

FINANCE WORKING GROUP UPDATE

Executive Summary

Since the last meeting of the Overview and Scrutiny Committee on 16 October 2023, two meetings of the Finance Working Group have been held.

In addition, a workshop took place on 26 September 2023 at which it was agreed that fortnightly meetings of the Working Group be held until budget setting in February 2024 and identified the services provided by the Council whereby it would be beneficial for Members to receive further financial information at these meetings.

Meeting held on 19 October 2023

The main item of business was to receive the business case of options for Pool in the Park. Steve May, Leisure Services Manager, attended the meeting for this item.

The expected outturn for the Pool in the Park in 2023/24 shows a reduced subsidy of £760,000 including £314,000 of costs in loan repayments for historic improvements mostly related to energy, due to better utility rates, increased usage and some operational changes such as health suite closure and pool temperature reduction.

Since the public consultation, work undertaken to establish the costs of closure has identified significant demolition costs, alongside the repayment of the aforementioned loan. In addition, a 'desktop' dilapidation survey has been carried out by Building Services which sets out circa £2.6m of replacement and refurbishment costs over the next five years, which requires further investigation. Some of the electrical works highlighted by the dilapidation survey could be significant and required as essential health and safety work.

The report contained a summary of options table which set out income, expenditure and subsidy for the next five years:

- (1) complete closure (which would require a Council subsidy over the five years of £6.087m including repayment of a 16-year loan of £2.32m);
- (2) increase fees and charges significantly (subsidy over five years of £3,119m);
- (3) phased closure (subsidy over five years of £6.687m including repayment of the then 11-year loan of £1.485m); and
- (4) stay open with fees and charges increasing by inflation only (subsidy over five years of £4.619m).

It was requested that consideration be given by officers to an 'option 5' for Freedom Leisure to review the Council's entire leisure portfolio with the aim of minimising its annual subsidy. The portfolio included the Pool in the Park, Leisure Centre, Eastwood Centre, Sportsbox and 13 sports pavilions / associated pitches. It was noted that it was unlikely that the review would result in sufficient income being generated to cover the long-term dilapidation of the Pool in the Park building in the future. However, the option could enable the Pool in the Park to avoid closure and therefore enable residents to continue using the facility, although it would likely include the cessation of discounted bookings and priority bookings for the 16 local groups supporting disabled or vulnerable users.

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Steve May had held a community meeting the previous day with some user groups which received discounts and, following an explanation of the current situation, they had been supportive of price increases.

It was agreed that following discussion, and the consultation which had taken place with discounted user groups, an update on 'option 5' of asking Freedom Leisure to review the leisure portfolio as a whole should be explored. Option 5 is expected to be received at the Finance Working Group meeting on 14 November 2023 and the Overview and Scrutiny Committee will receive an update at its next meeting.

The next item on the agenda was to receive a Savings versus Social Impact diagram for each of the Council's services under review, with the items being focused on for potential further work by the Group were rated as 'high' under both categories: Closure of Public Toilets (estimated saving of £203,000), Leisure Services (£900,000), Removal of Grants (£686,000), Business Liaison (£313,000), Neighbourhood Services (£1,000,000), Customer Services (£291,000) and Self-Funded Community Centres (£353,000).

The Working Group also discussed the development of a more simplified version of the Council's revenue account and a draft budget timetable.

Meeting held on 31 October 2023

The Working Group received a draft Executive report which provided a summary of the Companies' Governance Framework and the two business cases submitted for DLUHC in respect of Victoria Square Woking Limited (VSWL) and the ThamesWey group of companies.

The Companies' Governance Framework includes a comprehensive set of requirements for all companies in which the Council has an interest, based on the UK Corporate Governance Code. It states how the Council will interact with the companies as client and shareholder, for example the process for developing and agreeing business plans alongside a reporting framework.

The business cases for both VSWL and the ThamesWey group set out the reasoning why it would be in the broader interests of the public purse for DLUHC to lend further funds to the Council so that these companies can avoid further impairment of assets owned.

Michael Hainge and Ian Edward attended the meeting from Ethical Commercial, which had been engaged by the Council to improve the company governance arrangements and develop business cases for several of the Council's companies.

The Working Group expressed concern over officers being appointed to the subsidiary Boards and it was noted that the Council's Head of Transformation, Digital and Customer Service continued to sit on the boards of ThamesWey companies for now to ensure they remained quorate. The Director of Corporate Services remained on the Boards of several smaller companies.

It was noted that the subsidiary companies existed as separate entities from the Council and the shareholder's interests should not be expressed by representation on the Boards. To ensure that the company was pursuing the interests for the Council, approval of the company's business plans was reserved to the Council. Additionally, it is important that the Council regularly reviewed not only the composition of each company's Board with the relevant Chair but also their strategic objectives in line with the Council's corporate objectives. Being a company's lender would not confer any special power over the company. The Boards themselves are responsible for ensuring that the business plan was being delivered, which required them to be composed of individuals with a broad range of skills and experiences.

The process by which the business cases had been developed included seeking legal advice as necessary and had been overseen by Ethical Commercial and the Council's statutory officers. The

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Business Cases would be presented by the Commissioners to DLUHC which would liaise with the Treasury.

In both business cases the non-provision of further investment would lead to further devaluation of the assets. Disposing parts of the commercial estate would reduce the Council's income and there was a balance to strike between the size of the estate and revenue generation.

Regarding the VSWL Business Case, it was requested that an addendum be added to the Executive report stating that disposing of the asset would not be sufficient to repay the money borrowed for the construction. The interest payments paid by the company had been deferred by the Council due to the company being unable to pay them and therefore avoid the administration process. Concern was expressed over the sale of the asset to the private sector meeting the best value case that local authorities were required to meet.

Regarding the ThamesWey Business Case, It was noted that the Red, Copper and Yellow phases of the Sheerwater Regeneration had been built at loss as the scheme had been designed to deliver social and affordable housing first, with subsequent phases providing returns to fund the earlier phases. The sale of any of the company's assets should aim to achieve best value for the Council.

At the meeting the Working Group also received an update on the development of the Council's Debt Reduction Plan.

Future Meetings – Work Programme

The items to be considered at the next few meetings are as follows:

14 November 2023

- Fees and Charges report (at Executive in November)
- Treasury Management Mid-Year review (at Overview & Scrutiny Committee in November)
- Debt reduction plan

28 November 2023

- Pool in the Park update on option 5
- Further service area analysis/business cases
 - Community Grants
 - Community Centres
- Debt reduction plan

Items to be allocated to meetings on 14 December / 4 January

- Debt reduction plan/disposals
- Cost and income of Commercial estate
 - operational analysis and also to inform
 - disposal strategy for debt reduction
- Further service area analysis
 - Neighbourhood services (likely 4 January)
 - Other areas TBA

Recommendations

The Committee is requested to:

RESOLVE That the report be noted.

The Committee has the authority to determine the recommendation(s) set out above.

Background Papers: None.

Reporting Person: Councillor Tahir Aziz
Email: cllrtaahir.aziz@woking.gov.uk

Contact Person: Councillor Tahir Aziz
Email: cllrtaahir.aziz@woking.gov.uk

Portfolio Holder: Councillor Dale Roberts
Email: cllrdale.roberts@woking.gov.uk

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