advice services whilst also strengthening the wider support offer in Woking so that it is sustainable and can continue to assist residents in future years.

Extension of the Household Support Fund

11. For the past two years, Government has provided funding to Local Authorities known as the 'Household Support Fund'. Funding is aimed at anyone who is vulnerable or cannot pay for essentials. Indications suggest that Government will no longer provide this funding in 2024/2025, therefore it is proposed that the Council uses the remaining 25k of the Hardship Fund to continue to provide an equivalent offer to the Household Support Fund. This would enable fuel and food to be provided to residents in crisis, following the same criteria as the Household Support Fund. The Fund will be administered by the Living Well Business Support Team.
12. To summarise, the Council is committed to support residents who may have difficulty paying their Council tax. This proposal sets out a holistic approach to support vulnerable

General Fund Budget and Council Tax Setting 2024-25

residents who may struggle with paying increased bills. The Council will monitor the effectiveness of these interventions on a quarterly basis.

ENDS

COUNCIL TAX HARDSHIP RELIEF

s13A, Local Government Finance Act 1992 as amended by Local Government Act 2003, section 76.

1.0 Introduction

- 1.1 Section 76 of the Local Government Act 2003 gives a billing authority discretion to remit the payment of Council Tax where it is satisfied that the taxpayer would sustain hardship if it did not do so, and it is unreasonable to do so having regard to the interests of its Council Tax payers.
- 1.2 The granting of hardship relief (HR) is wholly discretionary; the only requirement being that the Council must consider every case on its merits. Guidance to officers exercising this discretion is that reduction or remission of Council Tax on grounds of hardship should be the exception rather than the rule.
- 1.3 It also agreed the criteria to be used in assessing relief and the appeals procedure for applicants whose request for HR is refused and wish to appeal against the refusal to have the matter referred to committee for review.
- 1.4 Other ways of reducing or remitting the Council Tax must be considered. Relief is not to be granted where the amount is outstanding as a result of wilful refusal or culpable neglect on the part of the taxpayer.
- 1.5 Relief is not to be granted in order to prevent recovery action being instigated by the Council or to stop bankruptcy or committal proceedings commenced by the Council or any other body.
- 1.6 The policy adopted is restrictive, it specifies the maximum amount of relief that can be given to any taxpayer, and takes into account the fact that cash limited budget exists to fund the relief.

2. WHAT IS HARDSHIP

The legislation does not give a firm definition of hardship however the following is to be adopted.

- i) the taxpayer is able to satisfy the billing authority that they are not able to meet their full Council Tax liability or part of their liability.
- ii) the taxpayer is able to demonstrate that all reasonable steps have been taken to meet their full Council Tax liability including applications for alternative lines of credit and benefit
- iii) the taxpayer can prove that the current circumstances are unlikely to improve in the following 12 months making payment of the Council Tax impossible.
- iv) the taxpayer is not in employment and has no other funding except for that available through public funds.
- v) enforced payment of their full Council Tax liability would result in severe hardship as defined by insufficient money being available for basic needs such as food or medical prescriptions.
- vi) HR will be capped to a maximum award to any one individual equivalent to the equivalent band D charge for the financial year in which the application was received. However remitting the whole Band D charge, which would be considered a significant sum, needs to be in extreme cases only.

General Fund Budget and Council Tax Setting 2024-25

- vii) HR will be granted only on the basis that money is available in the relevant Hardship fund for the financial year in which an application is received.

GUIDANCE FOR OFFICERS

PURPOSE & CRITERIA OF POLICY

This policy has been agreed by the Council to ensure all taxpayers making applications for this relief are treated in a fair, consistent and equal manner.

PROCESS

Claimants liable for Council Tax in Woking should make an application in writing or online and include a copy of:

- Their income and expenditure
- Evidence to support their claim.

THE PURPOSE OF SCHEME

The scheme's aim is to award hardship relief towards Council Tax payable by the claimant who is suffering financial hardship.

The award may be all of the Council Tax outstanding, if this is less than the relevant band D charge for the year in which the application was received, or a percentage of the total Council Tax outstanding, but relief must not exceed the stated band D equivalent figure for the year in question.

AWARD ARRANGEMENTS

The Revenues/Benefit Managers will review the application, in accordance with the policy.

CAPS FOR RELIEF

Two caps will operate for hardship relief. The first cap is linked to the relevant budget allocation for HR in any one year and total awards will not exceed this allocation. The second cap is in respect of individual awards. In this respect, this will be the equivalent of the band D charge for the year in which the application was received.

REVIEW PROCESS

Review requests to be made by the original applicant. An appellant may appoint an agent act on their behalf and in such cases the Council will require written authorisation from the appellant before dealing with their agent.

Decision reviews will be considered by a Senior Revenues or Benefits Officer within the appropriate Section. This officer must not be the officer who made the original decision. Decisions on reviews will be final.

Applicants must make a request for review within four weeks of the letter or email notifying them of the original decision. These must be made in writing or via an online form and must give the reasons why it is believed the decision should be amended. New or additional information may be included, but only if it is relevant to the decision making process.

General Fund Budget and Council Tax Setting 2024-25

Each application will be considered individually on its merit.

The Council's internal review process will not affect any statutory process that the applicant maybe entitled to pursue.

NOTIFICATION OF AWARDS

The Council will consider applications within six weeks of the application and all supporting information being received or as soon as practicable thereafter.

Notification of the outcome of the decision will be made in writing or via email within fourteen days of the decision being made.

ACTION TO RECOVER UNPAID COUNCIL TAX WHILST A DECISION IS PENDING

Receipt of an application for relief will not negate in any way the taxpayer's obligation to pay the Council Tax as demanded.

ENDS

APPENDIX 7

Flexible use of capital receipts (Improvement and Recovery Plan)

To address the £8m budget gap and future years savings, a transformation programme (Fit for the Future Programme, part of the Improvement and Recovery Plan) has been developed. This programme will address the gap in the Council’s delivery capacity. A summary of projects that form the Transformation programme, and therefore eligible for capital receipts funding (In agreement with Government) is summarised below, with a description of the project, project objectives, and potential planned use of receipts. This list is not definitive and further potentially eligible projects could be identified during the course of the year – if this is the case, further revisions will be made to the Strategy as part of reporting the progress in the Improvement and Recovery Plan.

| Summary | 2023/24 | 2024/25 | 2025/26 |
|--|--------------------------|--------------------------|------------------------|
| Commercial expertise to review companies governance and performance and provide commercial capability to ensure vfm, security and confidence in decision making. Improve procurement and contract performance and practice to deliver additional savings, control cost and ensure vfm; | £445,994 | £300,000 | |
| Development and delivery of Strategic asset management strategy and plan to ensure the councils estate is fit for purpose, efficient and performing well. Development and delivery of the debt reduction plan. | £93,409 | £169,000 | £46,591 |
| Channel shift - improving service delivery and web offer, freeing up vital resources to assist those who cannot use digital channels or have complex enquiries. Will lead to further efficiencies | £101,850 | £205,000 | |
| Vision for organisation, service restructure and implementation of staffing change delivering £2.4m savings in staff budget (including exit costs) | 402,612 | £750,000 | |
| Savings (£8.4m) implementation and service redesign and transformation | £36,500 | £253,000 | £36,500 |
| | | | |
| Transformation team (temporary) to manage and monitor the change | £186,055 | £135,000 | £27,000 |
| Contingency | | £311,490 | |
| TOTALS | <u>£1,266,420</u> | <u>£2,123,490</u> | <u>£110,091</u> |

APPENDIX 8

Section s25 Statement and Risk Assessment

The first part of this Section 25 Report will set out the assessment made by Commissioners and the Chief Financial (s151) Officer concluding that the Council can set a legal budget for 2024/25. The Council submitted a request for Exceptional Financial Support (EFS) to Government on 12 January 2024, on the basis set out earlier in this report and reflected below. The formal response to this request is not expected from the Minister until Friday 1 March, the week after this paper is dispatched for the 4 March meeting. If necessary, there will be an addendum report to the meeting on 4 March from the s151 Officer and Finance Commissioner.

The second part of the statement focuses on the more fiduciary and statutory considerations, explained below, that the Commissioners and s151 Officer must make in determining that the budget being set is reasonable and prudent.

Fiduciary and Statutory Considerations

In making decisions in relation to the revenue budget and council tax the Council has various legal and fiduciary duties, summarised below.

The Council is required by the Local Government Finance Act 1992 to make specific estimates of gross revenue expenditure and anticipated income leading to the calculation of the council tax requirement and the setting of the overall budget and council tax. The amount of the council tax requirement must be sufficient to meet the Council's legal and financial commitments, ensure the proper discharge of its statutory duties and lead to a balanced budget.

Section 25 of the Local Government Act 2003 requires that when a local authority is making its budget calculations, the Chief Finance Officer ('CFO') of the authority must report to the Council on:

- the robustness of the estimates made for the purposes of the calculations; and
- the adequacy of the proposed financial reserves.

The Council has a statutory duty to have regard to the CFO's report when making decisions about the calculations.

Section 28 of the Local Government Act 2003 also imposes a statutory duty on the Council to monitor during the financial year its expenditure and income against the budget calculations. If the monitoring establishes that the budgetary situation has deteriorated, the Council must take such action as it considers necessary to deal with the situation. This might include, for instance, action to reduce spending in the rest of the year, or to increase income, or to finance the shortfall from reserves.

Under Section 114 of the Local Government Finance Act 1988, where it appears to the CFO that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure, the CFO has a duty to make a report to the Council.

In exercising its fiduciary duty, the Council should be satisfied that the proposals put forward:

- are a prudent use of the Authority's resources in both the short and long term;
- that the proposals strike a fair balance between the interests of Council taxpayers and ratepayers, current and future, on the one hand and the community's interests in adequate and efficient services on the other;

General Fund Budget and Council Tax Setting 2024-25

- and that they are acting in good faith for the benefit of the community whilst complying with all statutory duties.

Officers have addressed the duty to strike a fair balance between the different elements of the community and the interests of council tax and business rate payers in developing the proposals which are set out in the Directorate reports and savings in the budget report to Council of 8 February.

Part One – Assessment of whether a legal budget can be set

The financial position the Council is in is extremely challenging. The s114 notice issued in May 2023 at the start of intervention set out a number of issues including:

- The understatement of Minimum Revenue Provision (MRP) for debt repayment
- Loans funded by borrowing paid to its companies for revenue purposes which would need to be written off to revenue
- A requirement to significantly impair other loans made to companies
- An understated repairs and maintenance budget
- An in year and ongoing budget shortfall

Subsequent work has identified the depth of the issues. The Council's spending power is £19m in 2024/25 but:

- The level of outstanding debt is £2.1bn as at 31 March 2024 and the value of the associated assets is materially less.
- MRP provision has not historically been made on the debt related to the commercial activities of its companies on the assumption that the debt would be repaid.
- As set out earlier in the report in detail, the backdated MRP that needs to be addressed is £356m, with an MRP requirement in 2024/25 of £80m related to historic debt, £1.95m for new capital expenditure approved in 2024/25 and £8m of existing MRP provision in the budget: a total ongoing business as usual MRP provision of £91m.
- In addition, the MRP costs for the Capitalisation Directive are £15m from 2024/25, making a total MRP requirement of £105m, £97m (i.e. all but the existing £8m provision) of which is to be deferred is part of the Government support package.
- The associated interest costs are £64m in 2024/25.

The consolidated budget position when all of the above are considered, is as per the table below is set out in the General Fund Budget report.

The circumstances facing the Council are unprecedented. The solutions that will be required are complex and are likely to require regulatory changes. The formal intervention has been in place for less than 12 months and has not reached the position to determine the way forward at this stage that provides a sustainable long-term solution.

A request for Exceptional Finance Support has been submitted to Government and this will need to be finalised by Government prior to the 4 March to enable the Council to set a budget for 2024/25. It is important to note that for the reasons outlined above this is an interim finance support arrangement, pending further discussions with Government to reach a way forward that addresses the issues outlined above.

General Fund Budget and Council Tax Setting 2024-25

The request for the exceptional financial support is in two parts:

1. A Capitalisation Directive
2. As Minimum Revenue Provision (MRP) cannot be capitalised, using the principles set out in the draft MRP guidance that a local authority can take into account government support to defer the payment of MRP on both the historic MRP that needs to be made good and the new MRP that becomes payable in 2024/25.

The total EFS package is £785million, broken down as set out below, with more detail is provided within this report.

| | 2023/24 and Historic Pressures £'000 | 2024/25 £'000 |
|--------------------------|--|------------------|
| Capitalisation Directive | 235.1 | 95.6 |
| MRP | 356.4 | 97.3 |
| Total | 591.5 | 192.9 |

The capitalisation directive will serve the following purposes:

- Regularises historic issues prior to 2024/25. These include the £155m debt made for revenue purposes and the revenue deficits incurred and addressing historic deficits which have been met from the Council's overall cashflow position. No new debt will be required to address the historic issues.
- Provides access to funding in 2024/25 to cover suspended company interest, the cost of the capital financing budget associated with the high levels of debt, addressing the revenue budget deficit and allowing provision to restate a General Fund Reserve, earmarked reserves to cover specific financial risks associated with grant clawback risks and provision for asset management costs which have not previously been provided for. Borrowing may have to be undertaken for the 2024/25 element of the capitalisation.

There will be restrictions on future borrowing, including the fact the Council can only borrow from the Public Works Loan Board (PWLB), along with regular reporting to Government and ensuring approval before borrowing is accessed. These measures provide assurance that borrowing will not be undertaken for anything other than essential purposes.

Borrowing for the Capitalisation Directive could be up to the £95.6m provision for 2024/25. MRP provision will be required, and the borrowing costs are at the PWLB certainty rate plus a 1% premium. The estimated MRP provision required during 2024/25 to cover the Capitalisation Directive is £14.86m and the costs of the borrowing (these are all included in the proposed budget for 2024/5). The Council has requested that the 1% premium on debt is not levied and a response this is expected from Government on the Minister's letter of 1 March. This will be too late to be included in the budget, so any benefit will be picked up in budget monitoring and would give increased resilience to the capital financing budget next year.

The purpose of a capitalisation directive acts as a bridging mechanism while the Council delivers budget savings and disposes of assets to reduce its debt to sustainable levels. The Council has a significant 'overhanging debt' which is not met by asset values and the Council will not be able to reach a position where the costs of the Capitalisation Directive can be met, and it is sustainable.

General Fund Budget and Council Tax Setting 2024-25

Minimum Revenue Provision (MRP)

The understated MRP required had paragraph 46 of the draft guidance not been applied equates to £80m in 2024/25 and £60m in 2024/25, in addition to the existing £8m MRP in the budget. In addition the MRP cost of the CD would be £15m in 2024/25 and £19m in 2025/26.

DLUHC published a consultation on changes to the Capital Finance Regulations and Statutory Guidance in respect of MRP in December 2023. This follows two earlier consultations in November 2021 and February 2022. The aim of the changes proposed is to strengthen the requirement for local authorities to make a prudent MRP provision, in response to two issues which have led to underpayment of MRP at a number of authorities, including Woking. The guidance does give provision to exclude a proportion of debt from the MRP determination in two areas:

- firstly, debt associated with investment properties or investments defined as capital expenditure, on the basis that such assets retain their capital value and that the asset can be sold at any time in the future to repay the associated debt. The Government have stated that this is not prudent. The proposals will amend the 2003 Capital Finance Regulations to make clear that MRP is required on such expenditure;
- secondly, debt associated with making loan advances to third parties for a capital purpose. The argument put forward by authorities exempting such debt from MRP calculations is that the repayments of principal would be used to repay debt. This was an argument used by the Council in previous years' MRP Statements, but never actually was applied in practice. The proposed changes will require local authorities to continue to set aside MRP on "commercial loans" (defined as a loan undertaken for profit) but allows local authorities an exemption from charging MRP for non-commercial loans. However, it will require local authorities to set aside as MRP an amount for any expected credit loss calculated under IFRS9. In other words, for non-commercial loans as soon as there is evidence that the debtor might be unable to repay all or some of the loan, the authority would be required to set aside the full amount of the estimated loss.

In addition, paragraph 46 of the draft MRP Guidance states that for local authorities where the Government has decided to intervene and has, or is in the process of, putting in place financial support arrangement for the authority, that it may be appropriate to reflect the nature of any such financial support when determining a prudent level of MRP for the forthcoming financial year. The draft Guidance goes on to state that the authority must seek agreement from the Government on how any such assumptions with respect to support are reflected in the determination of MRP. The draft Guidance goes on to explain that paragraph 46 is not a new policy but clarifies an issue that previous editions of the Guidance was silent on. As such, the Government expects this to apply to prior periods (or MRP from prior periods).

The above changes have been reflected in this report. Hence, earlier in this report the full deficit allowing for the changes to properly account for MRP has been shown (both the backdated £356m adjustment and the additional £97m for 2024/25). This ensures that the draft policy provisions set out above relate to all MRP provision that should be in place for the commercial debt where MRP has not been previously applied. It has been assumed that the existing budgeted £8m of MRP will continue to be paid.

Part One – Conclusion

In determining whether it is reasonable to set a budget the following has been taken into account:

- **The capitalisation directive regularises/addresses the historic issues of loans for revenue purposes and budget deficits prior to 2024/25.**

General Fund Budget and Council Tax Setting 2024-25

- **The capitalisation directive provides access to funds for the local authority to be a going concern in 2024/25.**
- **Following assurances from government, reliance is placed on the draft MRP guidance that because the Council is in exceptional circumstances and in discussion with government about a longer-term support package, it is reasonable to defer making MRP provision at this stage. It is recognised that this is not viable in the longer term.**
- **In any event, the MRP guidance is guidance and it is the Council's interpretation of current guidance that judgement has to be used and the judgement is that the above is a reasonable approach in the light of the ongoing discussions with government.**

The situation facing the Council and the scale of the financial challenges faced are unprecedented. Discussions with Government are ongoing and there is a commitment to reach a more sustainable solution that will provide assurance that a legal budget can be set for 2025/26 within the statutory timescales.

The Council accepts that it must do everything within its power to reduce its debt in line with the EFS conditions and achieving best consideration.

The conditions of the EFS and assurances to work with the Council to find a more sustainable solution that support this conclusion are summarised below and appended in full.

Part Two – Assessment on whether the budget is reasonable and prudent

The second part of this s25 statement focuses on the more fiduciary and statutory considerations that the Commissioners and s151 Officer must make in determining the budget being set is reasonable and prudent.

In setting the budget the Council has a duty to ensure:

- It continues to meet its statutory duties
- Governance processes are robust and support effective decision making
- Its Medium-Term Financial Strategy reflects the significant challenges being faced and remains responsive to the uncertainties in the economy by continuing to deliver against its savings targets
- Its savings plans are clearly communicated and linked to specific policy decisions, with the impact on service provision clearly articulated
- It understands profile of existing and forecast liabilities and makes sufficient provision for repayment
- It has the appropriate levels of reserves and that it closely monitors its liquidity to underpin its financial resilience
- It continues to provide support to members and officers responsible for managing budgets
- It prepares its annual statement of accounts in an accurate and timely manner

Following the issuing of the Section 114 notice in June 2023, immediate steps were taken to control expenditure and the Council's Improvement and Recovery Plan (IRP), was subsequently approved by Council in August 2023. The workstreams of the IRP follow from the recommendations of the original review and intervention notice as well as resolving the related issues in the S114 notice. The key workstreams are to:

General Fund Budget and Council Tax Setting 2024-25

- Reduce service expenditure to ‘live within the Council’s means’ and ensure robust financial management is in place.
- Asset rationalisation to reduce the levels of outstanding debt.
- A safe withdrawal and exit from commercial ventures.

Robustness of the Estimates

The Council has a duty to act reasonably considering all relevant considerations and not considering anything which is irrelevant. This Report together with the other budget related reports on the agenda set out a total picture of the proposals from which members can consider the risks and the arrangements for mitigation set out below.

Given the extremely challenging circumstances facing the Council, a robust and evidenced assessment of financial governance and future resilience critical. The Chief Financial (s151) Officer has examined the major assumptions used within the budget calculations.

The key risks identified to the delivery of a balanced budget and their mitigation are set out in the table below.

| Risk | Mitigation |
|--|--|
| General Fund Revenue Budget | |
| Non-Delivery of Savings | The savings included in the MTFS are supported by business cases and have been widely consulted on. Robust monitoring arrangements for the actions are required to deliver the savings, and to ensure the expected reductions in spend are being achieved. This will enable early corrective action to be taken if savings are not deliverable as planned. |
| Volatility of resource base including business rates and council tax | In addition to the normal volatility Issues, potential accounting errors have been identified with how business rates and council tax are accounted for within the Collection Fund. Whilst the position for setting the budget is believed to be robust a full review will be carried out during 2024/25. |
| Further issues emerge as work continues to improve the quality of financial information. | The Council is still ‘in discovery’ with regards to its financial systems and the management reporting from them. Further improvements to regular budget monitoring and making management information more meaningful to budget managers and Members are part of the Finance IRP workstream for next financial year |
| Delivery of a balanced budget beyond 2024/25 | As well as the ongoing discussions with Government referenced in the first half of this s25 statement, longer term scenario planning will be carried out to ensure that the financial position beyond 2024/25 is well understand. Further work will be carried out to identify new savings measures to support balancing the budget and addressing future pressures and a full 3-5 year MTFS will be developed. |
| Overspends on the Capital Programme or on significant capital projects | The Capital Strategy developed supports essential expenditure only – either within the HRA, the council’s asset stock and the final works being carried out in VSWL and Thameswey Group of Companies. All projects will be being tightly monitored to ensure that overspends are not incurred. Any small amounts of spend for transformation to deliver future savings are subject to a robust business case and monitoring arrangements. The governance arrangements around commercial and capital decision making have been strengthened considerably. In previous years the Council did not have robust and regular |

General Fund Budget and Council Tax Setting 2024-25

| | |
|---|---|
| | reporting of its capital programme and this will be put in place next year alongside improved revenue budget monitoring The capital programme will be monitored monthly, with quarterly reports to Executive. There are already programme and risk management arrangements in place for individual projects, and this will be aggregated to support the management of risks across the programme, such as inflation risks. |
| Housing Revenue Account or HRA | |
| Expenditure is incorrectly charged to the HRA | Action is being taken to correct expenditure which has previously been incorrectly charged to the HRA (central recharges and a Thamesway fuel cell in Woking Park). This work is ongoing and should it be identified that material levels of expenditure have been mischarged to the HRA prior to the last set out audited accounts in 2028/19 a direction will be sought from Government to correct the position. |
| The capital programme overspends or is inadequate to meet regulatory requirements | The Council is under direction from the Regulator to ensure that statutory requirements relating to achieving Decent Homes Standards and statutory maintenance requirements with regards to fire risk assessments, damp and mould and adequate and timely repairs are being achieved. Estimated budgetary provision has been made for the works required and this will continue to be developed as more information becomes available. |
| Payment of balances outstanding from Thamesway Housing is not forthcoming | The planned payments are within the Thamesway Group of Companies business plan and should be forthcoming. A full review of the HRA and the preparation of the 30 year business plan are underway. A report with the updated Budget along with the Business Plan is due in the first quarter of 2024/25. |
| Capital Financing Costs and Debt Reduction | |
| Capital financing costs increase beyond that budgeted for | The budget provides for full suspension of the repayment of debt from VSWL and Thamesway. Work on the cashflows is being completed to inform the interest repayment measures that will be agreed for 2024/25. The cashflow and borrowing forecast provides for the capital strategy elsewhere on the agenda. Capital expenditure is tightly controlled, and further expenditure will only be approved in exceptional circumstances. The cashflow allows for the refinancing required during 2024/25 and associated increase in interest costs. It is assumed that MRP payments are suspended during 2024/25 (apart from those already budgeted for) in line with the first part of this report. The capital financing budget will be monitored each month and reported to Executive on a quarterly basis. |
| Interest rates rise increasing financing costs | This is deemed unlikely given the economic forecasts. The capital financing budget is based on current rates but and if PWLB rates increase it will put pressure on the budget position. However, there is some flexibility as the budget allows for full suspension of debt repayment from the companies. |
| | |

The Council has a corporate risk register that is reported to CLT on a quarterly basis as part of a wider corporate assurance framework.

General Fund Budget and Council Tax Setting 2024-25

It is the opinion of the Commissioners and CFO that any significant budget risks to the General Fund should have been identified and that suitable proposals are being put in place to mitigate against these risks where possible. The Council's budget monitoring procedures are improving and are designed to monitor high level risks and the delivery of financial savings. It is acknowledged that there is still further work to do in ensuring all the financial issues are discovered and resolved and any new issues identified will be reported as part of the IRP arrangements and it will be ensured that corrective action is identified.

It is the opinion of the Commissioners and CFO that considerable progress is being made on developing a sustainable HRA. Again, considerable work has been carried out to improve the quality of the financial information and monitoring arrangements.

The statutory requirement to have a 30-year sustainable business plan is not in place and this work is being carried out as part of the Housing workstream of the IRP.

Due to the levels of uncertainty around the HRA position a revised HRA budget and the 30-year business plan will be brought back to Executive and Council during 2024/25.

Debt Reduction and Capital Financing Costs

It is a condition of the Exceptional Financial Support that the Council does everything possible to reduce its levels of debt, in line with the EFS conditions and with the need to achieve best consideration.

The Asset Rationalisation and Debt Reduction Plans are due to be completed in the first quarter of 2024/25 and reported to Executive and Council. This is in line with government expectations and close working with officials will ensure there is a shared understanding of both what the plans need to cover and what is deliverable. The imperative to reduce debt levels, but to do so in such a way that maximises receipts whilst protecting the public purse and achieve best consideration, is well understood.

Good progress is being made on the development of the plan. The work is being closely monitored by the Improvement and Recovery Board. The first major asset sale has been achieved during 2023/24 and a pipeline for future receipts has been identified and is being delivered.

Adequacy of the proposed Financial Reserves

At the point the s114 was issued it was identified the historic issues including the lack of prudent MRP provision, capital loans made for revenue purposes and historic deficits meant the Council technically had no remaining reserves. Subsequent work has ensured:

- That statutory commitments including s106 and CIL payments are included in the cashflow so funding is available to meet commitments.
- Potential liabilities that would require an earmarked reserve – for example potential grant clawbacks, are understood.
- Historic reserves that were held have been reviewed to ensure clarity on where these have been held to meet specific commitments – such as the HS2 funding commitment, which will still need to be met.

The Capitalisation Directive includes provision to:

- Establish a General Fund Reserve, which is the only non-ring-fenced reserve of £5m to meet costs arising from any unplanned event.

General Fund Budget and Council Tax Setting 2024-25

- Establish earmarked reserves for the know risks outlined above. A reserves statement is included in this report but further work will be required to develop a Reserves Policy.

The measures that have been put in place have been risk assessed by the CFO and are felt to be reasonable and prudent in the circumstances the Council is facing. It is therefore considered that the assumptions on which the budget has been proposed, whilst challenging, are reasonable and can be sustained within the overall level of resources available. However, to the degree that the budget savings are not achieved in a timely manner or new issues are identified, further savings will need to be identified and implemented in order to ensure the Council's future financial stability is maintained.

Leadership and Governance

The Council's governance arrangements are set out in the [Annual Governance Statement](#) were reported to Audit Committee in November 2023. This report recognised that the AGS process needed to be improved and strengthened in future years, so the Governance workstream of the Improvement and Recovery Plan now includes this requirement for the 2024/25 process. Arrangements for revenue and capital budget planning, monitoring and delivery are believed to be robust. The Council complies with the requirements set out in the CIPFA Statement on the role of the Chief Finance Officer. The s151 duties lie with the CFO who reports directly to the Chief Executive, is a full member of the Corporate Leadership Team and fully involved in the Council's governance and decision-making processes.

Considerable steps have been taken to improve the general financial governance and 'client side' role in overseeing commercial activities. The work is all under the remit of the IRP and includes:

- The establishment of a Commercial Board, supported by a new Commercial protocol, shareholder governance and decision-making processes.
- A monthly cashflow monitoring and borrowing approval process.
- New arrangements to oversee capital and asset management.
- Revised monthly performance and financial monitoring arrangements and reporting
- A review of the constitution and Financial Regulations
- A review of the operation of the Councils committee structures

Assessment of value for money in the delivery of services

The council is starting to develop arrangements to ensure value for money is achieved and to be able to demonstrate this. During 2023/24 a detailed assessment of all services to identify areas for efficiency, and discretionary services which should be ceased or transferred to other public sector bodies to deliver has been carried out. A set of principles has been developed for the MTFP which will ensure discretionary services are self-financing and help secure future VfM.

It is also important that VfM is achieved in statutory service provision. Initial benchmarking has been carried out to inform budget decisions. A programme of service transformation is also underway to support channel shift and improve how the Council interacts with residents and businesses.

Arrangements to demonstrate VfM will be further developed during 2024/25.

Financial Management Code

The Financial Management Code (FM Code) sets out the standards of financial management expected for local authorities. The Code builds on the CIPFA Prudential and Treasury Management Codes which require local authorities to demonstrate the long-term financial sustainability of their capital expenditure, associated borrowing and investments. The FM Code was launched in 2019 with the first full year of compliance from 2021/22.

General Fund Budget and Council Tax Setting 2024-25

Demonstrating this compliance with the FM Code is a collective responsibility of elected members, the CFO and their professional colleagues in the leadership team. It is for all the Corporate Leadership Team to work with elected members in ensuring compliance with the FM Code and so demonstrate the standard of financial management to be expected of a local authority.

The FM Code applies a principle-based approach. The principles are:

- Organisational leadership – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
- Accountability – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
- Financial management is undertaken with transparency at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.
- Adherence to professional standards is promoted by the leadership team and is evidenced.
- Sources of assurance are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.

Section Three of the code is particularly important as it covers the need for a long-term approach to the evaluation of financial sustainability, recognising that short-termism runs counter to both sound financial management and sound governance. The following paragraphs set out the Financial Management standards in this area and how they apply to the Council.

Standard F - The authority has carried out a credible and transparent financial resilience assessment and standard G - The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members. – A considerable amount of work has been carried out to understand the budget position and to inform the request for EFS. The Council is not currently in a financially sustainable position but is taking all the steps possible to identify a sustainable revenue budget, to rationalise assets and reduce its debt levels and to secure the best exit possible from its commercial ventures. Discussions continue with government on how a sustainable budget can be set from 2025/26 and beyond.

Standard H - The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities - as detailed in the Capital and Treasury Management Strategies the Council is now working within the requirements of the Prudential Code.

Historically the MRP policy has not been prudent and MRP has not been made on the loans made to companies and neither has an amount for MRP been set aside to cover an amount for any expected credit loss calculated under IFRS9. The amounts required to correct the position both historically and on an ongoing basis have been calculated and a revised MRP policy is included as part of the suite of budget reports.

The Council is not in a position to make provision for MRP in line with the above and is relying on the draft guidance issued which states that 'for local authorities where the Government has made arrangements to intervene and has, or is in the process of, put in place financial support arrangement for the authority, that it may be appropriate to reflect the nature of any such financial support when determining a prudent level of MRP for the forthcoming financial year.' Agreement is in place with Government that this approach should be taken, and this is also reflected in the MRP Policy. As outlined in the first part of this report it has been concluded it is reasonable for the Council to take this approach.

The Investment Statement and Capital Strategy include information based on the proposed revenue and capital budgets, such as authorised and operational boundaries for debt and the maturity structure of the Council's borrowing as required by the Codes.

General Fund Budget and Council Tax Setting 2024-25

Standard 1 - The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans. It is recommended best practice that Local Authorities have a longer-term strategy for financial resilience and a multi-year financial plan.

The General Fund Budget and Council Tax setting report provides a budget for 2024/25. The underpinning work also sets out the likely position for 2025/26. Due to the exceptional circumstances the Council is facing it has not been possible to set out a longer term rolling MTFP. However, work is underway to ensure that the budget will be underpinned by a robust multi-year budget model. Discussions are also ongoing with Government on how the Council can achieve a more financially sustainable position. In addition, there is:

- A five-year Capital Strategy (and financing arrangements) focussed on essential spend only
- Work is progressing well on the development of a five year Asset Rationalisation Plan and Debt Reduction Strategy.
- Work has started to restate reserves including provision for known risks and an unringfenced General Fund Reserve which will inform the future Reserves Strategy.

The budget is underpinned by service plans to support the delivery of Woking for All and the MTFP and arrangements are being put in place for tracking the delivery of savings. Officers have satisfied themselves that the new savings and mitigations identified are deliverable and these will be monitored monthly and quarterly to Executive. The quarterly Integrated Performance Report aligns financial and operational performance.

Section Five requires that *'The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget'*. The priorities for the Borough are being reset due to the significant financial challenges faced and a new vision being developed which will inform Woking for All and the future MTFS. The budget savings put forward have been extensively consulted on with residents, businesses and partners as part of the two stage consultation outlined in the MTFS.

The second standard within this section is *'The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.'* As outlined earlier, the Council is putting in place measures to understand VFM analysis which includes benchmarking of outcomes and the principles developed. In addition, the governance and decision making processes for investment and funding decisions for the Council's capital programme requires a clear and detailed business case for any proposed investment, which must explain the benefits of the project to the organisation, both financial and otherwise, alongside the funding requirement. This allows Commissioners and senior officers and members to make decisions on proposals based on value for money and other concerns, for example statutory requirements.

Annual Statement of Accounts

Further work is required within the Council and with the external Auditors to achieve completion of the 2022/23 Final Accounts and progress on the audit of accounts outstanding since 2019/20. Discussions with the incoming auditors are very positive and continue with all relevant parties on how the position can be resolved.

Overall Conclusion

It is the opinion of the Commissioners and CFO that the budget reports are based on prudent and reasonable assessments of the position.

General Fund Budget and Council Tax Setting 2024-25

The position against the Financial Management Code, Prudential Code and Treasury Management Code has been set out. The Council is taking all possible steps to ensure compliance with the Codes.

It is acknowledged that the Council is still in 'Discovery mode' and any new issues identified will be reported as part of the IRP arrangements and it will be ensured that corrective action is identified. The assumptions on which the budget has been proposed, whilst challenging, are reasonable and can be sustained within the overall level of resources available including the EFS.

It is a condition of the Exceptional Financial Support that the Council does everything possible to reduce its levels of debt, in line with the EFS conditions and with the need to achieve best consideration and good progress is being made to ensure these requirements can be met.

Due to the levels of uncertainty around the HRA position a revised HRA budget and the 30 year business plan will be brought back to Executive and Council during 2024/25.

All of the above work is being closely monitored by the Improvement and Recovery Board which is now chaired by the Lead Commissioner.

Measures have been put in place and risk assessed by Commissioners and the CFO to restate a General Fund Reserve and some required earmarked reserves for known commitments and risks. These arrangements are felt to be reasonable and prudent in the circumstances the Council is facing.

Finally, the first part of this report has set out why it is believed to be reasonable to set a legal budget for 2024/25. This includes the fact:

- The capitalisation directive regularises/addresses the historic issues of loans for revenue purposes and budget deficits prior to 2024/25.
- The capitalisation directive provides access to funds for the local authority to be a going concern in 2024/25.
- Assurances have been received from government that enable the council to place reliance on the draft MRP guidance and that in any event, the MRP guidance is guidance and it is the Council's interpretation is that judgement has to be used and the approach taken is believed to be reasonable in the light of the ongoing discussions with government.
- Discussions with Government are ongoing and there is a commitment to reach a more sustainable solution that will provide assurance that a legal budget can be set for 2025/26 within the statutory timescales.

General Fund Budget and Council Tax Setting 2024-25

Equality Impact Assessment – Council Tax increase

| | |
|---|---|
| Officer responsible for completing EIA: Head of Resident Experience | Manager responsible for EIA: Head of Resident Experience |
| Strategic Director responsible for EIA: Strategic Director - Communities | Date last updated: 22 February 2024 |

1. Introduction

This Equality Impact Assessment (EIA) seeks to identify impacts and effect of this proposal with the aim of assessing whether it would have a disparate impact on persons with a protected characteristic under the Equality Act 2010. As part of this assessment, consideration will be given to ways in which any such impact can be avoided or mitigated, any negative impacts arising from this proposal will be assessed and where this could be reduced in their impact this will be noted in the attached action plan.

The Council also recognises that it may not completely remove all negative impacts.

The purpose is to provide impartial information to assist in the decision-making process and inform rather than determine policy. The objective is not to make the decision but to assist decision makers through the provision of relevant information. This Equality Impact Assessment seeks to identify the impacts and effects on local Council Taxpayers of a proposed increase of 10% (Woking element and to detail any mitigating actions that will be put into place to support those least able to pay.

The Council faces a critical financial shortfall owing to its historic investment strategy which has resulted in unaffordable borrowing, inadequate steps to repay that borrowing and high values of irrecoverable loans. To address these severe financial challenges the Council must make significant saving alongside taking steps to 'live within its means' in the future. The proposed Council Tax increase will support balancing the budget for 2024/25 and is considered appropriate and proportionate by the Government. The Secretary of State has agreed special measures to allow Woking Borough Council to increase its Council Tax element by 10%, without having a referendum, that would otherwise be required for an increase of that scale.

2. Impact on services:

The number of Council Tax properties across all Bands (A to H) is currently c.44,000. All will be impacted by the 10% increase of the Woking element.

Woking is a lower tier Council, consequently the 10% increase to the Woking Borough Council element equates to just over a 1% increase on the overall charge. [Woking Borough Council's element](#) currently accounts for 12% of the overall Council Tax charge. Surrey Police and Crime Commissioner accounts for 13% and Surrey County Council 75%.

General Fund Budget and Council Tax Setting 2024-25

Woking Brough Council's element for a band D property is £263.12. A 10% increase would represent a yearly increase of £26, equivalent to 50p per week, for households paying the full band D charge.

The current Council Tax Support Scheme provides help towards Council Tax bills for those on low incomes. Woking has a 100% Council Tax Support Scheme in place to protect the vulnerable. This supports over 3,600 households to both working age and pensioners.

Any increase in the Council Tax charge will result in relevant increases in the Council Tax Support award to claimants, thus negating the increases to these charge payers.

3. Engagement and consultation

The Council has carried out engagement on ensuring a balanced budget for the 2024/25 financial year.

The **first phase of the engagement** took place in **summer 2023**. Residents and businesses had the opportunity to have their say on how to tackle the budget shortfall. [Help shape the future of discretionary council services | Woking Community Forum](#) 10% of respondents supported an increase Council Tax for everyone.

General Fund Budget and Council Tax Setting 2024-25

| | | <i>Positive impact?</i> | | | Negative impact? | No specific impact | What will the impact be? If the impact is negative how can it be mitigated? (action) This section needs to be completed as evidence of what the positive impact is or what actions are being taken to mitigate any negative impacts |
|----------------------------|---------------------------------------|---------------------------------|-------------------------|-----------------------|-------------------------|---------------------------|---|
| | | <i>Eliminate discrimination</i> | <i>Advance equality</i> | <i>Good relations</i> | | | |
| Gender | Men | | | | | x | |
| | Women | | | | | x | Lone parents more likely to be women. If they are on low income, support will be provided via the Council Tax Support scheme. |
| Gender Reassignment | | | | | | x | |
| Race | White | | | | | x | No information is held on the ethnicity of households or those claiming support with Council Tax. However, there is unlikely to be any specific impact on this group. |
| | Mixed/Multiple ethnic groups | | | | | x | As above |
| | Asian/Asian British | | | | | x | As above |
| | Black/African/Caribbean/Black British | | | | | x | As above |
| | Gypsies / travellers | | | | | x | As above |
| | Other ethnic group | | | | | | x |

General Fund Budget and Council Tax Setting 2024-25

| | | | | | | |
|--------------------------|-----------------|--|--|--|--|--|
| <p>Disability</p> | <p>Physical</p> | | | | | <p>13.6 % of Woking residents are disabled (2021 Census) A significant proportion will not be working or be on a low income.</p> <p>Mitigations: A discretionary Hardship Relief Scheme already exists, which can reduce the amount of Council Tax that has to be paid by certain households, that have exhausted all other options. Payments can cover up to 100% of the bill, capped to a maximum equivalent of a band D charge.</p> <p>Woking Borough Council also has a Council Tax Support scheme that covers up to 100% of the Council Tax bill, for some households on low incomes. The scheme is means tested, with payments restricted to a maximum value of a band D charge for working age residents, who must be eligible to at least £5 per week. Other than being means tested, restrictions do not apply to pensioners.</p> <p>x You may qualify if you are:</p> <ul style="list-style-type: none"> • on Income Support, Jobseekers' Allowance, Employment and Support Allowance or Universal Credit • on Pension Credit, Guaranteed Credit and in some cases Savings Credit • working and on low pay (including people who are self-employed) • on a low income, for example, you might only get a retirement pension or be getting social security benefits, like Incapacity Benefit. <p>Discretionary Council Tax support can be considered, in exceptional circumstances, for households in need of additional support, to pay their Council Tax bills. To be eligible applicants must be in receipt of an award of Council Tax Support.</p> |
|--------------------------|-----------------|--|--|--|--|--|

General Fund Budget and Council Tax Setting 2024-25

| | | | | | | | |
|--|-----------------------|--|--|--|--|---|--|
| | | | | | | | <p>Assistance is available to individuals to enable them to claim support.</p> <ul style="list-style-type: none"> • A Visiting Officer is available for those most in need and unable to attend the Civic Offices. • WBC Customer Services provide guidance via phone and in person (e.g. assistance with completing forms is provided on an appointment basis). • Computers are available in WBC reception for people to use if they do not have access at home and support is available from customer services staff. • Advice and assistance on financial wellbeing and support is available from voluntary sector organisations, e.g. CAW, The Lighthouse and other faith-based organisations in Woking. • Referrals for support will be made to Social Prescribing Team if appropriate. <p>Appeals and revision processes are in place for decisions concerning Council Tax reductions Appeals and revisions Woking Borough Council</p> <p>The Council is proposing resourcing Citizens Advice Woking (CAW) to provide a Hardship Support Coordination package. See Action Plan below.</p> |
| | Sensory | | | | | x | As above |
| | Learning Difficulties | | | | | x | As above |
| | Mental Health | | | | | x | As above |

General Fund Budget and Council Tax Setting 2024-25

| | | Positive impact? | | | Negative impact? | No specific impact | <p align="center">What will the impact be? If the impact is negative how can it be mitigated? (action)</p> <p align="center">This section needs to be completed as evidence of what the positive impact is or what actions are being taken to mitigate any negative impacts</p> |
|---|----------------------------|--------------------------|------------------|----------------|------------------|--------------------|--|
| | | Eliminate discrimination | Advance equality | Good relations | | | |
| Sexual Orientation | Lesbian, gay men, bisexual | | | | | x | |
| Age | Older people (50+) | | | | | x | <p>16.5% of Woking residents are aged 65 and over. Approx 40% of those claiming Council Tax support are pensioners.</p> <p>Mitigation: As Above</p> |
| | Younger people (16 - 25) | | | | | x | <p>12% of children living in poverty (DWP, Dec 2022). 8.8% of households in Woking are lone parent household (2021 Census), who are more likely to have children living in poverty.</p> <p>Mitigation: As above</p> <p>Support for families with children is provided by the Council's family support services, Surrey County Council and local voluntary organisations such as Homestart Woking & Runnymede.</p> |
| Religion or Belief | Faith Groups | | | | | x | |
| Pregnancy & maternity | | | | | | x | |
| Marriage & Civil Partnership | | | | | | x | |

General Fund Budget and Council Tax Setting 2024-25

| | | | | | |
|---|-------------------------|--|---|---|---|
| <p>Socio-economic Background</p> | | | x | | <p>Approx 1,600 people aged 16 and over in Woking were unemployed in the year ending June 2023. This is a rate of 3.0%. (DWP).</p> <p>Approx 9,300 people or about 15.3% of the population aged 16 to 64 years in Woking were "economically inactive" in the year ending June 2023 (small sample so likely to be under representative). (DWP) In the 2021 Census the figure was 33.4%.</p> <p>Mitigation: As above</p> |
| <p>Carers</p> | | | | x | <p>8.3% of Woking residents are carers. (2021 Census).</p> <p>Mitigation: It will be as above for those on low income or in receipt of benefits.</p> |
| <p>Other identified groups</p> | <p>(Please specify)</p> | | | | <p>Non identified</p> |

ACTION PLAN:

| Actions identified from EIA | Target completion date | Responsible Officer | Comments |
|---|------------------------|----------------------------------|----------|
| It is suggested that the Council sets a budget of £25,000 for the Hardship Relief Scheme, to ensure payments are not excessive and are affordable. | 1 April 2024 | Head of Resident Experience | |
| It is suggested that the Council sets up a flexible hardship fund of £25,000 (replicating the Household Support Fund) to support wider hardship issues that may result from increased Council Tax payments. | 1 April 2024 | Head of Living Well | |
| Ensure information, support and advise is accessible to all. Customer Services provide support via telephone and face to face (e.g. appointments for completing forms) | 1 April 2024 | Head of Resident Experience | |
| <p>The Council is proposing resourcing Citizen's Advice Woking (CAW) to provide a Hardship Support Coordination package. The full details of the package are still being scoped, but high-level objectives are likely to include:</p> <ul style="list-style-type: none"> - Supporting volunteers from CAW to continue to provide advice services (related to debt, money management, employment etc) within their new business model. - Working with partners and community groups to identify and map the range of hardship support services available | 1 April 2024 | Strategic Director - Communities | |

| | | | |
|---|--|--|--|
| <p>across Woking, in order to produce a comprehensive directory.</p> <ul style="list-style-type: none">- Delivering an “Advice First Aid” approach to upskill volunteers within faith and community groups to expand knowledge locally of the range of services that customers can be signposted to.- Actively signposting clients to a range of providers of hardship support.- Facilitating a network of hardship support providers across Woking, bringing together the variety of voluntary, community and faith organisations, and ensuring that information is shared and voluntary capacity maximised.- Monitor the impacts of the increased Council tax and gaps in service provision, building community capacity where required. | | | |
|---|--|--|--|

COUNCIL TAX SETTING

Introduction

The Local Government Finance Act 1992 sets out the legislative powers for each billing authority to levy and collect Council Tax which shall be payable in respect of dwellings situated in its area.

The Council is required to set a balanced budget each year. The Local Government Finance Act 1992 (as amended by the Localism Act 2011) requires the Council to estimate revenue expenditure and income for the forthcoming year from all sources, together with government grant and contributions from reserves, in order to determine a net budget requirement to be met by government grant, Business Rates and Council Tax.

By virtue of its status as a billing authority, Woking Borough Council in accordance with Section 30 of the Local Government Finance Act 1992 is required to set amounts of council tax for each financial year for each category of dwellings in its area before 11 March in the preceding financial year.

Woking Borough Council Requirement 2024/25

The net general fund budget requirement¹ as set out in table 3 totals £176,250,641.

For 2024/25 a council tax increase of 10% has been applied.

The council tax requirement for 2024/25 is £12,229,980.

By reference to Band D level, the 2024/25 council tax would rise by £10.31 to £289.43. The range of council taxes will be [includes 2023/24 for comparison]:

| Band | 2023/24 Council Tax £ | 2024/25 Council Tax £ |
|-------------|--------------------------------------|--------------------------------------|
| A | 175.41 | 192.95 |
| B | 204.65 | 225.11 |
| C | 233.88 | 257.27 |
| D | 263.12 | 289.43 |
| E | 321.59 | 353.75 |
| F | 380.06 | 418.07 |
| G | 438.53 | 482.38 |
| H | 526.21 | 578.86 |

County Council and the Police & Crime Commissioner Requirements 2024/25

Surrey County Council have recommended a 4.99% increase (2.99% General Council Tax, plus 2.0% Adult Social Care (ASC) Precept), and Surrey Police and Crime Commissioner an increase of 4.19%.

At Band D council tax these are as follows:

| | |
|------------------------------------|-----------|
| Surrey County Council | £1,758.60 |
| Surrey Police & Crime Commissioner | £323.57 |

¹ Referenced as 'Amounts to be met from local taxation, government grants and reserves'

General Fund Budget and Council Tax Setting 2024-25

Total Council Tax 2024/25

The council tax requirements for all the authorities for 2024/25 is summarised as follows:

| | £ | % Share |
|------------------------------------|-----------------|----------------|
| Woking Borough Council | 289.43 | 12.20% |
| Surrey County Council | 1,758.60 | 74.15% |
| Surrey Police & Crime Commissioner | 323.57 | 13.64% |
| Total Band D Charge | 2,371.60 | 100.00% |

Formal Council Tax Recommendation 2024/25

That the following, as submitted, be approved

- 1) Acceptance that the Council Tax Base for 2024/25, as calculated in accordance with The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, to be 42,255.40

- 2) That the following amounts be calculated for the year 2024/25 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992 (the Act):
 - a) £263,275,427
Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act. *(This represents the gross expenditure)*
 - b) £251,045,447
Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act. *(This represents the gross income received by the Council including utilisation of reserves and the finance settlement).*
 - c) £12,229,980
Being the amount by which the aggregate at 2. a) above exceeds the aggregate at 2. b) above, calculated by the Council, in accordance with Section 31A(4) of the Act, as its council tax requirement for the year.
 - d) £289.43
Being the amount at 2. c) divided by the amount at 1. a) above, calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its council tax for the year.
 - e) £0
Being the aggregate amount of all special items referred to in Section 34(1) of the Act.
 - f) £289.43
Being the amount at 2. c) less the amount in 2. e) all divided by the amount at 1. a) above, calculated by the Council, in accordance with Section 31(1) of the Act, as the basic amount of its council tax for the year

General Fund Budget and Council Tax Setting 2024-25

g) Woking Borough Council

| | | | |
|----------|----------|----------|----------|
| A | B | C | D |
| £192.95 | £225.11 | 257.27 | 289.43 |
| E | F | G | H |
| £353.75 | £418.07 | 482.38 | 578.86 |

being the amounts given by multiplying the amount at 2. f) above by the number which, in proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular band divided by the number which in proportion is applicable to dwellings listed in Valuation Band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken for the year in respect of categories of dwellings listed in different bands.

- 3) Surrey County Council have stated the following amounts in precepts issued to the Council, in accordance with the dwelling bandings shown below:

| | | | |
|-----------|-----------|-----------|-----------|
| A | B | C | D |
| £1,172.40 | £1,367.80 | £1,563.20 | £1,758.60 |
| E | F | G | H |
| £2,149.40 | £2,540.20 | £2,931.00 | £3,517.20 |

- 4) Surrey Police and Crime Commissioner have stated the following amounts in precepts issued to the Council, in accordance with the dwelling bandings shown below:

| | | | |
|----------|----------|----------|----------|
| A | B | C | D |
| £215.71 | £251.67 | £287.62 | £323.57 |
| E | F | G | H |
| £395.47 | £467.38 | £539.28 | £647.14 |

- 5) That, having calculated the aggregate in each case of the amounts at 2. g), 3 and 4 above, the Council, in accordance with Sections 30(2) of the Local Government Finance Act 1992, hereby sets the following as the amounts of Council Tax for the year 2024/25, in accordance with the dwelling bandings shown below:

| | | | |
|-----------|-----------|-----------|-----------|
| A | B | C | D |
| £1,581.06 | £1,844.58 | £2,108.09 | £2,371.60 |
| E | F | G | H |
| £2,898.62 | £3,425.65 | £3,952.66 | £4,743.20 |

SERVICE BUDGETS

A PDF copy of the Service Budgets is attached separately.