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Dear Secretary of State,

Thank you for your response to our second report. Please find below our third report.

1. Introduction

Fulfilling the roles and responsibilities of the Commissioner team

1. The Commissioners were appointed by the Secretary of State, under the Local Government Act 1999, to direct and oversee Woking Borough Council's Improvement and Recovery Plan in eliminating historic failures leading to very significant financial shortfalls.

Previous Commissioners' reports and progress achieved

2. This report provides an update on progress as well as highlighting these areas that remain outstanding or unresolved. The commitment within the Council to delivering fundamental change is encouraging but a number of significant issues remain and the report details measures now in place to restore Woking Borough Council (WBC)'s delivery of Best Value to its citizens.
3. Since the intervention commenced, the Council has sought to address a series of key weaknesses covering governance, finance, commercial ventures, housing and cultural deficiencies. There is an awareness and understanding amongst both members and officers that the critical shortcomings in the Council's administration and operation must be corrected as soon as possible and changes have already been affected in this regard.

Articulating the basis and structure of this report

4. This report measures progress in delivering the Council's Improvement and Recovery Plan (IRP) within the timescales set. Attention is given to how WBC effects fundamental change in financial administration and control, workforce, culture, governance and risk, service provision and outcomes, the commercial dimension, performance management, and accountability to Woking's residents.

Executive Summary

5. This report illustrates the very significant challenges Woking Borough Council faces in delivering a robust Improvement and Recovery Plan which fully addresses the failings, weaknesses and shortcomings relating to its past performance. The significant historical deficiencies highlighted in the report are fundamental to the way the Council has operated in the past. The actions set out in the report are recognised as essential if the IRP is to be delivered in its entirety.
6. The extremely serious financial position is now understood. The financial challenges are unprecedented in local government, illustrated graphically by an outstanding debt of £2.1bn for a local authority district council with a population of circa 104,000 and an overall spending power of £16.9m. The track record of the Council includes company ventures which compromise its ability to deliver essential services to its public.
7. Sound governance has been absent for some considerable time, with the local authority failing to fulfil its fiduciary duty to deliver Best Value services to its citizens. There is an increasing awareness of the changes that must be made in governance and commercial activity and these are progressing: advances have been made in establishing robust and resilient governance arrangements but what remains to be done is a process whereby sound decision making is embedded in member/officer ways of working and risk management is embodied in all parts of the Council's operation.
8. Housing has its problems as it manages its stock through an in house/outsourced permutation which needs resolving. The underlying issue of homelessness is being tackled but remains an issue.
9. Culturally, behaviours and ways of working are being radically overhauled as well as clear accountability for performance. This significant and fundamental change in culture must continue alongside integrated planning focusing on the fusion of transformation, finance, workforce and strategic plans. A critical factor which the Council must address is the emphasis given to service outcomes and resident/tenant satisfaction. There is now more focus on the delivery of quality and cost effective services to Woking's residents, in order to comply with the authority's Best Value Duty, is now evident and customer feedback is sought by the Council but greater understanding of the local authority's role, the services it provides and the relationship with Council Tax payers should be developed.
10. Commissioners acknowledge in this report that progress has been, and is being made, in delivering fundamental change in the Council's operation. But concerns remain in terms of the capacity to fulfil these improvements in a timely fashion. Moving the organisation through transformational change is problematic given the declining size of the workforce, when capacity to achieve the necessary outcomes is critical. The commitment of the Council leadership and workforce is clear but the sense of urgency, now more apparent, must be increased if the pace of change is to be accelerated to match the timescale set to meet the objectives in the Improvement and Recovery Plan.

2. Governance

Member/officer interface and the underlying protocol

11. The changing culture of the organisation must acknowledge and incorporate lessons learnt from instances of unethical behaviour in the past. Integrity in leadership and management, decision making and service delivery must always be consistent with representing the best interests of Woking residents. The Council is making progress in this area but this discipline must extend to all parts of the workforce in delivering quality and cost effective services in a timely fashion.

The Council constitution and its application

12. The underlying governance arrangements have been subject to fundamental review. A new constitution is being put in place which seeks to address the shortcomings in sound decision making of the past. The practical application of these arrangements must be subject to continuous oversight.

Council/committee/Executive/working group structures

13. The Council has reviewed its committee structure including its working groups. This exercise seeks to secure an effective approach to such meetings through terms of reference focused on the key areas of responsibility. Whilst this initiative is moving in the direction of streamlining decision making, concerns remain about the underlying bureaucracy which supports such meetings alongside the length of meetings themselves. The Council is seeking to address this and the extent and nature of such bodies should be proportionate given the size and nature of the Borough Council.

Decision-making and the scheme of delegation to officers

14. The Council's decision making processes, including the scheme of delegation to officers, seek to deliver outcomes based on appropriate technical and professional advice and information. This approach is underpinned by a member/officer protocol which guides the interface between members and officers when decisions are being taken. Progress is reasonable but the changes must be consolidated and encompass clarity and consistency in the administration and application of the protocol itself.

Company governance and Council input and oversight

15. Company governance presents a particular challenge and this is covered in the Commercial section of this report. The Council's interest in such ventures must be protected through robust procedures and control, including experience and competence on matters being

considered by Council representatives on company Boards. Monitoring and oversight of these decision-making processes, both by the Council and by Commissioners, must be maintained.

The management of risk

16. The management of risk has represented a significant challenge to the Council and its operation. WBC has a duty to fulfil its fiduciary role in representing the best interests of its residents and is now constructing a policy and practice which will manage risk responsibly and effectively. Such an approach must be embedded throughout the organisation. Risk awareness amongst the workforce has increased but must be maintained and developed further if historic failures are not to be repeated. The concept of risk in local government must be a key feature of the Council's induction and training programmes.

Building effective relationships with communities and public, private and third sectors

17. WBC's relationship within and around the communities of Woking must be supported by a collaborative and co-operative style of engagement with the public, private and third sectors. Although partnership working should not be stifled by unnecessary bureaucracy, the formal nature of such arrangements must be accommodated in sound governance by recognising the respective roles of each sector whilst not inhibiting effective and collaborative working practices.

3. Finance

Effectiveness of finance function – capacity and the basics

18. The ultimate objective is to ensure that the Council has the right financial skills and processes to be self-sustaining beyond the period of intervention. Whilst significant progress has been made, there is still much to do to ensure that the basics, in terms of the right capacity, skills and access to accurate and timely budget information, are in place.
19. A permanent Section 151 Officer has been appointed and there is a core team of both permanent and interim staff in place but the reliance on external resource remains a barrier to achieving more rapid progress and it is important that the work includes skills transfer to the existing team.
20. A quarterly report is now produced along with monthly performance and financial monitoring. However, this is not used to develop reliable budget forecasting. There remain issues in producing timely information and confirmation of the final outturn position for 2023/24 is awaited. Legacy issues means that some of the financial information is difficult to produce. Work is now underway on the structure of the ledger and the planned review of the finance system.

21. These challenges reflect the historic underinvestment in the corporate infrastructure, including in financial capacity, skills and systems and it will take some time to fully rebuild.

The revenue budget 2024/25; capital investment programme

22. The Council's budget is heavily dominated by the costs of supporting its high level of debt.
23. The net budget is £176.2m for 2024/25 against a published Core Spending Power of £16.9m. The capital financing budget, including appropriate Minimum Revenue Provision (MRP), is £168m meaning that a balanced budget could not be set without a significant package of government support.
24. To ensure that focus was not lost on the Council 'living within its means', the budget process for 2024/25 was split into two parts: February Council received a report including the revenue position and planned savings; the full budget, including the Capital and Investment Strategy and provisional Exceptional Financial Support package, was approved by Council on 4 March. The Council should be commended for taking the difficult decisions to remove funding for non-statutory services and for supporting the 10% Council Tax increase.
25. The approved savings total £8.4m, over 15% of the gross services budget, including £2.3m from the staffing restructure. This is a significant amount to remove in one year and the real test will be in delivery, particularly in the context of reduced organisational capacity. There is a lack of experience in delivering budget cuts and the Council's corporate leadership team must continue to play a personal leadership role.
26. The approved budget is for one year only and it is important that this is not viewed as 'job done'. Work needs to begin now to set out the strategic framework and planning horizon, and on identifying an appropriate financial envelope to deliver the Council's statutory responsibilities.
27. Revised Principles for the Capital Programme were agreed by the Council in July to minimise future borrowing and the previous capital programme was suspended. The 2024/25 Programme has been kept to a minimum, largely funding required regulatory works. It reflects the Council's wider orientation towards being an organisation focused on delivering core services to its residents.
28. The Capital Programme does include the most significant investment in Council housing for some time. This investment is largely funded via Housing Revenue Account (HRA) resources and is required to help the Council meet essential fire safety and 'Decent Homes' standards.
29. The additional borrowing for the combined Capital Programme will add an estimated £9.2m to the overall borrowing levels.

Government support – Exceptional Financial Support, capitalisation, Minimum Revenue Provision

30. In order to set a budget for 2024/25, an unprecedented provisional Exceptional Financial Support package was required. This includes in-principle capitalisation directions of £235.1m for 2023/24 to address historic issues (including the repayment of £155m of loans made for revenue purposes) and £95.6m for 2024/25. In addition, MRP charges were suspended in accordance with statutory MRP guidance, which enables a local authority, with the Government's agreement, to reflect assumptions with respect to financial support from Government in the determination of MRP. The corrective MRP charges would have been £356.4 million in the years up to and including 2023/24, and £105.4 million for 2024/25.
31. Additional support was commissioned to calculate the appropriate level of MRP charge and this work has been completed. The 4 March Council approved the Treasury Management and Capital and Investment Strategies, including a new MRP policy, which is compliant with government regulations.
32. The Council's debt stands at over £2.1bn. The value of realisable assets is less than half of this and includes complex assets with a long lead-in time to disposal. This means that the capitalisation direction will not enable a sustainable solution, as there is no means by which the Council can repay all the debt from its own resources. Whilst strict controls are in place on borrowing and the Asset Rationalisation and Debt Reduction plans are underway, the new borrowing to support the capitalisation direction is likely to outstrip the level of receipts received in 2024/25.
33. The focus is now on planning for 2025/26. Commissioners will continue to work with the Council and the Department regarding the Council's long-term financial position, noting the need to set a balanced budget for 2025/26 by the statutory timescales. Without financial intervention, the spiral of debt will continue, further increasing the costs to the public purse.

The management of outstanding debt

34. The biggest challenge the Council faces is addressing the debt legacy from its historic commercial activities. This has required a sustained focus on debt reduction and cashflow management. Progress includes:
 - short to medium term cash flow monitoring was much improved in 2023/24, accompanied by regular reporting to DLUHC on borrowing requirements
 - the Principles for a Debt Reduction Plan were agreed by Full Council on 4 March and all General Fund receipts will be applied to debt reduction
 - the Commercial Governance Board is established and provides the overview of the asset rationalisation and debt reduction work as well as ensuring robust oversight of the Council companies
 - progress has been made in understanding the asset portfolio, developing profit and loss accounts for each asset and the financial modelling and a logic model to inform the disposal process. The work is subject to scrutiny by appropriate external advisers

- a pipeline and milestones are in place for sales in 2024/25 as well as key dates for preparing reports on the main investment estate assets. For the Companies, the business plans are currently being finalised which will identify what they can afford in interest and principal repayments alongside the developing disposal and exit strategies

35. The rental income from the investment estate currently funds £14m of the revenue budget. In normal circumstances, the asset disposal would see a corresponding reduction in the capital financing costs, but as the overall level of debt will still increase in 2024/25, these savings will not be realised. This will drive the potential need for a higher capitalisation direction in future years and a rising spiral of debt costs unless a solution is found.
36. It is important that the duty to secure best consideration from the asset disposals is achieved, but the potential higher value from later sales needs to be balanced against the costs of supporting the associated debt in the meantime. However, the processes for securing best value for the public purse and realising capital receipts in the shortest possible time are different and Commissioners will continue to work closely with the Council and Government to identify the optimum balance between the two.

Incomplete final accounts

37. Having publicly available and audited financial accounts is an important part of transparency and accountability to residents and other stakeholders. The last set of audited accounts are for 2018/19. The 2019/20 accounts have been subject to audit, but a number of issues remain which means they are likely to be subject to a standard disclaimer. Only limited audit work has been carried out on the 2020/21 accounts with no audit work on any subsequent years.
38. The capacity within the Council's finance team is limited and additional external support has been procured. The review of the 2021/22 accounts is well advanced and should enable the Council's accounts for 2022/23 and 2023/24 to be completed at pace. These Council entity accounts are all due to go to Audit Committee by the end of July.
39. The consolidation issues are more complex. A review of all the companies has been undertaken to determine whether the Council has a controlling interest, which means more commercial entities will need to be consolidated into the Group Accounts which will impact their timeline for completion.
40. The fact that this work is still outstanding is not satisfactory. This reflects the volume of work the finance team is facing and the capacity and skills gaps, but it also challenges the current Local Audit regime.
41. It is a priority to move to up-to-date audited accounts with assurance over 2023/24 and the opening balances. A positive relationship is in place with the Council's incoming auditors who are working closely with the Council on the plan for 2023/24.
42. Alternative methods of historical assurance over the Council's activities are being put in place, including the pending Value for Money Review by Grant Thornton, forensic accountancy work

into historic activities of the wholly owned companies and other work that may be required once the Grant Thornton Review is published.

Financial Planning for 2025/26 and beyond

43. In summary, there are five strands of work required to deliver a sustainable financial position for the Council:
- linked to the Governance workstream, assurance that the right culture and processes are in place to ensure robust financial management, post intervention
 - work to identify the right size for the Council's future budget with a robust multi-year action plan to deliver savings that will enable the Council to deliver within the resources available
 - work to urgently reduce the levels of outstanding debt, balancing the need to secure a managed exit from commercial arrangements and deliver optimal value for the public purse
 - assurance over the position of the HRA, covered separately in this report
 - the work to identify a route to sustainability that will enable a budget to be set for 2025/26 by the statutory timescales and a longer term plan to be put in place
44. However, it is not possible for Commissioners to have full assurance over the financial position with the level of uncertainty that remains over the historic position and the lack of audited accounts. Commissioners are exploring with external advisers how this uncertainty can be addressed.

4. Commercial

The Council's companies portfolio: input and oversight

45. The Council's companies portfolio consists of 26 entities, 13 of which form the ThamesWey Group and 3 of which are active companies in the Victoria Square Woking Ltd (VSWL) portfolio. The full extent and structure of companies is shown at **Annex A**.
46. During the first 12 months of the intervention, the focus has been on the continuing liquidity of the companies and the support needed, which included the decision not to put the companies into administration, so that developments in construction can be brought to a suitable cessation in order to maximise asset values. Work is now progressing to understand in more detail the forward cash flow position of each company and to marry these with their business plans which were due for submission on 19th April.
47. Commissioners were disappointed that the ThamesWey Group was unable to interpret the needs of the Council and to demonstrate alignment with WBC objectives in their business plan statement. Commissioners are working with the newly appointed non-executive board members and executives to arrive at a workable business plan for the Group.

Company Governance

48. To address the shortfalls in the strategic direction for each of the company groups, WBC as sole shareholder, has focused attention on the engagement of suitably experienced and qualified Chairs and Non-Executive Directors to lead the companies through the next phases of intervention. The revised boards are now in place and took effective control from early May.
49. There are three key considerations now to be made about the future of the companies:
 - the value that can be generated to continue to reduce debt, whether through ongoing revenue, sale value or both
 - the medium term future (2-4 years) of the companies
 - the continuing risks associated with retention/disposal of the companies

Sale of Companies

50. Many lessons are being learnt as we consider the sale of ThamesWey Central Milton Keynes (TCMK) which will greatly inform the appraisal of other company sales and the value/treatment of their assets. In particular, the treatment of outstanding company debt and the potential tax liabilities has delayed the sale process.

Asset utilisation, management and disposal plans

51. The asset portfolio under consideration, which includes all assets within the Council's bailiwick, fall into four primary groups:
 - WBC operational assets
 - WBC investment assets
 - Company assets (VSWL & ThamesWey)
 - Housing services (HRA) assets
52. Further work is in progress to categorise all assets within these groups to support and inform the 'retain, hold or dispose' decision making.

WBC Operational assets

53. The operational assets consist of office, depot, land and storage facilities distributed throughout the borough. The total value of the portfolio is subject to a validation process planned to conclude in June. This also includes leisure facilities (swimming pools, pavilions, public toilets, and parks), some of which are subject to a controlled community asset transfer programme and therefore cannot be considered for open market disposal. When the community asset transfer programme is complete, responsibility and ownership of these assets will transfer to voluntary and community groups.
54. Consideration of the disposal of operational assets continues and 'right sizing' for the future will be aligned to the Organisational and Service Redesign plan within the overall IRP. This will not only consider the cost of ownership of the assets but will also match the reconfiguration of working practices and services across the Council.

WBC Investment assets

55. The investment estate has been largely built up by acquisition during the past 10 years. The majority of assets acquired since 2016 were bought at the 'top of the market' and now present a Value for Money challenge caused by the impact of overhanging debt on disposal. This is being assessed in line with other factors such as revenue generated, social and economic value prior to concluding and disposal. The greatest challenge to making the assessment to sell assets in this category has been the sparsity and quality of asset data. This is being addressed and a new asset management data base system has been procured and is in the process of being populated.
56. A number of properties have been identified for early disposal and are either sold, under offer or ready for market. These 'low hanging fruit' properties will raise capital receipts by the end of 2024.
57. Work continues to assess all assets in this category and profit and loss accounts and commercial protocol proformas are being completed to support any future disposals.
58. WBC continues to work through the processes now established for the sale of appropriate property assets and to optimise values to meet Best Value duties. It is noted that continued disposal of assets will not provide the Council with a total solution to sufficiently reducing Woking's debt. Therefore alternative options for the reduction of debt will now be explored to ensure that the public purse is, as far as possible, protected. This conclusion is based on:
 - the risk of selling properties at the bottom of the market and creating a substantial overhanging debt for the Council of c £1bn
 - the further risk of significantly reducing the Council's ability to generate revenue income to support longer term debt reduction
 - the need to balance the cost of holding properties, reaching an appropriate portfolio to meet Woking's needs and the cost of servicing the debt
 - the risk of overstimulating the property market in northwest Surrey (given the similar position of neighbouring authorities) and consequently depressing property values

Company Assets

59. The assets currently in company ownership are also considered for disposal and the same processes for assessment will be applied. The portfolio that presents the greatest challenge is the Victoria Square development. This comprises the development of 492 build-to-rent apartments, known as The Marches; retail units including multi storey stores, educational facilities – a dance and drama school, a 'high-end' hotel and a number of car parks. To date VSWL has been supported, through further borrowing and a continuing debt standstill, to continue the construction and eventual opening of the hotel. This is the final facility of the whole development.
60. Values of office and retail space nationally are at the bottom of the cycle with provision far outstripping demand in certain asset categories. The assumptions made at the Victoria Square project inception stage were ambitious and did not anticipate key events such as the effect of Covid lockdown on working and shopping patterns. The imbalance between the current valuations of the completed development and the cost of construction and development is of major concern. It is of paramount importance that careful consideration is given to how the

Victoria Square assets are treated, together with the timing of disposal, in order to achieve maximum value from the investment made.

61. The assets in ThamesWey ownership are better catalogued and consist largely of housing units that are either social rented, affordable rented, or private rented, with some housing units for open market sale.
62. This portfolio produces a valuable income to the company, used to continue paying down the debt to WBC. Work is currently underway to increase the income generated, in turn improving the EBITDA (earnings before interest, taxes, depreciation and amortization). This will improve the company's ability to make greater contributions to debt repayments and potentially increase the company value on disposal.
63. Other ThamesWey assets that must be considered are those that form the established heat and energy networks across the borough. The value of these assets and any potential disposal must be considered against the customer base that they serve, the cost of modernization (some are more than 20 years old) and decarbonisation of the infrastructure plant.
64. At this stage WBC is working with its company executives to improve its understanding of their financial position which to date has hampered the ability of the Council, as shareholder and lender, to make well informed decisions on the future of the companies.

Sound governance procedures

65. Most of WBC's investment estate was acquired at a premium cost. Similarly, the investments made in regeneration projects of unprecedented scale for a small borough council now present challenges for the Council. Governance and challenge to the schemes and acquisitions made at the time was lacking, and a Value for Money review for this period is being concluded.
66. These governance and scrutiny issues have been recognized as a failure, to be addressed in the IRP. The commercial workstream of the IRP has developed and put in place strengthened industry standard governance processes and procedures that are being embedded in all commercial activity. These arrangements are in the form of:
 - commercial protocols – a proforma that will be applied to all commercial activities including asset sales and acquisitions, procurement and contract management
 - risk management: All commercial activity will be subject to thorough risk assessment and mitigation planning
 - Companies Governance Framework – This framework is based on UK Corporate Governance Code, guidance issued by Lawyers in Local Government, the Institute of Directors and the Chartered Institute of Public Finance Accountants
67. The framework sets out critical governance requirements in 8 key areas:
 - documentation
 - roles and duties
 - directors' competence
 - risk management

- conflict of interest
- business planning
- company reporting
- board effectiveness

68. The Shareholder Executive Committee has been established to allow the Council Leader, as shareholder representative, to appoint senior staff and trusted advisers to make decisions on shareholder consents and instructions.
69. Yet to be concluded are the improvements needed in the internal company governance arrangements and reporting. Two new experienced company Chairs have been appointed (18th April 2024) and they are in the process of appointing Non-Executive Directors to their respective Boards. This will strengthen and give new direction to the companies and their executives.

Economic development and partnership working

70. Woking is in a prime location, with excellent road and rail connections to Central London, Heathrow Airport, and sea ports in Portsmouth and Southampton; the development of a strong economic strategy will become critical to the recovery of the borough. This must be done in collaboration with Surrey County Council and neighbouring authorities and private sector partners to maximise its effectiveness.
71. Already the UK base for well-known brand names such as McLaren (Formula 1 Racing), World Wildlife Fund and Kentucky Fried Chicken, Woking has a track record in attracting and working with major business. To instill confidence in potential investors in the borough the Council must develop its commercial competences and demonstrate strength in its financial management.
72. It is the intention to exit current onerous arrangements and set a new path for the council aligned to its core role as a small borough council. The developing commercial strategy will set the foundations for this.

5. Housing service

Configuration of the service and housing need

73. Woking's housing stock comprises a mixture of circa 3,700 housing units and low rise blocks comprising 251 flats. The overall service has been under-invested, since 2016 when the capital budget was reduced, to a low of £3.7m in 2022. During this time the service saw major changes to its delivery model moving from an outsourced service for maintenance and housing management to a directly managed maintenance supply chain. The implementation of the Sheerwater regeneration project required the loss of 426 homes and the transfer of land to the appointed regeneration development contractor (ThamesWey Developments Ltd). This loss of revenue and other factors created significant challenges in the 2023/24 capital and revenue budget for the service. A capital budget of just £3.9m was set in 2023.

74. In 2019, a new focus on the service resulted in the appointment of a new Director of Housing followed quickly by the appointment of a housing asset manager and a head of housing assets. Two key initiatives followed, these being the tender and appointment of a maintenance services contractor and the commissioning of a Fire Safety Assessment.
75. The former contract ran into viability issues with the supplier issuing a voluntary one year termination notice. After negotiation and reconfiguration of the contract, service delivery improvements have been achieved. However, tenant satisfaction with the service remains poor at only 56%.
76. The Fire Safety Assessment work revealed major deficiencies in the housing stock and 3739 remedial actions were recorded. This led to Woking self-referring the service to the Regulator of Social Housing resulting in a notice being issued for breaches of housing standards. A capital programme to deal with the fire safety and gas safety works was approved in February 2024 and this programme of works is now underway with a specific focus on remedying the fire safety issues.
77. This current capital programme will bring the service and housing stock back in line with regulatory standards, but Commissioners are keen to see proposals for the improvement of the service that will deliver improved tenant satisfaction and value for money.

In-house and outsourcing services

78. Housing maintenance and management services were outsourced to a single service supplier from 2012 to 2022. The service provider had responsibility for all reactive and planned maintenance requirements and housing management.
79. During this time the Sheerwater regeneration scheme was initiated and took precedence, in financial terms, over focus on the established housing service.
80. The repair and maintenance contract was retendered and the service was brought back in-house, and the operating model was reconfigured to housing management and asset management. Effectively the management and risk of the repair and maintenance service was brought back under Council control. The Council now manages a maintenance supply chain with insufficient resources to do this. The associated risks with this arrangement, performance, cost control, quality and tenant satisfaction appear to have been underestimated.
81. During this period there was significant underinvestment in the housing service leading to the self-referral and regulatory notices being issued as described above.

Housing services - challenges now faced

- self reporting to the housing regulator
- 400+ homes designated below 'decent homes standard'

- serious fire safety issues identified at Lake View flats and Brockhill residential extra care home leading to potential grounds for Surrey Fire Service to issue a prohibition notice. In the period including Christmas, elderly tenants were evacuated and costly emergency measures were put in place
- most recent tenant satisfaction survey shows only 56% satisfaction
- tenant complaint handling has been struggling to meet appropriate performance targets and work is underway to address this problem. Rent collection has improved thanks to new systems and recovery of arrears and is now at 100%.

Capital investment plan

82. In February 2024 it was recognised that the housing service should have its own dedicated workstream within the IRP and this was approved by the Council's Executive. This was primarily to put in place a recovery plan to deal with the serious issues described above but also to consider improvement to the service that would lift it beyond 'satisfactory'. To date improvement options and potential alternative target operating models have not been explored and this will be done over the next three months.
83. This was a low point for the service and triggered the urgent need to address fire safety issues and develop a capital programme of works with a potential value up to £16.8m. This programme is now underway and fire safety issues are being dealt with. Gas safety remains a serious risk. Cash flow forecasting and financial management of this programme is a cause for concern that must be addressed. Resource and capability to deliver the recovery and improvement of the service is a critical issue.

Housing Revenue Account

84. The Council operates a Housing Revenue Account (HRA) supporting over 3,500 properties. In 2015, 400 properties were removed from the HRA as part of the Sheerwater regeneration plans. As a result, there is a mix of tenancies and land ownership within the Sheerwater estate which will need to be reviewed and resolved.
85. Whilst a balanced budget for 2024/25 has been produced on paper, a 30 year business plan is not in place. The self-referral to the Housing Regulator was driven by the poor condition of the housing stock and concerns over fire safety standards. This means that a significant programme of investment is required to meet the regulatory requirements. £16.4m has been included within the HRA budget for 2024/25, including £2m to be met from borrowing. The amounts required for subsequent years will need to be confirmed once the stock condition surveys have been completed.
86. Support has been commissioned to complete a robust 30 year business plan and this work is scheduled to be complete by Autumn 2024.
87. In addition, an examination of the recharges to the HRA suggests costs have been inappropriately made in relation to Thamesway Energy Ltd. A fuel cell was originally installed

to support the HRA estate. The plans changed, but a share of the costs was still inappropriately charged.

88. The review of recharges was initially undertaken back to 2019/20 (the earliest year of accounts that are not yet fully audited) which identified misappropriations of £2.1m. The 2023/24 and 2024/25 amounts were adjusted as part of the budget process, leaving a retrospective correction of £1.378m. Further work has found reliable evidence that adjustments totalling £782,000 back to 2015/16 are required. Thameswey Energy records provide some evidence for a further two years to 2013/14, but no invoices are available and there is difficulty in determining the amounts that should be applied. Prior to that there are no records available, and whilst it is probable that charges were made in these periods, there is no evidence on which to base any reallocation. This work is being drawn to a conclusion and will be discussed with the external auditors.
89. In February 2024, the Council received in-principle agreement to an item 9 credit direction under the Local Government and Housing Act 1989, to enable the Council to correct charges of up to c. £1.76m that had at that time been identified between 2019/20 and 2023/24. An item 9 direction allows a Council to carry funds between the HRA and the General Fund. This requirement is supported by the Council's capitalisation direction request to provide the funding to reimburse the HRA. The final amounts need to be confirmed, particularly for years prior to 2019/20, alongside any formal action that may then be required.
90. During 2024/25, the HRA and Housing Capital Programme approved by Council will need to be reviewed and updated in line with the above work. Until then it cannot be determined whether the HRA is in a sustainable position.

Tenant satisfaction and participation

91. In 2019/20 the Council undertook extensive engagement on the performance of the service including face-to-face interviews with tenant and leaseholder focus groups and an on-line/postal survey. The result of this engagement led to the in-sourcing of the housing management and maintenance service.
92. Following the in-sourcing of the service and the self-referral to the regulator a resident and landlord partnership has been put in place. This has improved engagement with residents and is continuing to embed in the service. Generally, satisfaction with the repairs and maintenance service has improved and required performance is now being achieved more regularly.
93. Despite these improvements, complaint handling remains poor and following a recent Residents' Satisfaction measures survey results are being collated but early indications show only 56% satisfaction has been achieved.
94. A number of initiatives have been put in place to address these issues and these include:
 - setting up focus groups to aid the development of the Resident Engagement Strategy
 - producing fire safety booklets for distribution to residents

6. Strategic and Corporate Planning

Integration of transformation, service, financial and workforce plans

95. In order to set a balanced budget for 2024/25 which moves towards a more realistic financial envelope for an authority of Woking's size and responsibilities, leaving aside the impact of its debt, the focus of the Borough Council since the last report to Ministers has been to drive out cost at speed. This has included a 20% reduction in the staffing establishment, as well as a pay freeze and service cuts and cessations.
96. The relative size of these savings and the speed with which they have had to be found has precluded an integrated approach to service, financial and workforce planning, which in any event has been weak across the authority. (Indeed, service planning had had to be suspended in Woking to enable an appropriate focus on the recovery.) In that sense, the Council is needing to transform its activities retrospectively in response to the cuts made, rather than deliver savings through transformation. This is against the background of an historic underinvestment in the corporate infrastructure required to deliver transformation, including in processes and systems, understanding and skills. Moreover, much of the Council's technological platform requires upgrading with core systems such as its financial system soon reaching the point where they will no longer be supported by suppliers, creating both cost pressures due to the need for replacement and risk of failure in the meantime. It also compromises the Council's ability to deliver efficient, smarter ways of working. This, together with the scale of the challenges and the severely constrained capacity available, means that a rigorous approach to prioritisation is required; the Council simply cannot deliver all the improvements required simultaneously. In this context, the initial priority is to focus on some of the basic building blocks, such as simplifying and improving the robustness of the budget monitoring information provided to management on a regular basis, acknowledging that the information now available is itself an improvement on previous periods.
97. Alongside this, there is a need to implement a simple approach to work programmes for each service area, taking account of the cuts being implemented especially in staffing levels, predictable challenges (such as procurements falling due in the foreseeable future) and risks to service delivery. This needs to precede a more sophisticated approach to service planning.
98. Beyond overseeing the delivery of the savings that form part of the 2024/25 approved budget and mitigating the risk of these being offset by new service pressures in areas such as homelessness, there is a pressing need to establish the financial envelope within which the Borough Council must discharge its statutory responsibilities over the medium term. This is separate from the development of a strategy for addressing the overhanging debt and is necessary to support a planned approach to future savings and efficiencies, based on transformation. This is also required to inform an appropriate approach to workforce planning.
99. Looking to the wider borough, the forthcoming review of the Local Plan does provide an opportunity to think about the nature of the place that Woking aspires to be in the medium to longer term, taking account of its location and other attributes and some early work is

planned to set out the issues that need to influence this thinking. In the recent past the Council engaged stakeholders in the development of its 'Woking for All Strategy'. The ambitions this sets out, including for a Council that lives within its means, remains valid but there is now a need to align the Strategy more closely to the IRP, and other plans to address key service issues.

100. Meanwhile, the Council's approach to performance management is developing but is heavily dependent on the manual collection of data in support of Key Performance Indicators. This constrains the time and capacity available for effective analysis to help management identify areas where some form of intervention is required. Indeed, performance management is not fully understood across the Council or embedded, which points to the historic lack of focus and investment in organisational development. Finally, there is much to do to secure a stronger alignment between budget monitoring and performance management, to enable the early identification of potential service pressures or cost overruns.

7. Human Resources

101. The historic lack of recognition of the importance of developing the organisation's workforce in a way that reflects changing requirements, has left the Council with what might best be described as a transactional approach to Human Resources, with weak processes that are not always applied consistently across the authority.

Robust, rigorous and comprehensive workforce plan

102. There is little understanding of workforce planning across the Council, or its purpose. There is also an historic lack of rigour in the approach to people management, given a traditionally paternalistic leadership style, which seems to have relied on rather subjective judgment.
103. The previous staff appraisal system in Woking was linked to performance-related pay and will need to be reviewed alongside a wider overhaul of terms and conditions of employment. Proper job profiles and robust grading arrangements need to be put in place to ensure that staff are clear about expectations, effective controls are in place, and that the risk of equal pay or other challenges can be mitigated. This is a significant area of activity that is beyond the current capacity of the HR function and will require considerable preparatory work. Its impact on the Council's financial position will need proper modelling. The timing of this work also needs to take account of the potential impact on staff morale.

Underlying cultural change in the ways of working

104. That said, most Woking staff are committed and heavily invested in the Borough. The circumstances in which Woking now finds itself cannot be attributed to the many hardworking men and women who work for the Council. But there has been an historic under-investment in any form of organisational development to support the growth of a culture where expectations and accountability are clear and where opportunities are created for staff to contribute to improvement.

105. For the reasons explained earlier, staff have limited access to the tools to work smarter and more efficiently and are therefore struggling to adapt to the impact of the recent establishment reductions.
106. A programme of activity is in development which is designed to articulate and deliver the development of the organisation's culture to strike an appropriate balance between clear accountability, expectations and empowerment, but the work involved in achieving this should not be underestimated.

8. Conclusion

107. This report illustrates the very significant challenges Woking Borough Council faces in delivering a robust Improvement and Recovery Plan which fully addresses the failings, weaknesses and shortcomings relating to its past performance. The significant historical deficiencies highlighted in the report are fundamental to the way the Council has operated in the past. The actions set out in the report are recognised as essential if the IRP is to be delivered in its entirety.
108. The extremely serious financial position is now understood. The financial challenges are unprecedented in local government, illustrated graphically by an outstanding debt of £2.1bn for a local authority district council with a population of circa 104,000 and an overall core spending power of £16.9m. The track record of the Council includes company ventures which compromise its ability to deliver essential services to its public.
109. Sound governance has been absent for some considerable time, with the local authority failing to fulfil its fiduciary duty to deliver Best Value services to its citizens. There is an increasing awareness of the changes that must be made in governance and commercial activity and these are progressing: advances have been made in establishing robust and resilient governance arrangements but what remains to be done is a process whereby sound decision making is embedded in member/officer ways of working and risk management is embodied in all parts of the Council's operation.
110. Housing has its problems as it manages its stock through an in house/outsourced permutation which needs resolving. The underlying issue of homelessness is being tackled but remains an issue.
111. Culturally, behaviours and ways of working are being radically overhauled as well as clear accountability for performance. This significant and fundamental change in culture must continue alongside integrated planning focusing on the fusion of transformation, finance, workforce and strategic plans. A critical factor which the Council must address is the emphasis given to service outcomes and resident/tenant satisfaction. There is now more focus on the delivery of quality and cost effective services to Woking's residents, necessary to comply with the authority's Best Value Duty. Customer feedback is now actively sought by the Council but greater understanding of the local authority's role, the services it provides and the relationship with Council Tax payers should be developed.

112. Commissioners acknowledge in this report that progress has been, and is being made, in delivering fundamental change in the Council's operation. But concerns remain in terms of the capacity to fulfil these improvements in a timely fashion. Moving the organisation through transformational change is problematic given the declining size of the workforce, when capacity to achieve the necessary outcomes is critical. The commitment of the Council leadership and workforce is clear but the sense of urgency, now more apparent, must be increased if the pace of change is to match the timescale set by the Improvement and Recovery Plan.

Yours sincerely

Sir Tony Redmond

Richard Carr

Carol Culley OBE

Mervyn Greer

Commissioners

ANNEX A

WBC GROUP OF COMPANIES

