The Commissioners
Woking Borough Council

Civic Offices
Gloucester Square
Woking
Surrey GU21 6YL

Telephone (01483) 755855
Facsimile (01483) 768746
Email Commissioners@woking.gov.uk
Website www.woking.gov.uk

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Dear Secretary of State,

Thank you for your recent response to our first report. Please find below our second report, which is accompanied by the Council's second update to Commissioners on its Improvement and Recovery Plan, which was passed by the Council on 30 November, with the Chief Executive's covering letter (**Annex 1** below).

Summary

Woking Borough Council remains in an extremely vulnerable position due to its overhanging debt and its historical lack of rigor in its commercial activity and will need support from Government to be able to balance a budget by March 2024. Capacity to meet this challenge remains a risk. Nevertheless, Commissioners have continued to experience cooperation and a strong political will from the Executive and indeed all Councillors to improve the situation. Council officers at all levels are working extremely hard, within limited resources in some cases, to meet the challenges ahead. Difficult decisions are being made by the Council and many more will need to be made in the New Year.

Since our last report, the Chief Executive of the Council announced that she would be leaving the Council in February 2024. She has and continues to lead the Council's Improvement and Recovery with commitment, dedication and resilience, which we as Commissioners recognise.

Considering our findings in this report, the need to maintain momentum and also to increase experienced capacity within the senior leadership team, we would like to recommend that you consider appointing a Managing Director Commissioner who would be able to act as Head of Paid Service. This would be for a period of twelve months in the first instance, until the Council is on a firmer footing in its improvement, when it may be able to appoint a substantive replacement for the role of Chief Executive.

In our first report, only three months ago, we listed twelve areas of key focus for the three months September-November 2023 for the Council to work on. The Council has made progress in each of these areas, although only one, establishing the Commercial and Finance Governance Board, has been completed, and a great deal remains to be done in the remaining areas. We report on each of these further **in Annex 2**.

A detailed assessment of the Council's progress is to be found below, structured according to the four themes of the Council's recovery plan and the success measures we have set out relating to each key element of the directions. These success measures are set out in relation to the directions in **Annex 3**.

Theme 1: Financial Recovery

Revenue budget and Medium Term Financial Strategy (MTFS)
The financial work is deep into 'discovery mode' and it is hoped that all the historic budget issues have now been identified, if not fully quantified. The overall budget position is extremely challenging, not least because the Council does not have the resources to support the high level of debt incurred. In 2024/25 the Council's debt currently stands at c£2 billion, against core resources of £14.9 million.

The finance function within the Council is still not fit for purpose and not equipped to deliver the volume and complexity of the work required. Under the leadership of the interim S151 Officer, there is some good input from the finance team and the interim support in place, but with the challenges in sourcing further support there remains a significant gap in the skills and capacity required. This, combined with the significant demands being placed on managers across the organisation, is a barrier to greater progress being made.

CIPFA have been engaged to assess the skills and capacity required in the finance function. Recruitment for a permanent S151 Officer and Deputy S151 Officer has gone to market which should bring some stability. A plan is being developed to bridge any gap between recruitment and the current interim S151 Officer leaving and to ensure there is a contingency plan if the recruitment does not deliver the expected results. It remains an urgent priority for Commissioners and the leadership team to secure the right levels of finance capacity and capability and it is hoped that the recent activity to secure additional provision will enable progress in the next period.

The expenditure control panel that was implemented following the issuing of the S114 notice in June 2023 remains. Despite this, the overspend has worsened and is now projected to be £7.6 million by the end of the financial year. This is largely due to non-service budget related issues, including £3.4 million capital financing costs and £1.1 million from the loss of a major tenant from the commercial estate. The quality of the budget monitoring report has been improved and sets out the pressures and corrective actions being taken. Mitigations of just over £1 million have been identified to offset the service pressures. More progress is required to ensure the overspend is minimised.

The most significant risk in the Financial Recovery Plan is the delivery of the budget savings for 2024/25. £8.4 million of the £12 million savings have been identified and are out for public consultation. Urgent progress is required to ensure these are verified against the budget and new staffing structure, and that clear plans are in place to ensure their delivery for 1 April 2024. Since the last report, relatively little progress has been made on identifying the remaining c. £4 million balance and this remains a priority.

A Medium Term Financial Group has now been established, led by a Council Director and the S151 Officer to provide the required drive and leadership. Progress is hampered by the lack of organisational experience in the delivery of large savings programmes, and it is important that the Council's corporate leadership team continue to play a personal leadership role in driving this agenda.

A legal budget cannot be set for 2024/25 without a significant and carefully structured government support package.

The S114 notice issued in May 2023 identified a £1.2 billion deficit. The main issues identified included the lack of MRP provision on the loans, the use borrowing to fund revenue, and £612m impairment of council loans. In line with local government accounting practice, the impairment will remain on the balance sheet.

Subsequent work has confirmed that the deficit remains of this magnitude. In addition, the budget issues include:

- The termination of the revolving credit facility means that there is no income to meet the financing costs of the company loans
- Additional capital financing costs from agreed new borrowing and refinancing or short-term loans
- The mischarging of costs to the Housing Revenue Account
- There are no reserves to cover any in year or future budget deficits

Since submitting our first report, further work has been undertaken on the deficit position: the updated estimate is that the Council faces a deficit of c. £603 million in 2023/24, and c. £185 million in 2024/25. These figures exclude impairment costs.

Commissioners and officers are continuing to refine these figures to get to the actual amount that will be required. The issues are complex and it has proved difficult to access all the required financial records.

Engagement with DLUHC remains positive and discussions are ongoing. It is important for both officers and members that the scale of the financial challenge is not allowed to detract from the actions that the Council will need to take to reduce levels of expenditure and debt.

Capital, investment and treasury management strategies
The Council has commissioned additional support to complete the work and a workplan is in place to enable the revised MRP policy and Capital Strategy, which are on target to be completed in December as part of the suite of budget reports. The work is expected to be ready for review in December 2023.

Debt position
The commercial and financial workstreams of the Improvement and Recovery Plan have been fully integrated and the Commercial and Finance Governance Board, attended by Commissioners, is now providing the appropriate support and oversight. This has functioned effectively to oversee the successful delivery of the business cases for ThamesWey and VSWL and has reviewed the first business case for a major commercial asset disposal.

The last three months has seen a partial breakthrough in the asset rationalisation work. The next period will see the completion of a prioritised plan which will balance the urgent need to reduce the levels of debt with achieving value for money for the assets sold. A programme of asset disposals for the next three years is developing. Poor asset records remain a barrier to more rapid progress and even in the most aggressive scenario, disposals in the next two years will be lower than required to significantly reduce the high debt levels held.

The Council's S114 notice set out that there have been high levels of asset impairment, borrowing for revenue purposes and that Minimum Revenue Provision or MRP (provision for the repayment of the debt) has not been made for most of the debt. Therefore, a significant proportion of the Council's debt is not backed by assets and there is no ability to repay it. Whilst the asset rationalisation work is important to reducing debt levels as quickly as possible, there is no easy solution to resolving the 'overhanging' debt position.

Operation of Council functions in line with appropriate rules, guidance, and good practice
This is now a significant area of risk as highlighted above. There remain significant gaps, and the capacity secured to complete the final accounts has been unable to complete this to the required deadline.

Some progress is being made. The Capital and Treasury Management Strategies are due to be delivered for December as are the delayed draft accounts for 2022/23. Whilst progress has been hampered by poor financial record keeping and lack of appropriately skilled resources, it is important that these timescales can be achieved.

Positive discussions have been held with the incoming external auditors about the handover of the external audit process with plans to start the audit field work in January. Further discussions will be required on the treatment of 2022/23 opening balances and implementation of policy changes including the treatment of MRP.

Having publicly available and audited financial accounts is an important part of transparency and accountability to residents, and it is disappointing that the audit of the 2019/20 accounts is still not complete. An approach will need to be agreed for outstanding 2020/21, 2021/22 and 2022/23 audits that enables the local authority to move on and focus on ensuring there is an audited set of accounts for 2023/24.

Further work is required to embed a culture of effective financial management across the authority. The development of more accessible monitoring information and the evolving budget process is starting to increase levels of budget ownership. This links to the need to develop appropriate governance and assurance mechanisms, as set out in 'Theme 4: Commercial' later in this report.

Housing Revenue Account
Further work has been carried out on the Housing Revenue Account and there are some significant emerging issues. The Council has made a self-referral to the Regulator of Social Housing in respect of whether some of the council's housing stock met all relevant standards, which may result in a regulatory notice being issued, and there is a significant programme of remedial work which must be completed.

An in-year deficit of £970,000 brings the level of HRA reserves to under £1 million. Following the Council's self-referral to the Regulator of Social Housing, there are regulatory requirements that will need to be funded and met, and the impact of this on the longer term HRA position is yet to be understood. The development of the refreshed, robust 30-year business plan remains work in progress and is a priority to complete as part of the budget process. It will be important to understand whether a viable business plan can be developed once the recharge issues referred to below and the outstanding land receipts due, have been resolved.

A full examination of the recharge position suggests costs in the region of c. £1 million are being inappropriately charged to the HRA and it is likely this has been the case for a number of years. The actual amounts and the resulting historical financial backlog is to be confirmed, alongside any formal action that may then be required.

Due to the level of risk and issues within the HRA and the Council Housing Service itself, Council officers have proposed that the HRA and Council Housing function should now form a new and separate theme of the Improvement and Recovery Plan, which Commissioners support.

Theme 2: Organisational and Service Redesign

Service offer
The Council is still in the process of identifying savings needed to deliver a balanced and sustainable service delivery budget (setting aside debt servicing costs) for 2024/25. The financial aspects of this process are described in the Financial Recovery section, above.

The Council has now carried out a consultation process in relation to savings proposals for the 24/25 budget. This has had a strong response, gathering more than 5700 responses. The Council has sought to achieve a diverse response to the consultation, utilising Councillors' networks and faith networks for this purpose as well as direct contacts with key stakeholders. Equality impact assessments are being prepared for the various proposals.

The Council has now begun the process of developing its long-term vision and seeking to encapsulate this in a clear vision statement. In the future, the vision will provide the foundations for the rationale for service delivery and structural decisions. However, at this stage of the Council's recovery journey, the vision is not yet fulfilling that function, as it is being developed alongside (rather than before) savings proposals and the organisational restructure. This is necessarily the case because of the urgency of identifying savings. For the time being, it is necessary for the vision workstream to run in parallel with other immediate priorities, each informing and shaping the other.

Structure of the Council
The Council's organisational restructure process is continuing, with no further delays following the minor ones we reported on in our first report. The first, relatively small, phase of the restructure (covering managers immediately below the corporate leadership team) is complete, with all decisions having been made and redundancy notices issued, to the affected staff, who are now working out notice periods.

The consultation stage for phase 2, covering all remaining staff below those in phase 1, started on 22 November 2023. This larger phase will see the organisation's staffing complement fall from around 430 to 350 – 370 (with precise numbers varying depending on whether FTEs or individuals are counted and on which staff are successful in the selection process). The expressions of interest process will close in January 2024, with the assessment and selection process taking place in February. Decisions will be issued in March 2024 and any redundancy notice periods served in March – June 2024. This process is expected to deliver a significant contribution to the savings programme. A full reconciliation is required between the new structures and budgeted establishment to accurately quantify the financial savings.

As both the organisational restructure and the Council's process of identifying and validating savings are still ongoing, and as the savings and service redesign process has necessarily taken place in parallel with the staffing restructure, it is not yet the case that the Council's structure is absolutely proportionate to the emerging service offer, nor could it be. However, the structure that the Council has in the spring will be more proportionate to that emerging service offer.

The Council is considering carrying out a programme of analytical job evaluations which would provide a more detailed basis for pay and grading decisions in the future.

Organisational culture and continuous improvement

A new regular (quarterly) performance management document has been produced and is now in use, providing clearer performance information, though there are still some data gaps in the report; the aim is to have a comprehensive data set with outturn data included in it by the end of this financial year. The Council is starting from a low base in terms of available performance data but is developing data collection arrangements to underpin the new performance report and performance management more widely, to allow for a richer understanding of service provision and performance. It has begun the process of moving to greater use of digital delivery, including by making changes to the Council's IT infrastructure, which will enable this.

Digital transformation of service delivery is beginning, and is being developed in parallel with wider staffing and service redesign (for example, in terms of the technology to support the customer services function). This includes rationalising the large number of contact numbers and points for Council services to simplify the customer journey, move transactions online where possible and collect customer data more effectively.

The work to undertake channel shift (moving transactions and services online wherever possible) will be carried out with the support of a contractor. The outline case for this has been developed and the proposed timetable is for the procurement to take place in January/February 2024 with the chosen contractor on site in March 2024.

As part of the process of maintaining and improving efficiency the expectation is that organisational structures will be reviewed on an annual basis in the light of service transformation and better performance data.

Work to develop the organisational culture to support these changes has not yet begun and is a lower priority at present.

Theme 3: Governance and Assurance

Governance, risk management and scrutiny

The review of the scrutiny function is underway and the initial audit of arrangements is now complete. The Local Government Association (LGA) is providing external support for the review. Most scrutiny meetings observed by Commissioners have been conducted well although some have been too lengthy and would benefit from more efficient running, with one recent meeting lasting nearly four hours.

Decision making has also observed to have been conducted with the proper governance, for example, full Council approved the savings proposals for 2024/25 to go out to public consultation during the Autumn and also approved the organisational redesign proposals for the reduction in the Council workforce.

The corporate risk register has been updated in a thorough manner and addressed positively in meetings of senior officers of the Council attended by Commissioners. The quality of reports and the rigour required for business cases is improving. The Commercial and Finance Governance Board, attended by Commissioners, is now established and commercial governance is improving. Senior officers are being removed from company boards, reflecting good practice elsewhere.

Despite a clear political will, the asset rationalisation process has been slower to develop due to the lack of appropriate data, valuations and records of the assets. However, capacity and capability issues have now been addressed and a plan is in its early stages.

Financial governance structures and processes continue to develop under the interim S151 Officer, for example, the approach to savings monitoring. However, there remain serious capacity issues within the finance function which Commissioners and the Council are working together to resolve.

The approach to the internal audit function is being re-evaluated with the emphasis on wider involvement in the scope of the work. This has been welcomed. Presently, there is little counter fraud capacity within the team, but counter fraud provision has now been commissioned from a neighbouring authority.

New financial and procurement regulations need to be reflected in the constitution along with other potential changes which should be identified as the Council progresses the workstreams in the IRP. There is a constitutional working group which will examine any such proposals. The Annual Governance Statement also needs to develop and a workstream on this issue has been added to the Improvement and Recovery Plan for the coming year, which will include the creation of a quarterly governance group whose work will inform the Annual Governance Statement.

Theme 4: Commercial

Since our first report to you, the Council has made significant progress in a number of areas in pursuit of their short-term commercial objective, as stated in their Improvement and Recovery Plan (IRP): *"To release the Council from unaffordable commitments whilst protecting the public purse and optimising the value from existing assets."*

The initial actions to be taken were the full assessment of the two major regeneration projects: the development of Victoria Place shopping mall and the regeneration of housing and public realm at Sheerwater. The result of the two business cases that were generated to deal with the short-term execution of these projects is discussed further under 'assets and commercial interests', below. However, during the development of the detailed business cases a number of governance controls requiring action were highlighted: in particular, the need to develop protocols for the assessment of commercial priorities when considering project options. The Commercial Protocols, now in place and adopted Council wide, set the rules for all future commercial activity.

Commercial Protocols' Success

Success of the Protocols' application has been evidenced in the on-going sale of properties, that predated the intervention. The gathering and analysis of data associated with each sale has been rigorous, and best value has been achieved in the case of the one property disposal that has been agreed since our last report.

In addition to these protocols, it was also clear that "client side" capability was lacking and the process for approval of commercial cases was not robust. To address this, the Council has formed the Commercial and Financial Governance Board. This board sits bi-weekly and will review, challenge and approve or reject all future commercial activity. Crucially the board is comprised senior officers and Commissioners from commercial and financial disciplines. This ensures that commercial decisions made are not only assessed for risk, affordability and benefit but also for their impact on debt reduction and in support of the Council setting a balanced budget over time.

Commercial and Financial Governance Board success

Although only three Governance board meetings have been held thus far, its successes include:

- Removal of Council Officers from directorships of Council owned companies, in particular Victoria Square Woking Limited and ThamesWey Group. This is an important action taken to remove the significant conflict of interest when instructing companies to take appropriate steps to reduce further commercial risk to the Council.
- Challenge and instruction to renegotiate terms for the disposal of a significant property in the Council's portfolio which had received a below market offer.
- Approval and adoption of the Companies Governance Framework. This framework is aimed at addressing the weaknesses that were apparent in the relationship between the Council and the company boards. It strengthens the shareholder representative role and sets clear rules for the appointment and ongoing role of company appointed non-executive board directors.

Although much work had been done in developing the Shareholder Advisory Group (SAG) prior to the intervention, serious weaknesses remained in the relationship and influence of the shareholder, Woking Borough Council (WBC), and the companies. To strengthen this relationship and to set more stringent requirements for the appointment of non-executive directors to the company boards, the Council has developed the Companies Governance Framework. The framework sets out additional requirements for the training, competence and appointment of new directors and their responsibility to both the company and shareholder. This has been particularly important at this critical time of decision-making. The framework works within the current WBC constitution and policies and clarifies the distinctions between Council and company objectives and operation.

These three steps have significantly changed and improved the approach and execution of commercial activity. Although adopted, there is still much work to ensure that the principles set are fully understood and followed by officers, company directors and elected members alike so that the Council's future commercial strategy is implemented in accordance with these rules and accomplishes the short-term objective as stated.

Building Commercial Capacity and Resilience

In parallel with setting the foundations for good commercial processes and governance the Council is aware of its own lack of capacity and expert capability to manage the exit from its current commercial arrangements as well as having sufficiently trained commercial expertise to manage future activities. This is particularly important in the areas of procurement and contract management. To date, expert advice has been brought into the Council through experienced consultants and the recruitment of a specialist property consultant who will have responsibility for developing and managing the asset rationalisation and disposal programme. These will work in tandem with the Council's Chief Executive and director officers to ensure that the disposal of properties is well timed, managed and in line with the MTFS.

On procurement, the Council has engaged with Orbis Partnership, a public sector partnership between East Sussex County Council, Surrey County Council and Brighton and Hove City Council. Orbis has provided a review of the Council's procurement activity and has offered further support for future contracts. However, it is important that the Council builds and retains its own 'client function'. This is not only to properly commission what is required to meet Woking's needs, but also to successfully manage on-going commercial arrangements and contracts more effectively to gain maximum value from every commercial arrangement. This will be a core focus of the emerging Commercial Strategy.

Developing the Commercial Strategy

The initial DLUHC External Assurance Review, which we carried out in February and March 2023, noted that the Council recognised the multiple commercial challenges it faced. However, there was no apparent overall strategy to deal with the challenge. Immediate actions have taken place to deal with short term 'emergency' situations which have led to the submission of two detailed business cases for the completion of works at Victoria Place and Sheerwater (see later commentary). Further work, started pre-intervention, for the disposal of 5 assets in the Council's commercial portfolio, has taken place. This is a piecemeal approach to the challenges faced and will not achieve best value in the medium to long-term.

In October 2023, the first overview of the overall situation was expressed, and this has been underpinned with analysis of how to optimise the value of assets and their potential retention, investment, or disposal. This early work is the foundation of the emerging Commercial Strategy, which will include the asset rationalisation programme, a strategic corporate asset management plan, the Commercial Protocols, the Companies' Governance Framework, and 'clienting' strategy for procurement and contract management. The Commercial Strategy will align with the developing long-term vision for the Council which is an on-going theme within the Improvement and Recovery Plan. The strategy will be a 5 year plan aimed at the successful exit from current arrangements and the move towards a more sustainable commercial basis for the Council.

Assets and commercial interests
Attention in the first six months of the intervention has focused on immediate and urgent issues in order to retain the value of the assets under construction. This has seen the development of business cases for both the Victoria Place development and the Sheerwater estate regeneration project, which considered the counter factual cases to reduce further impairment rather than simply increase the value of assets. This has led to a strong case for the retention of the companies responsible (VSWL and ThamesWey Developments Ltd) whilst project completion is achieved. Further review of all WBC companies will be undertaken as an important part of the IRP Commercial theme.

Commissioners have also been heavily engaged in a 'discovery' phase of the intervention, uncovering the complex arrangements, both contractual and financial, that have evolved as the projects progressed. This initial focus has impeded work to establish the future vision for the Council. In turn this has hampered the progress towards identifying a structured property rationalisation and disposal programme. There are many factors that have made progress slower than anticipated, these being:

- **Lack of data:** although valuations exist for balance sheet purposes it has been difficult to establish the true value of assets and the through life costs. Many of the 'investment' properties acquired since 2016 are currently valued below the initial capital cost, in many cases, leaving an overhanging debt to be factored into the assessment of long-term value to WBC, and the decision to dispose/retain. No life cycle provision (sinking fund) has been made for property, adding further burden to the cost of gaining best value for each property disposal. Further work is required to establish data on all title and tenancy deeds and agreements.
- **Insufficiency of capacity and capability:** Forming a rationalisation and disposal strategy of this scale is a specialist piece of work, the experience for which was not in the Council. Avison Young have been engaged to make initial assessments of disposal options for both Victoria Place and Sheerwater, also giving some insight to potential in the existing commercial and operational portfolio. A commercially experienced property specialist has been brought in to lead the development and implementation of a rationalisation strategy and subsequent disposal programme.
- **Absence of Vision:** The Council leadership team is engaged in developing its long-term vision for the future of the Council. In time this will determine the size and scope of the estate required for the delivery of services and its reliance of revenues gained from investment properties.

Progress is being made in a number of areas, however, and these include:

- **Asset bundling:** The establishment of a bundle of properties that have been taken to market to support the cost of the Improvement and Recovery Programme and as 'quick wins' towards the debt reduction programme.
- **Commercial Protocols:** Application of the Commercial Protocols to the sale of property, which established greater value in retention rather than disposal of a significant town centre office building. This further work analysed the longer-term revenue benefit versus the short-term capital receipt gain and provided challenge to assumption previously made. Notwithstanding this challenge, alternative options are now being appraised that will bring forward potential options for a disposal to take place.
- **Property specialist:** The appointment of a commercially experienced property specialist in November 2023 will accelerate the development of a disposal programme. As they are a member of the Commercial and Finance Governance Board, this will ensure alignment with the MTFS and debt recovery plan.

Other issues

Actions from the External Assurance review
The Commissioner team are mindful of the recommendations made in their initial External Assurance Review of the Council in May 2023. Each of these recommendations have been incorporated into the Council's Improvement and Recovery Plan.

Conclusion

While the Council has made progress on each of the areas where improvement is required, it will need to work at greater pace over the coming months. This is particularly important in undertaking the necessary work to set a budget by March 2024, and delivering on aspects of the newly developed programme of work on housing, to be included as new theme 5 in the Improvement and Recovery Plan going forward. The Council has very recently secured additional resource for the finance team to enable the additional work on financial recovery to take place.

In the next six months we expect to update you on the pace of improvements and to further report on the success measures in more depth.

Yours sincerely,

Jim Taylor　　Carol Culley　　Mervyn Greer

Commissioners

List of Annexes

Annex 1:

a) covering letter from the Chief Executive (separate document)
b) Woking Borough Council's second report to Commissioners (separate document)

Annex 2: Summary of progress against key areas of focus

Annex 3: Success measures

Annex 1

[see separate documents]

Annex 2

Summary of Progress against priority actions for September – November 2023

In our August 2023 report, we identified the following key areas of focus:

• Review the 'Woking for All' strategy, to develop an emerging vision for the Council for the next five years, considering the service redesign, structural change and the implications of the Improvement and Recovery Plan.

The Council has started work on the refresh of the vision and this should demonstrate more impact when we next report to you in six months' time. Developing a new vision in the light of Woking's current position is a crucial piece of work for the Council.

• To evidence corrective action on the projected overspend on the 2023/24 revenue budget

Positive activity has been underway to reduce the projected overspend on the in-year budget for 2023/24. The gap had been reduced, however, further discovery work on the current budget figures has resulted in additional pressure, meaning that the budget gap remains broadly in line with previous projections.

The expenditure control panel, with tight controls on all expenditure, remains. Despite this, the overspend has worsened and is now projected to be £7.6 million by the end of the financial year. This is largely due to non-service budget related issues, including £3.4 million capital financing costs and £1.1 million from the loss of a major tenant from the commercial estate. The quality of the budget monitoring report has been improved and sets out the pressures and corrective actions being taken. Mitigations of just over £1 million have been identified to offset the service pressures. More progress is required to ensure the overspend is minimised.

• To have delivered on the first element of service redesign savings

Difficult decisions have been made by full Council to proceed with the organisational service redesign process which is being managed effectively and sympathetically by senior leaders. Naturally, this large-scale staffing restructure is creating uncertainty in the organisation, however, the staff response has been very professional. There is still a way to travel on phase 2 of this process, but the Council is committed to moving this forward.

The service redesign is overseen by the Organisational Design Board attended by Commissioners. The consultation stage for phase two of the organisational restructure, covering all remaining staff started on 22 November 2023. The initial phase is expected to deliver a significant contribution to the savings programme. A full reconciliation is required between the new structures and budgeted establishment to accurately quantify the financial savings.

• Ensuring the planned budget savings are delivered to deliver a balanced 'business as usual' revenue budget within 2023/24 and in future years. This should include the identification of savings to meet the remaining £4 million target, ensuring the appropriate links are made between savings identification and staffing restructure processes.

Savings proposals have been identified and are currently out to public consultation. Delivery of the budget savings for 2024/25 is the most significant risk in the Financial Recovery Plan. £8.4 million of the £12 million savings have been identified and are out for public consultation. Urgent progress is required to ensure these are verified against the budget and new staffing structure, and that clear plans are in place to ensure their delivery for 1 April 2024. Since the last report, relatively little progress has been made on identifying the remaining c. £4 million balance and this remains a priority. Difficult decisions will have to be made in the New Year as part of the budget setting process for 2024/25. The Council is rightly currently undertaking equality impact assessments for each proposal to help inform the decisions in February.

• *Concluding the phase of the work to ensure that the finance function and practices are fit for the future. This will include the delivery of the revised Capital and Treasury Management strategies and polices as part of the suite of budget reports and ensuring a full set of accurate and quality assured 2022/23 final accounts are in place.*

This work is still in progress and is very complex. There remain capacity issues in the finance function which Commissioners are working with the Council to resolve.

• *Embedding a strong culture of financial management within the authority confirming the audit arrangements for the financial accounts.*

Monitoring reports on the budget and the savings are now available, which help to better track progress of the financial position, although this remains at an early stage despite the hard work of the finance team.

• *The development and delivery of a balanced HRA and 30-year business plan.*

The HRA is showing an overspend and it has been established that the HRA has been used to fund elements of the revenue budget. Work is ongoing to correct this in order to provide a balanced HRA account. The development of the refreshed, robust 30-year business plan remains work in progress.

• *Develop the workings of the emerging Commercial Board and understand business cases in order to maximise the capital receipt on assets.*

The Commercial and Finance Governance Board, attended by Commissioners, is now fully operational and beginning to have an impact on commercial decision making. All commercial activity is being reported into the board and a new protocol has been introduced as guidance to be followed by Council officers.

• *To bring forward clear business cases, if appropriate, that address the partially completed assets in the two main companies and to develop a plan for the assets in the remaining 22 companies.*

Fit for purpose business cases have been brought forward to enable some unfinished works to be completed on the hotel at Victoria Place developed by Victoria Square Woking Limited and the Sheerwater estate to achieve better value for money.

• *To understand and develop a plan to ensure value for money from the contractual arrangements that underpin the management and maintenance of the Council's own and commercial asset portfolio.*

• *Developing a clear set of plans on how asset rationalisation work will reduce the level of debt held and for the exit of the commercial and regeneration activities.*

Progress has been made on understanding data for some of the Council's physical assets, but this remains work in progress. Additional capacity has been brought in to accelerate this work. It is important the Council moves quickly in the New Year to produce an asset rationalisation plan as a tool to start paying down debt.

• *Discussions with government on the requirements for support that will enable a balanced budget for 2024/25 to be delivered.*

Positive discussions are ongoing with government officials with a view to help enable the setting of a balanced budget in February 2024. Nevertheless, the Council remains in a very difficult position which is unprecedented in the sector. The task in hand is particularly difficult due to debt levels and MRP provision not being fully covered by physical assets.

Annex 3

Success Measures for the intervention,

As mentioned above, we set out a range of success measures for the Council relating to each of the components of the directions made for the Council you set out in May of this year. In this and subsequent reports, we will set out the progress the Council has made against each of these criteria.

The success measures are as follows:

Improvement and Recovery plan theme	**Component of the Directions (Directions, Annex A, 1)**	**Related success measure**
Financial recovery	a. An action plan to achieve financial sustainability and to identify and close any short and long-term budget gaps across the period of its medium-term financial strategy (MTFS), including a robust multi-year savings plan.	1. The Council has a balanced revenue budget and a sustainable Medium Term Financial Strategy.
	b. An action plan to ensure the Authority's capital, investment and treasury management strategies are sustainable and affordable.	2. The Council's capital, investment and treasury management strategies are sustainable.
	c. A strict debt reduction plan, demonstrating how overall capital financing requirement and external borrowing will be reduced over a realistic but expedient timescale, reducing debt servicing costs.	3. The Council's debt position has been improved.
	d. An action plan to ensure the Authority is complying with all relevant rules and guidelines relating to the financial management of the Authority. An updated minimum revenue provision (MRP) policy in line with all relevant rules and guidelines.	4. The Council's functions are operating in line with the appropriate rules, guidance and good practice. 5. The Council has a compliant Housing Revenue Account.
Organisational and Service Redesign	e. An action plan to reconfigure the Authority's services commensurate with the Authority's available financial resources.	6. The Council has a service offer which is shaped by a focus on its residents and customers and responsiveness to their needs and demands and which is affordable and sustainable, articulated as part of a wider corporate plan.
	f. A plan to ensure that the Authority has sufficient skills, capabilities and capacity to deliver the Improvement and Recovery Plan, within a robust officer structure, including appropriate commercial expertise and capacity.	7. The structure of the Council is proportionate to that service offer and to the wider corporate plan and is designed in such a way as to deliver the objectives of that plan.

Governance and Assurance Commercial	g. An action plan to strengthen the Authority's financial and commercial functions, and to secure improvements in risk management and governance.	8. The Council has ensured that there are effective governance, risk management and scrutiny arrangements and functions in place for Council decisions, that members and officers demonstrate that they understand and respect their roles in Council business, and that decisions are taken on the basis of appropriate evidence and analysis.
Commercial	h. A plan to secure value for money during any exit from the Authority's arrangements with its companies, and the revolving lending arrangements between them, including a plan on how to mitigate associated risks and an appropriate timescale for doing so.	9. The Council's remaining assets and commercial interests following a programme of exit are appropriate to the Council's size, in line with the corporate plan and the service offer it articulates, and sustainable with reference to its medium-term financial strategy.
Organisational and service redesign	i. Actions to secure continuous improvement in all services.	10. The Council has demonstrated that it is focused on continuously improving in all areas and has robust processes in place to collect and analyse data on its delivery, and to manage its performance effectively, and has developed an organisational culture, at all levels, where staff are enabled and empowered to constructively challenge and improve ways of working.
		11. All the recommended actions from the External Assurance review and other actions identified as part of the Improvement and Recovery Plan have been progressed, or a concrete plan is in place to action them. 12. The Council has considered properly and decided as to whether to move to a four yearly electoral cycle.