

## **MEDIUM TERM FINANCIAL STRATEGY (MTFS)**

### **Report of the Section 151 Officer**

#### **Executive Summary**

This report presents the updated Medium Term Financial Strategy ('MTFS') for the period 2023/24 to 2025/26. This document incorporates an update on initiatives cited as needing further work in the Budget report to Council on 23 February 2023 and - moving forward - sets out for Members a timetable with clear milestones for a further update of the MTFS in July 2023.

Following the July update a revised forecast will be available on which to gauge further steps on the Council's journey to resolving the financial challenges which were set down in the recent Budget report and this will include a review by the Section 151 Officer to set down how the prospects for issuance of a Section 114 Notice are to be understood over the ensuing period.

For purposes of this present update, the economic picture set out in the Budget report received by Full Council on 23 February 2023 is unchanged.

With regard to financial challenges that lie ahead the Council is already committed to a suite of headline initiatives in order to pursue financial resilience and to constrain expenditure within the Budget totals in 2023/24 and the forecasts in years thereafter.

These initiatives are explained in the report and the associated reporting timetable is set down in the Timetable at Appendix 2.

These initiatives include:

- a. Restrictions on expenditure.
- b. The maximisation of the Flexible Use of Capital Receipts.
- c. Delivery of the recommendations from stakeholder reports including those by Surrey County Council and that led by the Panel which is set to report to the Department of Levelling Up Housing and Communities (DLUHC) on the financial affairs of the Council.
- d. Progression and delivery of the Fit for the Future Programme (FFtF) which is designed to reduce the cost base of the Council through a systematic and cohesive approach to cost reduction.
- e. Further reductions to the non-statutory service costs currently incurred by the Council.

That said, the Executive needs to be aware that further cost reductions will need to be taken over and above the initiatives already adopted in setting the 2023/24 Budget. This is because the Budget shortfall for 2024/25 is currently forecast as £9.5m.

Accordingly, it would be reasonable and proportionate to expect that initiatives to further constrain both revenue and capital expenditure streams will be brought forward as part of the process of balancing the budget in 2024/25. Further, there may be opportunities to take some savings early in financial year 2023/24 thus returning additional savings to the Council. This report discusses the general prospects for the character of the next set of reductions although proposals for taking such savings are not made at this juncture.

## Medium Term Financial Strategy (MTFS)

In addition to the *usual business* (described above) of seeking to ensure that the activities of the Council (in their financial impact) reflect the resources available from available funding sources there are further and compelling risks that the Council will need to investigate and if necessary seek solutions to address.

These have sometimes been referred to within the Council as issues relating to the 'Minimum Revenue Provision' a requirement that the Council must set aside on an annual basis sufficient resources to constrain the overall cost of borrowing within the affordability measures set down in the *Prudential Code*. The Code is the framework within which Councils are required to set financial targets to ensure that the cost of borrowing at a strategic level remains affordable in relation to those available funding sources.

The term 'Minimum Revenue Provision' (MRP) embraces three classes of issues which may result in very significant costs flowing through to the Council's financial bottom line. It is these three areas which comprise the greater part of the financial risks which - as referred in the recent Budget report to Council - place the Council 'in the Section 114 area'. As explained in this report the risk of a S114 Notice also exists from a 'business as usual' perspective in balancing the annual budget; these additional issues are:

- a. The extent, if any, to which assets (generally investment assets) acquired by the Council for purposes of investment have reduced in value compared with the carrying value in the Council's balance sheet.
- b. The extent to which the Council has applied the Minimum Revenue Provision policy appropriately to all asset classes for which this is needed (chiefly assets held for regeneration purposes) in the Council's financial statements; and
- c. The extent to which loans made – principally to companies in which the Council has a financial and/or controlling interest - have been suitably reviewed to provide assurance that risks of default have been properly gauged and appropriate adjustments made to the financial statements of the Council.

All of these strands are currently the subject of detailed technical work which is being commissioned at the present time by specialists in the field. The resulting advice and the actions that the Council proposes to take (if any are needed) will form part of the July 2023 update to the MTFS.

### Other Financial Matters

The Executive and Council are asked to approve two matters relating to the Thamesway Group. These are (i) a request from the gas supplier to Thamesway Central Milton Keynes Limited that the Council will act as guarantor for the Company's liabilities under a gas supply contract and (ii) a recommendation that the Council's future loans to Thamesway Central Milton Keynes Limited are supplied without margin. This means that the financial burden on the company would be moderated.

### The Flexible Use of Capital Receipts

The Council needs to make use of the facility afforded by Government to apply capital receipts to fund transformational activities that would otherwise be funded from other sources in the Revenue Budget. The Executive is asked to recommend such an approach to Council as part of the 2023/24 Revenue Budget and delegates approval and dispatch of same to the Strategic Director - Corporate Resources, in consultation with the Finance Portfolio Holder.

## Recommendations

The Executive is requested to:

### **RESOLVE That**

- (i) the approach set out in this report for commencement of the process to balance budget year 2024/25 be noted; and

### **RECOMMEND TO COUNCIL That**

- (ii) the latest iteration of the Medium Term Financial Strategy be approved;
- (iii) approval of the proposed Flexible Use of Capital Receipts in 2023/24 and submission of a plan to DLUHC be delegated to the Strategic Director – Corporate Resources, in consultation with the Finance Portfolio Holder;
- (iv) the Parent Company Guarantee (PCG) be extended by delegation to the Section 151 Officer, in consultation with the Finance Portfolio Holder, for the provision of Gas to Thamesway Central Milton Keynes Ltd (TCMK); and
- (v) from 1 April 2023 loans advanced to Thamesway Central Milton Keynes Ltd. (TCMK) to be at the relevant PWLB interest rate with no margin be approved.

## Reasons for Decision

Reason: The decision is sought to ensure open and transparent governance in the financial affairs of the Council in balancing the 2024/25 Budget and the achievement of attaining financial resilience and to comply with the process for Flexible Use of Capital Receipts as determined by Government. In addition, to enable Thamesway Central Milton Keynes Limited to acquire energy for onward sale and moderate the cost burden sustained by Thamesway Central Milton Keynes Limited in its business operations

The Executive has authority to determine recommendation (i) above, (ii) to (v) will need to be dealt with by way of a recommendation to Council.
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## Medium Term Financial Strategy (MTFS)

<b>Background Papers:</b>	<a href="#">Budget Report agreed by Council on 23 February 2023</a>
<b>Reporting Person:</b>	Brendan Arnold, Interim Finance Director & Section 151 Officer Email: <a href="mailto:brendan.arnold@woking.gov.uk">brendan.arnold@woking.gov.uk</a> , Extn: 3792
<b>Contact Person:</b>	Brendan Arnold, Interim Finance Director & Section 151 Officer Email: <a href="mailto:brendan.arnold@woking.gov.uk">brendan.arnold@woking.gov.uk</a> , Extn: 3792
<b>Portfolio Holder:</b>	Councillor Dale Roberts Email: <a href="mailto:cllrdaledale.roberts@woking.gov.uk">cllrdaledale.roberts@woking.gov.uk</a>
<b>Shadow Portfolio Holder:</b>	Councillor Kevin Davis Email: <a href="mailto:cllrkevin.davis@woking.gov.uk">cllrkevin.davis@woking.gov.uk</a>
<b>Date Published:</b>	15 March 2023

### 1.0 Introduction

- 1.1 On 23 February 2023 Full Council approved the Council Budget for 2023/24. The balancing of the Budget on this occasion was challenging for the Council because of the ongoing behavioural and economic impacts of the Pandemic which for Woking Borough Council were manifest through (i) additional cost pressures driven by levels of inflation in the national economy (ii) reduced parking revenues and (iii) higher than expected costs of borrowing.
- 1.2 These factors were important locally and continue to be so. This is because following the Council's decisions in earlier years to invest heavily in parking, retail and commercial assets in the Borough the Council has become more than usually dependent on the receipt of parking and commercial rental income to offset the inevitable debt service costs that resulted.
- 1.3 In the Budget Report prepared by the former Director of Finance and endorsed by the Council's Corporate Leadership Team and subsequently by Full Council on 23 February 2023 the challenges involved in balancing the Budget were neatly and appropriately summarised as follows (See Agenda Item 6a for that Meeting):

*"At a headline level the Council is able to set a balanced budget for 2023/24 with the use of £8.3m one off reserves and has made arrangements:*

- *To operate a cost control framework and discipline.*
- *To establish further savings over the MTFS period through developing a minimum viable position for all services.*
- *To comprehensively track savings and establish full financial variance monitoring in a timely way.*
- *For a Fit for the Future programme that has to balance implementing a strong programme discipline for delivery critical savings plans alongside establishing the future state of the Council.*
- *For reviewing the prudent position on the amounts set aside for debt.*
- *To stabilise reserves.*
- *To review company business plans and investments.*

*It is not evident at this stage, however, how the Council will establish a balanced budget for 2024/25 and the MTFS period. The Council is in the territory of S114 but as of the date of this report [i.e. 23 February 2023] a S114 Notice is not required. This report however may lead to the issuing of a S114 Notice in 2023/24 as work on the 2024/25 budget progresses."*

- 1.4 Henceforward the bullet points set out above will be referred to as 'the Principles'. They will be extended and delivered through a range of initiatives that are referred to later in this report.
- 1.5 On the day, having considered these matters, Council approved on 23 February a Budget for 2023/24 and - alongside a portfolio of savings - agreed a Council Tax increase of 2.99% in order to achieve a balanced position in that year. The approved Budget appears at Appendix 1 to this report.

### 2.0 Future Reporting

- 2.1 Progress in delivering and improving (i.e. demonstrating the ability to balance) the Medium Term Financial Plan will be reported periodically to the Executive, to the Finance Task Group and to Full Council. The timetable for this reporting appears at Appendix 2 to this report.
- 2.2 The workstreams referred to above in paragraph 1.3 of this report have either commenced or are commencing. The next report on the MTFS will be presented in the July reporting cycle and the Meeting of Council on 20th July 2023.

### 3.0 Balancing the Budget 2024/25

3.1 At the date of this report the Budget shortfall in 2024/25 is £9.5m. This is shown in Table 1 below and a more detailed statement appears at Appendix 3:

Table 1: The MTFS 2023/24 to 2025/26

Column	(A)	(B)	(C)
Budget	2023/24 £'000	2024/25 £'000	2025/26 £'000
Service Expenditure	44,015	45,881	48,208
Total Fees and Charges and other Income	-38,295	-39,342	-39,542
Savings (2024/25 onwards)	0	-1,448	-1,639
Financing Costs	62,036	64,894	66,135
Interest and Investment Income	-43,281	-45,788	-47,647
Net Expenditure	24,475	24,197	25,515
Funded by:			
NNDR	-3,280	-2,682	-2,682
Council Tax	-11,448	-11,628	-11,941
Government Grants	-1,400	-410	-410
Reserves	-8,347	0	0
Total Funding	-24,475	-14,720	-15,033
Shortfall(+)/Surplus(-) for 'Business As Usual'	0	9,477	10,482
Impact of the MRP issues:			
Impairment of Investment Asset Values	To be ascertained	To be ascertained	To be ascertained
Application of the MRP policy to relevant Asset Classes	To be ascertained	To be ascertained	To be ascertained
Provision for Impairment of Debt	To be ascertained	To be ascertained	To be ascertained
Shortfall (+)/Surplus(-) for All Adjustments	To be ascertained	To be ascertained	To be ascertained

### 4.0 Points to Note

- 4.1 It should be noted that if the shortfall at the bottom of Column (A) is balanced successfully that adjustment has a commensurate beneficial impact on the shortfalls in the following years.
- 4.2 The Council needs to make use of the facility agreed by DLUHC to allow local authorities to use specified capital receipts flexibly to fund transformational expenditure in 2023/24. The Plan – amounting to £3.5m of such expenditure – appears at Appendix 7 to this report and approval is sought from the Executive and Council to submit the Plan to DLUHC in line with the guidelines as they are presently understood.
- 4.3 The above Table refers only to the General Fund which is used to provide all services outside of the Housing Revenue Account. The Housing Revenue Account has separate financial challenges which will be the subject of a separate report looking forward.
- 4.4 As rehearsed earlier in this report the Council needs to ensure that it takes all possible steps to balance the 'Business As Usual' shortfalls in the General Fund in order to ensure that the Budget can be balanced lawfully in 2024/25 and thereafter. Should this not prove possible then it is possible that a S114 Notice may need to be issued on the journey. At the present time a S114 Notice has not been laid although as referred in the Budget Report presented to Council on 23 February 'the Council is in the territory of S114'; this remains the case at the date of this report.
- 4.5 If the review of the Council's MRP issues indicates after consideration that further charges are attributable to the Revenue Budget, it is difficult to imagine that such additional charges will be affordable. In this case and for the avoidance of doubt it is likely (a) that a S114 Notice would need to be issued and (b) that the Council would need to seek financial support from the Department of Levelling Up Housing and Communities (DLUHC). At the present time, the existence of such additional charges has not been confirmed and such support has not been sought. As referred above 'the Council is in the territory of S114' on this issue also.

### 5.0 Future Savings

- 5.1 The Council needs to be aware that in delivering its statutory duty to set a lawful Budget in 2024/24 there will be very little, if any, choice in terms of making savings to non-statutory services and that in most cases these decisions will be very challenging to make. Nonetheless, if the Council is to fulfil its statutory obligations as it must, these future decisions cannot be avoided.
- 5.2 Where services are regarded as 'statutory' there are likely to be choices around the specification to which services are delivered and this may result in additional cost savings.

### 6.0 The Principles

- 6.1 Paragraphs 1.3 and 1.4 of this report refer to 'the Principles' which the Council is now seeking to explore and deliver to inform balancing the 2024/25 Budget. The paragraphs below in Table 2 describe how work is proceeding to deliver the specified information. Three further Principles have been added to the suite to cover (a) the work needed on MRP, (b) the possible implementation of recommendations flowing from reports prepared by External Stakeholders and (c) constraining and/or deferring the scope and value of the Capital Programme; making Ten Principles overall.

## Medium Term Financial Strategy (MTFS)

Table 2: the Ten Principles

Principle	Topic	Delivery
No. 1	<i>To operate a cost control framework and discipline</i>	-Recruitment freeze (except positions critical to balancing the Budget) -Restrictions on agency staff -Eliminate non-essential expenditure - Controls on ordering
No. 2	<i>To establish further savings over the MTFS period through developing a minimum viable position for all services.</i>	-Fit for the Future Programme Rounds 1 & 2 -Flexible Use of Capital Receipts (FCR) -Fit for the Future Programme Round 3 to bring forward additional savings
No. 3	<i>To comprehensively track savings and establish full financial variance monitoring in a timely way.</i>	-Implementation and ongoing monitoring of the Working Benefits Dashboard (BensDB)
No. 4	<i>For a Fit for the Future programme that has to balance implementing a strong programme discipline for delivery critical savings plans alongside establishing the future state of the Council.</i>	-The Fit for the Future Programme (FFtF) - Reviews into Asset and Property Management; Commissioning & Procurement; Service Re-designs & Channel Shift; Organisational Design; Partnership & Inward Investment
No. 5	<i>For reviewing the prudent position on the amounts set aside for debt.</i>	-Specialist advice and decision of the Section 151 Officer
No. 6	<i>To stabilise reserves</i>	-Review of present balances to restrict deployment moving forward
No. 7	<i>To review company business plans and investments.</i>	-Start date to be confirmed. -Linked to Principle 10 - Review of Sheerwater proposals to be reported to Council in July cycle
No. 8 (New)	<i>To obtain advice on the Impairment of Loans</i>	-External advice and internal consideration of that advice when received
No. 9 (New)	<i>To consider implementation of the recommendations of reports and schema recommended by External Stakeholders</i>	-see the Surrey County Council report -see the CIPFA VFM Toolkit - the CIPFA Financial Resilience Model
No. 10 (New)	<i>To consider constraining and/or deferring the scope and value of the Capital Programme</i>	-Start date to be confirmed

## 7.0 The Principles: Progress and Timelines

7.1 The current progress and expected timelines for delivery of the initiatives underpinning the Ten Principles are set out at Appendix 4.

## 8.0 Conclusions

8.1 This report concludes as follows:

- i. The Council faces significant financial challenges in balancing 2024/25 in relation to 'Business as Usual' pressures and issues; these will be challenging to overcome and the attainment of a balanced Budget in 2024/25 will require further savings over and above those already taken.



## **Medium Term Financial Strategy (MTFS)**

- ii. Further, the Council faces the prospect of expensing further items (MRP) to its Medium Term Financial Plan; if necessary, these charges will not be able to be accommodated within the forecast funding available to the Council and there is the compelling prospect that a S114 Notice may be needed and that reference will need to be made for financial assistance to Government. However, at the date of this report specialist advice is being obtained to clarify the position.
- iii. The Ten Principles have been established to allow the Council to proceed on its journey to balance 2024/25 and ensuing years in a coherent fashion. The Principles and the initiatives delivering and supporting them have been set down in this report.
- iv. The Reporting Timetable for reporting to the Overview and Scrutiny Finance Task Group, to the Executive and to Council has been set down in this report.
- v. The next report on the MTFS will be presented in the July Committee cycle.

### **9.0 Corporate Strategy**

- 9.1 The MTFS sets out the resources available to support the Woking for All Strategy. The priorities within the Strategy will be reviewed to reflect available resources and an update provided for the Executive in July 2023.

### **10.0 Implications**

#### Finance and Risk

- 10.1 The financial implications and risks are explicit in this report. The MTFS includes an assessment of the likely financial forecast and the report comments on the actions which will need to be taken to mitigate these and establish a sustainable budget position.

#### Equalities and Human Resources

- 10.2 There are no specific human resources or equalities implications resulting from this report.

#### Legal

- 10.3 Section 151 of the Local Government Act 1972 places a general duty on local authorities to make arrangements for 'the proper administration of their financial affairs'. The Local Government Act 2003 places a duty on the Council's Chief Finance Officer to advise on the robustness of the proposed budget and the adequacy of reserves.
- 10.4 The MTFS is a fundamental element of the Council's strategic financial management arrangements. The MTFS is a policy framework document that is required by law to be adopted by Council.
- 10.5 The Council is required by statute to set a balanced budget. Members have a duty to seek to ensure that the Council acts lawfully. They are under an obligation to produce a balanced budget. Members must not come to a decision which no reasonable authority could come to; balancing the nature, quality, and level of services which they consider should be provided against the costs of providing such services.
- 10.6 The MTFS ought to be consistent with the Council's work plans and strategies, particularly the Corporate Strategy.
- 10.7 The Council is required to obtain approval by Full Council of its MTFS.

## **Medium Term Financial Strategy (MTFS)**

- 10.8 If the Finance Director considers that the Council is unable to set or maintain a balanced budget, after all routes have been explored, then she is under a statutory duty to make a Section 114 report.
- 10.9 Section 114 (3) Local Government Finance Act 1988, states that: “The chief finance officer of a relevant authority shall make a report under this section if it appears to him 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”.

### **11.0 Engagement and Consultation**

- 11.1 The 2023/24 budget was prepared to incorporate the savings and efficiencies identified through the two programmes of budget savings completed during 2021 and 2022. As set out in this report further savings will be required. An update to the MTFS recognising, where appropriate, financial constraints will be prepared for July 2023. Where service changes are required to deliver savings the necessary engagement and consultation will be undertaken.

REPORT ENDS

## Medium Term Financial Strategy (MTFS)

### List of Appendices

1	The Approved Budget 2023/24
2	Reporting Timetable
3	The MTFS 2023/24 to 2026/27
4	The Ten Principles: Delivery & Timelines
5	Outline of the Fit For the Future Programme
6	Fit for the Future 2 Savings (as approved by Council 23 February 2023)
7	Flexible Use of Capital Receipts: Outline

**GENERAL FUND SUMMARY**

	ESTIMATE 2022/23 £	ESTIMATE 2023/24 £
<b>TOTAL PROGRAMME REQUIREMENTS</b>	4,046,406	8,872,205
Provision for lost income due to Covid-19 (2022/23 only)	1,818,000	
MTFS savings requirement	-100,000	
<b>PROGRAMME REQUIREMENTS AND SAVINGS TARGETS</b>	5,764,406	8,872,205
Management of Change	250,000	250,000
Risk Contingency	250,000	250,000
PFI Unitary Charge and management	175,000	175,000
Investment Programme items funded from revenue	134,000	120,000
<b>NET COST OF SERVICES</b>	6,573,406	9,667,205
<b><u>INTEREST AND OTHER ITEMS</u></b>		
- Interest costs	55,520,055	62,036,006
- Interest and Investment Income	-38,503,475	-43,281,301
<b>NET OPERATING EXPENDITURE</b>	23,589,986	28,421,910
<b><u>USE OF RESERVES/BALANCES</u></b>		
- Net Use of Revenue Reserves	-4,033,535	-8,346,609
- Contribution from Wolsey Place reserve	-1,003,347	
- Contribution from Capital Reserves (Depreciation)	-4,006,238	-3,947,271
- Contribution from Reserves - Management of Change	-250,000	
- Contribution from Reserves - IP items funded from revenue	-134,000	
<b>AMOUNTS TO BE MET FROM LOCAL TAXATION AND GOVERNMENT GRANTS</b>	14,162,866	16,128,030
<b>EXTERNAL FINANCE - SETTLEMENT FUNDING ASSESSMENT</b>	-2,134,965	-2,214,507
- Revenue Support Grant	0	-92,845
- Lower Tier Services Grant	-95,753	0
- Services Grant (New 2022/23)	-147,156	-86,333
New Homes Bonus	-230,905	-1,221,134
Business Rates Surrey Pool	-935,000	-1,065,000
<b>PRECEPT ON COLLECTION FUND</b>	10,619,087	11,448,211
<b><u>FORECAST COUNCIL TAX LEVEL</u></b>		
Precept on Collection Fund (from above)	10,619,087	11,448,211
Working share of Collection Fund Surplus(-)/Deficit	-80,527	-304,284
Working share of 2020/21 Collection Fund Deficit	68,041	68,041
	10,606,601	11,211,968
Council Tax Taxbase	41,519	42,611
Council Tax Requirement (£)	£255.46	<b>£263.12</b>
<b>Year on year increase (£)</b>	<b>£5.00</b>	<b>£7.66</b>
<b>Year on year increase (%)</b>	<b>2.00%</b>	<b>3.00%</b>

## Medium Term Financial Strategy (MTFS)

### The Reporting Timetable for the MTFS

### Appendix 2

Meeting	July Update	September Update
Overview & Scrutiny Finance Task Group	5 July 2023	27 September 2023
The Executive	13 July 2023	5 October 2023
Full Council	20 July 2023	12 October 2023

## Medium Term Financial Strategy (MTFS)

The MTFS 2023/24 to 2025/26

Appendix 3

	2023/24 £'000	2024/25 £'000	2025/26 £'000
1 Total Service Budgets	8,872	8,872	8,872
Less: Depreciation	-3,947	-3,947	-3,947
2 Management of Change	250	250	250
3 Risk Contingency	250	250	250
4 PFI Unitary Charge	175	175	175
5 Investment Programme Revenue Projects	120	120	120
6 Interest Costs and MRP	62,036	64,894	66,135
7 Interest and Investment Income	-43,281	-45,788	-47,647
	24,475	24,826	24,208
Provision to meet future cost increases			
8 Contractual Inflation	-	1,066	1,527
9 Pay Inflation	-	800	1,200
11 Car Park Management Fee	-	-	1,466
	0	1,866	4,193
Fit for the Future and Income			
12 Increase in Parking Income		-1,047	-1,247
13 FFF1 (Autumn 2021)		-440	-440
14 FFF2 (Autumn 2022)		-1,008	-1,199
	0	-2,495	-2,886
<b>TOTAL Budget Requirement</b>	<b>24,475</b>	<b>24,197</b>	<b>25,515</b>
<b>FUNDED By:</b>			
15 Baseline Business Rates	-2,215	-2,215	-2,215
16 Revenue Support Grant	-93	-93	-93
17 Services Grant	-86	-86	-86
18 New Homes Bonus	-1,221	-231	-231
19 Business Rates Growth/Surrey Pool	-1,065	-467	-467
<b>Total Government Funding</b>	<b>-4,680</b>	<b>-3,092</b>	<b>-3,092</b>
20 Council Tax Requirement	-11,212	-11,628	-11,941
21 Council Tax Surplus	-236	0	0
22 Use of Reserves	-8,347	0	0
<b>TOTAL Grant/Income</b>	<b>-24,475</b>	<b>-14,720</b>	<b>-15,033</b>
<b>Funding Shortfall (+)/surplus(-)</b>	<b>0</b>	<b>9,477</b>	<b>10,482</b>

The Ten Principles: Delivery & Timelines

Appendix 4

Principle	Topic	Delivery	Time
No. 1	<i>To operate a cost control framework and discipline</i>	<ol style="list-style-type: none"> <li>1. Recruitment freeze (except positions critical to balancing the Budget e.g., the FFtF Programme or externally funded):</li> <li>2. Restrictions on agency staff:</li> <li>3. Eliminate non-essential expenditure: Controls are being tested and refined</li> <li>4. Controls on ordering: In development</li> </ol>	<p>Immediate</p> <p>Immediate</p> <p>Fully operating by end April 2023</p> <p>Fully operating by end April 2023 to be reported at July update</p>
No. 2	<i>To establish further savings over the MTFS period through developing a minimum viable position for all services.</i>	<ol style="list-style-type: none"> <li>1. The Fit for the Future Programme (FFtF):</li> <li>2. Flexible Use of Capital Receipts (FCR):</li> <li>3. FFfF stream 3 to bring forward additional savings:</li> </ol>	<p>Ongoing to December 2023</p> <p>Funding plan complete</p> <p>Ongoing to December 2023</p>
No. 3	<i>To comprehensively track savings and establish full financial variance monitoring in a timely way.</i>	1.Design and implementation of the Woking Benefits Dashboard (WBensDB)	Complete
No. 4	<i>For a Fit for the Future programme that has to balance implementing a strong programme discipline for delivery critical savings plans alongside establishing the future state of the Council.</i>	1.The Fit for the Future Programme (FFtF)	Ongoing from March 2023 to December 2023
No. 5	<i>For reviewing the prudent position on the amounts set aside for debt.</i>	1.Specialist advice and decision of the Section 151 Officer:	July 2023

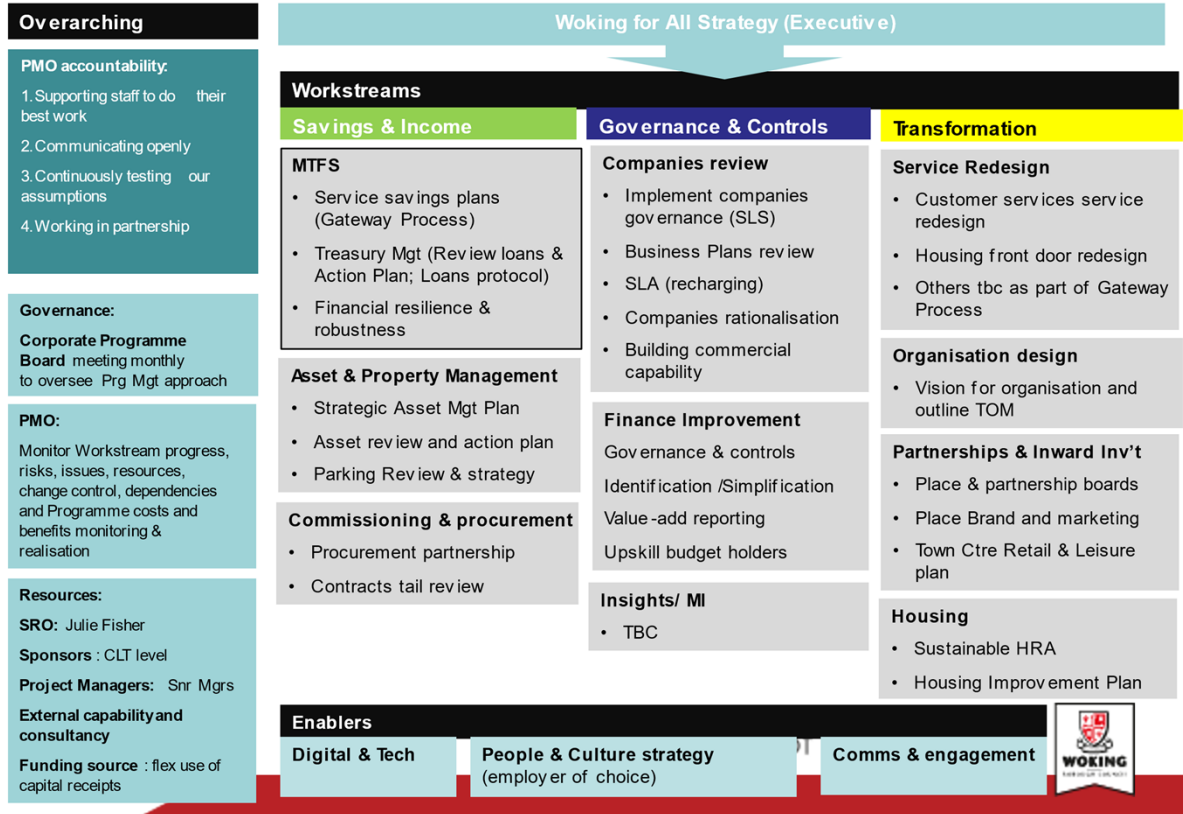
## Medium Term Financial Strategy (MTFS)

No. 6	<i>To stabilise reserves</i>	1. Review of present balances to restrict deployment moving forward:	April 2023
No. 7	<i>To review company business plans and investments.</i>	1. Officer team to be re-confirmed 2. Review of Sheerwater	Timeline to be confirmed July 2023
No. 8 (New)	<i>To obtain advice on MRP issues: Asset Value impairment, application of the MRP Policy and Impairment of Loans</i>	1. External advice and internal consideration of that advice when received:	Advice currently in procurement; timeline not yet adopted
No. 9 (New)	<i>To consider implementation the recommendations of reports by External Stakeholders</i>	1. See the Surrey County Council report 2. Other stakeholder reports as received	Review by Corporate Leadership Team to commence April 2023. Final timeline not yet adopted
No. 10 (New)	<i>To consider constraining and/or deferring the scope and value of the Capital Programme</i>	1. Officer Group to be formed	Timeline not yet adopted

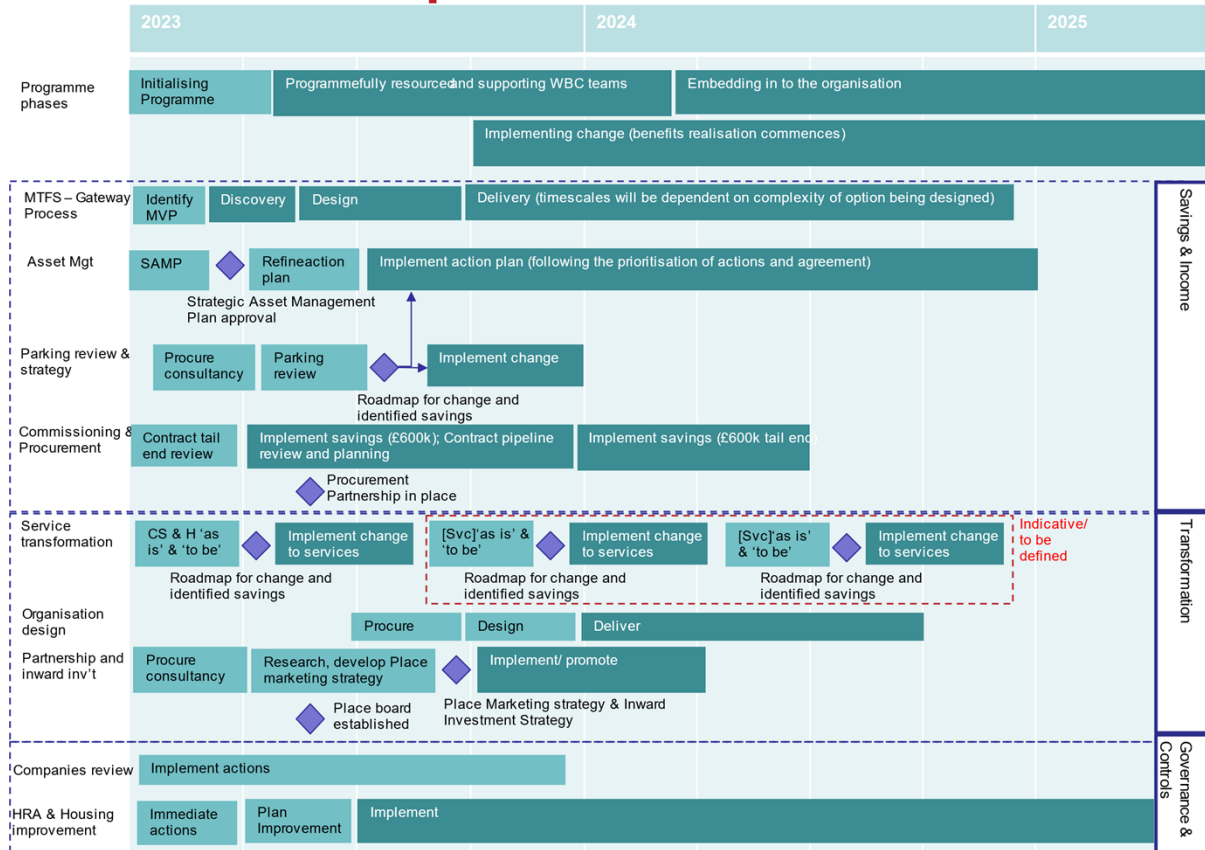


## FFTF programme 'on a page'

*Aim: Ensuring financial and commercial sustainability to deliver key services*



# Overall roadmap



Directorate	Service Area	Details of the proposal for saving; additional income or efficiency	2022/23	2023/24	2024/25	2025/26	TOTAL	Savings Category
Communities	Arts Heritage & Events	Reduce grant funding to Rhoda Theatre	44000	31000	0	0	75000	Grant Reduction
Communities	Arts Heritage & Events	Withdraw Council funding to Bandstand event	0	1500	0	0	1500	3rd Party Spend
Communities	Arts Heritage & Events	Reduce Council contribution to Lightbox	0	113000	55000	0	168000	Grant Reduction
Communities	Leisure Services	Reconfigure services at Pool in the Park inc. closure of Heatwaves to reduce energy consumption	22500	65500	0	0	88000	Service Redesign
Communities	Leisure Services	Reduce sports consultancy budget	3000	0	3000	0	6000	3rd Party Spend
Communities	Leisure Services	Reduce Lakeview Cycle station budget	2500	0	0	0	2500	3rd Party Spend
Communities	Leisure Services	Remove funding to LinkAble & WABF (Woking Asian Business Forum)	8000	10000	0	0	18000	Grant Reduction
Communities	Community Centres	Community centre staff restructure	0	25000	0	0	25000	Staff Costs
Communities	Volunteer	Cease contribution & membership to Community Matters People Partnership (CMPP)	16000	0	0	0	16000	3rd Party Spend
Communities	Community Development	Remove funding for vacant posts in Community Development	239000	0	0	0	239000	Staff Costs
Communities	Youth Development	Restructure of youth development service	0	47000	0	0	47000	Staff Costs
Communities	Family Support	Reduced family support training costs	0	10000	0	0	10000	3rd Party Spend
Communities	Housing Services	Remove funding for vacant posts in Housing Strategy & Housing Standards	51000	0	0	0	51000	Staff Costs
Communities	Extra Care	Staffing restructure of Brockhill	20000	65000	0	0	85000	Staff Costs
Communities	Community Meals	Remove funding for vacant posts in Community Meals	42000	15000	0	0	57000	Staff Costs
Communities	Community Meals	Remove diesel vans for community meals delivery & reduce number of rounds	6000	6000	25000	0	37000	Service Redesign
<b>COMMUNITIES TOTAL</b>			<b>454000</b>	<b>389000</b>	<b>83000</b>	<b>0</b>	<b>926000</b>	
Place	Environmental Health	Withdraw from Out of Hours Environmental Health contract	0	30000	0	0	30000	3rd Party Spend
Place	Environmental Maintenance	Cease planting & irrigation of bedding plants, hanging baskets, troughs & trees	0	95000	0	0	95000	Service Redesign
Place	Environmental Maintenance	Service efficiencies on emptying dog bins	0	3000	0	0	3000	Service Redesign
Place	Environmental Maintenance	Withdraw placement of solar Christmas trees	0	5000	0	0	5000	3rd Party Spend
Place	Environmental Maintenance	Remove funding for vacant post in Environmental Maintenance	0	42000	0	0	42000	Staff Costs
Place	Green Infrastructure	Reduce grant funding of Basingstoke Canal	0	0	27000	0	27000	Grant Reduction
Place	Waste & Recycling	Reduce excess budget for contaminated mixed recycling	0	14000	0	0	14000	
Place	Waste & Recycling	Reduce advertising, signage frames & repairs budget	0	25000	0	0	25000	3rd Party Spend
Place	Waste & Recycling	Reduce budget for assisted collections within Waste & Recycling	0	3000	3000	0	6000	3rd Party Spend
	Building Services	Deliver facilities management savings in Civic Offices (vending, plants, layout)	3000	39000	0	0	42000	3rd Party Spend
Place	Building Services	Reduce cleaning costs in out of town car parks	0	2000	0	0	2000	3rd Party Spend
Place	Building Services	Generate advertising income by installing digital screen in Victoria Place	0	0	50000	0	50000	Income Generation
Place	Building Services	Reduce Council funding of seasonal events	0	15000	0	0	15000	3rd Party Spend
Place	Building Services	Victoria Way Car Park - Close 4 floors to reduce energy consumption.	6000	19000	0	0	25000	Service Redesign
Place	Building Services	Close down absorption chiller at the leisure centre for the winter.	20000	0	0	0	20000	Service Redesign
Place	Development Management	Introduce a charge for dropped kerb enquiries	0	5000	0	0	5000	Income Generation
Place	Development Management	Reduce the number of planning committee meetings	0	2000	0	0	2000	Staff Costs
Place	Estate Management	Change the use of Goldsworth Trading Estate to incorporate residential use	0	0	0	100000	100000	Income Generation
Place	Estate Management	Reduce security budget for 10 Acre Farm	5000	0	0	0	5000	3rd Party Spend
Place	Estate Management	Reduce land management budget for Havering Farm	0	10000	10000	0	20000	3rd Party Spend
Place	Estate Management	Manage estates to mitigate business rates liabilities	0	25000	0	0	25000	Financing
<b>PLACE TOTAL</b>			<b>34000</b>	<b>334000</b>	<b>90000</b>	<b>100000</b>	<b>558000</b>	

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Corporate Resources	Member Services	Change frequency of Peace Garden event	0	0	5000	0	5000	Service Redesign
Corporate Resources	Member Services	Removal of budget for Civic Services, Receptions & Events	0	44000	0	0	44000	3rd Party Spend
Corporate Resources	Member Services	Reduce Mayoral Allowance	0	9000	0	0	9000	Staff Costs
Corporate Resources	Member Services	Reduce use of Mayoral Car	0	35000	0	0	35000	3rd Party Spend
Corporate Resources	Member Services	Civic functions restructure	0	0	27000	0	27000	Staff Costs
Corporate Resources	Member Services	Remove Members IT Allowance & Training Budget	0	17580	0	0	17580	Staff Costs
Corporate Resources	Member Services	Reduce O&S budget for external commissioned support	0	10000	0	0	10000	Service Redesign
Corporate Resources	Member Services	Reduce courier, postage & refreshment budget	11000	24000	15000	0	50000	3rd Party Spend
Corporate Resources	Member Services	Reduce annual canvas costs	5000	0	0	0	5000	Service Redesign
Corporate Resources	Member Services	Reduce costs of election preparation & cancel election lunch provision	17000	1000	0	0	18000	Service Redesign
Corporate Resources	Member Services	Reduce funding for Town Twinning Association	0	1000	0	0	1000	3rd Party Spend
Corporate Resources	Licensing	Restructure of Licensing team	0	30000	0	0	30000	Staff Costs
Corporate Resources	Marketing	Stop production & distribution of Woking magazine	0	53000	0	0	53000	Service Redesign
Corporate Resources	Marketing	Downgrade social media software, cancel engagement & media monitoring software	0	21000	0	0	21000	3rd Party Spend
Corporate Resources	Legal	Cancel Lexcel Accreditation and associated costs	35000	0	0	0	35000	3rd Party Spend
Corporate Resources	Legal	Restructure of post room service	0	11000	0	0	11000	Staff Costs
Corporate Resources	HR	Reduction of Training budgets	17000	15000	13000	0	45000	3rd Party Spend
Corporate Resources	ICT	Remove funding for vacant ICT posts and align charging to projects	0	70000	0	0	70000	Staff Costs
Corporate Resources	ICT	Remove Disabledgo survey, cancel Syncpoint & Bang the Table engagement tool	0	33000	0	0	33000	3rd Party Spend
Corporate Resources	Customer Services	Customer Service redesign & efficiencies	0	0	30000	0	30000	Service Redesign
Corporate Resources	Customer Services	Remove funding for vacant customer services post	25000	25000	0	0	50000	Staff Costs
Corporate Resources	Finance	Lower lump sum pension contribution due to improved fund valuation	0	146000	146000	135000	427000	Financing
Corporate Resources	Finance	Appeal Valuation of Car Parks for Business Rates	0	160000	0	0	160000	Financing
Corporate Resources	Finance	Reduce discretionary Business Rates Relief	0	0	250000	0	250000	Financing
Corporate Resources	Cross-cutting	Reduction of off-contract spend	0	550000	550000	0	1100000	3rd Party Spend
<b>CORPORATE RESOURCES TOTAL</b>			<b>110000</b>	<b>1255580</b>	<b>1036000</b>	<b>135000</b>	<b>2536580</b>	
<b>SAVINGS TOTAL</b>			<b>598000</b>	<b>1978580</b>	<b>1209000</b>	<b>235000</b>	<b>4020580</b>	

## **Summary**

This Flexible Use of Capital Receipts is important for the Council in 2023/24 and 2024/25. This paper outlines how capital receipts will be used to fund an organisation wide transformation programme and sets out the background and guidance that underpins it.

## **Background and guidance**

Capital receipts can only be used for specific purposes, and these are set out in Regulation 23 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 made under Section 11 of the Local Government Act 2003. The main permitted purpose is to fund capital expenditure, and the use of capital receipts to support revenue expenditure is not allowed by the regulations. However, the Secretary of State is empowered to issue Directions allowing expenditure incurred by local authorities to be treated as capital expenditure.

In February 2021, the Secretary of State announced, alongside the local government finance settlement, the continuation of the capital receipts flexibility programme for a further three years, 2022/23, 2023/24 and 2024/25 to give local authorities the continued freedom to use capital receipts from the sale of their own assets (excluding Right to Buy receipts) to help fund the revenue costs of transformation projects and release savings.

This document provides for flexible use of capital receipts in both 2023/24 and 2024/25.

## **Powers**

The Secretary of State directs, in exercise of his powers under sections 16(2)(b) and 20 of the Local Government Act 2003 ("the Act"), that:

The expenditure for which the flexibility can be applied and treated as capital expenditure (known as 'Qualifying Expenditure'), should be:

- Expenditure properly incurred by the authorities for the financial years that begin on 1 April 2022, 1 April 2023 and 1 April 2024
- Expenditure for which local authorities cannot borrow, for example revenue costs of the service reforms.
- Up-front (set up or implementation) costs for a proposal that is designed to generate future ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs or the demand for services in future years for any of the public sector delivery partners; and
- The expenditure for which the flexibility cannot be applied (Non-Qualifying Expenditure), should be:
  - o The ongoing revenue costs of the new processes or arrangements cannot be classified as qualifying expenditure.
  - o Cost incurred with respect to redundancy payments, except where such redundancy costs are necessarily incurred and limited to the amounts available as statutory redundancy payments

The key determining criteria to use when deciding whether expenditure can be funded by the new capital receipts flexibility is that it is forecast to generate ongoing savings to an authority's net service expenditure and examples of qualifying expenditure is outlined in Annex 2 of this strategy.

### Objectives and purpose

The Woking for All Strategy sets out the council's vision for Woking and a set of strategic objectives between 2022 and 2027 that give clear direction to residents, businesses, partner organisations and council staff, based around four community-based themes. These are:

- Healthier Communities
- Engaged Communities
- Greener Communities
- Prospering Communities.

Underpinning these community-based themes is an overarching 'High Performing Council' theme which ensures the council delivers the best outcomes from its funds and assets. This flexible use of capital receipts strategy is intended to support the council in delivering its objectives outlined against the themes and take advantage of the extension of the flexibility where appropriate to use capital receipts to fund transformation projects with qualifying criteria.

### Future Use of Capital Receipts Flexibility 2023/24 to 2024/25

This document assumes £3.5 million for transformative change during 2023/24 and 2024/25. The value of expenditure capitalised must not exceed the amount set out in the plan, including any updated plans, provided to the Secretary of State. If capital receipts generated are insufficient to meet these commitments, other funding sources will need to be identified or expenditure reduced.

The projects in Annex 1 have been included in this approach as being potentially eligible for capital receipts funding to support their delivery (subject to its availability and their approval), with a description of the project, project objectives, and potential planned use of receipts.

The proposals in the table (subject to their approval) will directly or indirectly support the release of net financial benefits committed to in the budget. This list is not definitive and subject to availability of this value of receipts. Should further projects with qualifying expenditure be identified during the course of the year, further revisions may be undertaken.

### Impact of 2023/24 strategy on Prudential Indicators

The guidance requires that the impact on the council's Prudential Indicators should be considered when preparing a Flexible Use of Capital Receipts Strategy. These capital receipts have not been factored into the council's Capital Financing Requirement (CFR) by way of either reducing debt or financing capital expenditure. Accordingly, there is no adverse impact on the adopted Prudential Indicators.

### Examples of Qualifying Expenditure

There are a wide range of projects that could generate qualifying expenditure and the list below is not prescriptive. Examples of projects include:

- Sharing back-office and administrative services with one or more other council or public sector body;
- Investment in service reform feasibility work, e.g., setting up pilot schemes;
- Collaboration between local authorities and central government departments to free up land for economic use;



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- Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation;
- Sharing Chief-Executives, management teams or staffing structures;
- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible;
- Aggregating procurement on common goods and services where possible, either as part of local arrangements or using Crown Commercial Services or regional procurement hubs or Professional Buying Organisations;
- Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy – this could include an element of staff training;
- Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue (for example, through selling services to others);

Integrating public facing services across two or more public sector bodies (for example children's social care, trading standards) to generate savings or to transform service delivery

### Products & Deliverables

To address the £8m budget gap, a transformation programme (Fit for the Future Programme) has been developed. This programme will address this gap and increase the councils reserves level to deal with fluctuations over the 5-year period. More detail regarding the quantum of return on investment will be presented at the July Executive.

A summary of projects that form the Transformation programme, and therefore in this Strategy as being potentially eligible for capital receipts funding 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.

	Project	Description & current stage	Return	Lead Team	Planned use of capital receipts 2023/24 and 2024/25 £
1	Asset and Property Management	Develop a Strategic Asset Management Strategy with prioritised actions for all assets to ensure the councils estate is fit for purpose, efficient and performing well. Progress – Design stage	Income (capital and revenue) Efficiency savings and reduction in operating costs	Property	250,000

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2	Parking review and strategy	Comprehensive review of carparking to ensure assets are fully utilised and customer satisfaction. Action Plan to set out recommended approach for all car parks to optimise revenue Progress – Discovery stage	Income Efficiency savings and reduction in operating costs	Parking	50,000
3	Companies' transformation	Implement the Shareholder Liaison Service to support and advise the Shareholder Advisory Group to improve governance and controls, increasing commercial capability to ensure vfm, security and confidence in decision making. Progress – Implementation stage	Value for money, Income	Legal	415,000
4	Service transformation	Over-arching programme to oversee channel shift - the movement of traditional forms of contact and processes to digital means, freeing up vital resources to assist those who cannot use digital channels or have more complex enquiries. This includes online services such as	Reduction in demand, efficiencies, savings	Transformation	845,000



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		self-service portals, e-forms, payments and also other means of communication. Progress – Discovery stage			
5	Organisation business change	Programme to right size and shape how the organisation works to make it more effective, streamline processes and deliver operational efficiencies, which were reduced from net expenditure. Includes the People and Culture strategy to increase productivity of workforce Progress – Discovery stage	Savings, demand reduction	Transformation, HR	100,000
6	Transformation team	Programme and project management, finance, HR capacity to support the implementation of the savings programme, delivery of specific savings and the drive forward the transformation programme as a whole. Progress – Implementation	Enabler	Transformation, HR	800,000
7	Procurement & commissioning	Transform how the authority procures and commissions goods and services,	Savings	Procurement	300,000

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		improving governance and controls ensuring vfm. Specific savings implemented through reviewing tail end spend Progress – Design			
8	Inward investment	Engaging new business to invest in the town, including inward investment; business relocation; and start-up growth to increase value of commercial and real estate. Progress – Design	Increased income	Economic Development	440,000
9	Contingency	These are indicative costs, there will be additional funding required to deliver actions identified as part of discovery stages – e.g., Asset management system implementation	Enabler	All	300,000
<b>Indicative total</b>					<b>£3,500,000</b>