Fifth Six-Monthly Report of Commissioners

Woking Borough Council

13 August 2025

Introduction

1. Commissioners were appointed in May 2023, some two years ago, to address the very significant failures by Woking BC leading to the Council being financially unsustainable. The Improvement and Recovery Plan (IRP) was put in place to eradicate serious deficiencies in Finance, Governance, Commercial and the Housing Service. A Transformation Plan was established to deliver fundamental change in the organisational and service redesign of the Council, alongside culture and behaviours. The impact of Local Government Reorganisation and unitarisation will be addressed by both Commissioners and the Council in forward planning. This report, the fifth that Commissioners have submitted, provides an account of the improvements and developments since our last report submitted in December 2024, together with those areas which require resolution and progress made against the priorities identified at that time. The IRP is the key driver for change.

Governance

2. The Council has established a new constitution which reflects a thorough overhaul of its governance arrangements. Decision-making is underpinned by clarity, purpose and consistency, and the scheme of delegation to officers is practised in a considered way. The terms of reference of committees have been reviewed, and this has enhanced the output of the executive and committees, together with the scrutiny, audit and governance functions. Work to further develop member training to support robust decision-making is now being progressed. The member/officer interface has improved measurably, but there remain one or two areas where working relationships warrant attention. Governance, as a whole, must however continue to develop, consistent with best practices highlighted in the IRP.

3. Risk awareness within the local authority shows improvement, together with the overall approach to risk management, but there’s more to be done in embedding risk in the Council’s working practices. The risk register and the audit tracker, however,

demonstrate the Council's commitment to embrace this concept throughout WBC, and Commissioners constantly remind the Council that it is essential that the risk concept must be fundamental to the resourcing, management and delivery of services.

Finance

4. The quality and timeliness of financial information continues to improve, and capacity and skills within the finance function have been strengthened through recent appointments of officers. The upgrading of the financial system has been successful and was delivered ahead of schedule. Financial skills and capacity within budget holders reveals some progress, but this must be accelerated.

5. The Council delivered the priority to set a 2025/26 revenue budget, with £74.6 million exceptional financial support (EFS) from Government and £96.5 million deferred Minimum Revenue Provision (MRP). The 'business as usual' budget (excluding commercial debt) was £23.1 million. The budget, including the servicing of commercial debt, is £162.8 million, and it relies on the deferral of debt repayment MRP as part of the EFS agreement.

6. For the financial year 2024/25, the current projected position shows an underspend of £2.9 million, which is a significant improvement when set against the overspend of £0.98 million projected at period 6 of that year. This reflects the volatility in budgeting and spend, and the risk associated with the Council's financial position, particularly apparent in capital financing costs.

7. The medium-term financial plan (MTFP) reveals a significant financial gap beyond Local Government Reorganisation in Surrey. Government has now acknowledged that Woking holds significant unsupported debt that cannot be managed locally in its entirety. Government has committed to provide an initial tranche of financial support for debt repayment for the Council in 2026-27 ahead of implementation of reorganisation in Surrey, with further details on this tranche to be announced in September 2025. This leaves the Council with the responsibility to assess the borrowing requirement over the next three years, and it will require a relentless focus

from the Council and its wholly owned companies to manage the risks and activities identified in the commercial programme.

8. The situation relating to sign-off of the Final Accounts remains disappointing. 2018/19 remains the last year for which the Council had a full set of audited accounts. Accounts for the Council as a single entity up to 2022/23 have now been prepared. Skilled interim resource has assisted in the preparation of 2023/24 group accounts (including the Council owned companies) which was presented to the Audit Committee in June 2025. This means that the 2024/25 Accounts will now have a full set of prior year balances. Commissioners are pressing the external auditors to provide a timeline for completion, which is expected shortly. This is a step forward, but it is likely that the delivery of a final certificate for these years remains some way off.

9. The ability of the Council to support a commercial programme on a scale much greater than its financial capacity and commercial capability remains a significant challenge. These skills are not available at this time, and specialist external financial support has therefore been required to support, develop and deliver the asset rationalisation and debt reduction plans. The legacy impact on the Council's finances and the finance team's capacity remains a key issue.

10. The level of historic debt is the key driver for very significant government support in order to set a balanced budget. The recent government announcement indicating an initial tranche of support for the net residual debt, in advance of Local Government Reorganisation, represents a significant step towards resolving the Council's financial situation and is welcomed. Commissioners will continue to work with the Council to ensure that the focus is on minimising total debt and the projection of future debt requirements are accurately represented.

Strategy, Transformation and Culture

11. Fundamental to the Council's recovery plan is the adoption of the 'Woking For All' Strategy which provides strategic direction in implementing fundamental change in the operation of the local authority. It encompasses a clear planning and delivery process in fulfilling Woking's responsibilities for providing service outcomes to citizens which

meet the Best Value criteria. The management structure has been overhauled, and procedures are more rigorous and enable the workforce to adopt the necessary change in behaviours across the authority. There is encouraging progress in all these areas of the Council's activity. The organisational development framework within which the Authority now operates has played a significant role in engaging human resources, management, clarity of purpose and the digital dimension. There is a commitment to deliver the necessary change although the challenge to deliver the extent and nature of the transformation within the timescales proposed for Local Government Reorganisation, and to manage the capacity to do so, are considerable. The Council and Commissioners are making every effort to minimise the impact on the delivery of the IRP within the set timescale. The Council is also very conscious of the importance of community engagement in this respect.

Reorganisation

12. This report must recognise the potential impact of planned unitarisation of Surrey in considering the progress when delivering the Council's IRP. Given that the IRP timeline extends beyond March 2027, when Woking is scheduled to be replaced by a unitary authority, work is underway to recast the plan to meet that deadline. This will be a subject for consideration with the new unitary authority, once established in "shadow" form.

13. That said, Commissioners remain committed to ensuring the delivery of all key areas of the IRP by 31 March 2027 so that Woking Council is fit for purpose when being incorporated into the new unitary authority. The Council shares that objective although this must be set against the backcloth of uncertainty that could affect the workforce. The IRP will accommodate the impact of the different stages preceding the creation of the unitary Councils on 1 April 2027 and will adapt its approach through the transitional period. However, the IRP will continue to require complete eradication of all historic failings, as part of its success criteria, within the timescale.

Housing

14. The previous six-monthly report set a priority for delivering a balanced HRA and 30-year business plan. A viable HRA budget and business plan has been prepared for 2025/26, offering a clear direction in terms of capital investment, management and maintenance of the housing stock and effective and healthy tenant engagement, but delivery of the plan relies on revenue cost reduction, the prioritisation of capital expenditure and minimising the borrowing requirement. A further forensic analysis of historic transactions relating to the HRA has been carried out, but the consequent capital and revenue adjustments are yet to be agreed. These must be finalised in the current financial year. The issues emerging from this work are of a serious nature and run counter to the improvements highlighted in the Housing service identified in this report. Given the potential impact on both HRA and General Fund, this is seen as a key priority. A further update on this situation will be provided in the next six-monthly report.

15. The service has improved throughout, and the team is aware of deficiencies when they arise and addresses them. A new management system, now in place, has completed its first test programme. There has been good progress in the delivery of the current capital programme, which was developed to resolve non- compliance issues mainly centred on fire safety. In particular, the key issues have been:
    - All appropriate specialist contractors and suppliers have been procured and instructed on requirements, which include consultants and project managers.
    - All suppliers/contractors are active in the programme.
    - The programme is now progressing against expectations and is dealing with non-compliance as a priority risk.

16. Resident engagement has improved, and the public forums have become more active and well attended. Feedback from residents is now captured and actions taken to improve service delivery. The response to complaints was previously a concern, and poor processes and capacity issues have now been addressed and improvement in handling and level of complaints is evident.

17. The service was self-reported to the Housing Regulator in 2024 with reports provided to the regulator team every month. 300 homes were not in a decent state, and fire

safety was a key issue. In April 2025, the regulator was sufficiently content with progress to reduce review meetings to every two months with the aim of intervention ceasing by April 2026.

18. The change in attitude of service management has resulted in much more of a ‘can do’ approach to delivery. This has been achieved by a restructuring of the leadership team which is now embedded and works well. Further recruitment at service delivery level has been undertaken, and these two actions have been effective in resolving the capacity and capability constraints although some areas still require additional staff. The progress made was recognised recently when one member of staff won the ‘Women in Housing Awards’ 2025 Local Authority Woman of the Future Award for her work on resident engagement.

Commercial

19. A significant change in the commercial workstream, since the last report, has been the formation of a Joint Commercial Programme Group (JCPG). This comprises both the Council and the appropriate wholly owned companies, ThamesWey Group LTD (TWL) and Victoria Square Woking Limited (VSWL). This approach stems from the need for high levels of scrutiny and management through the delivery phase of the programme; an experienced programme manager, recruited by VSWL, is providing this, and the work is focused on the divestment of the companies and their associated assets. The creation of the JCPG and the focus on governance is maintained by the creation of the Financial Recovery and Governance Board which oversees the maintenance of sound governance in decision-making.

20. The JCPG has agreed a joint programme of deliverables under five themes: ThamesWey Energy Ltd, ThamesWey Housing Ltd, ThamesWey Developments Ltd, VSWL, and the WBC asset disposal plan. Each has been assigned specialist leads, generally from the companies, who have produced the workplans. These workstreams are fully aligned with ‘the plan on a page’ timescale previously agreed with the companies.

21. On 1st May, a joint meeting, led by Commissioners, included the Company Boards, Council Officers and the Deputy Leader of the Council took place. The companies were made aware of the importance for the companies to fully adhere to the programme and not allow any issues affecting the programme to remain unresolved. This message was clearly delivered to company boards and the Council, and it was believed by Commissioners at the time that this message was understood by them giving Commissioners greater confidence and assurance that the programme will be delivered. It also conveyed clarity about the planning for activities that go beyond the scheduled date for the unitary authority to become operational. However, since this date, it has become clear that progress is not being made on the substantive strategic focus of the divestment plan. This is due to a range of personnel and leadership issues within the companies which are now being urgently addressed. An additional review of the financial standing of each company is taking place which will give a base position for the continued short-term support of the companies or for them to be placed into administration.

22. The commercial activity of the council has recently focussed on the Council's major company interests i.e. VSWL and TWL. Changes have been made to the Executive Teams of VSWL and TWL with the appointment of a joint Corporate Restructuring Officer (CRO), replacing the CEOs of the companies, and an experienced Asset Management Director has been appointed to VSWL. In TWL, an energy specialist has been recruited. The CRO has visibility across company groups, and these changes enable the planned asset disposals and continuity of service provision to be maintained throughout the duration of the programme. There remain a number of smaller companies where Council officers are on the board, and a conflict of interest exists. Moreover, initiatives that were put in place by Commissioners to take an overview of the commercial functionality of the council have not been embedded into the fabric of the council. This is of concern and will require addressing.

23. Issues within the companies has delayed progress in several areas and Commissioners are undertaking urgent action to rectify this situation, taking a leading role in instructing the companies to engage with appropriate specialist agents and to appoint the CRO. The Commercial Programme remains a vital cornerstone of, and significant risk to, the Council's recovery.

24. This ongoing situation has also highlighted weaknesses in the Council's resilience to deal with short term issues such as this. It was noted at the time of the External Assurance Review that there was too great a reliance on a small number of senior officers and that more staff were needed to support them. The Council implemented a new structure which was intended to alleviate this issue and ensure the Council's continued robustness. However, the commercial function within the Council has not been fully embedded thus exposing it to risk. Commissioners are also taking immediate action to address this.

Conclusion

25. Given the situation facing Commissioners in respect of the historic failings of the Council, which were very significant, the progress in correcting those serious faults and inadequacies over the past two years is encouraging. The fundamental weaknesses in governance and risk management have been addressed. Whilst the outstanding debt remains a considerable challenge, Government has committed to a first tranche of debt repayment support in 2026-27, and the Council will continue to work with the Government on this issue. The Council's financial discipline and propriety have been restored.

26. The Council still faces significant challenges with regards to its longer-term commercial resilience broadly as a result of not fully embracing the development of its own commercial capability. Commissioners will continue to ensure the commercial arrangements for the future are fit for purpose.

27. Housing, as a service, has been largely overhauled, but regulation and tenancy management must be continuously monitored. The transformation plan is fundamental to Woking's ability to deliver service outcomes to citizens which meet the Best Value standards, and cultural change is well underway but not yet complete. The IRP reveals positive signs of progress, and the Council must now complete delivery whilst recognising the implications of Local Government Reorganisation.

28. For the coming six months, the single biggest priority will be the delivery of the next stages of the commercial programme to reduce the Council's outstanding debt. Government has been clear that any central debt support must take into account the following principles: continued assurance over Woking's financial position; the Council's continued commitment to reduce the debt locally within its capacity; overall Value for Money for the local and national taxpayer; and how any financial support could be implemented in the context of specific reorganisation proposals from Surrey.

29. The Council and Commissioners will continue to review the Council's IRP in the context of Local Government Reorganisation, and Commissioners will address the Council's improvement journey in relation to Local Government Reorganisation in our next report, by which point it is anticipated that a decision on the future configuration of local authorities in Surrey will have been taken, allowing an assessment to be made of the Council's improvement trajectory towards reorganisation.