

WAVERLEY BOROUGH COUNCIL

VALUE FOR MONEY O&S COMMITTEE - 16 NOVEMBER 2020

EXECUTIVE - 1 DECEMBER 2020

Title:

UPDATE TO GENERAL FUND MEDIUM TERM FINANCIAL PLAN 2021/22 – 2024/25

Portfolio Holder: Cllr Mark Merryweather, Portfolio Holder for Finance, Assets & Commercial Services

Head of Service: Peter Vickers, Head of Finance and Property

Key decision: Yes

Access: Public

1. Purpose and summary

- 1.1 Following on from the Contingency Revised Budget agreed at Full Council in August, a commitment was made to undertake an update to the Medium Term Financial Plan (MTFP) including a review of the longer-term effect of the pandemic on the Council's future financial resilience, taking account of the wider economic conditions. It was agreed that this should be reported to Council no later than its December meeting.
- 1.2 This report contains the outcome of that review which has resulted in an increase to £7.9million in the projected net budget shortfall for the four year medium term which is now estimated to comprise a £17.1million gross shortfall against which currently only £9.1m of compensating measures have been identified. While Covid is one key direct driver in this, other consequential factors still leave an unresolved recurring annual deficit for 2024/25 and beyond projected at £1.2m per annum..
- 1.3 The principal aim of the revised MTFP is to protect core services so a one off repurpose of earmarked reserves in 2021/22 is likely to be necessary if government funding continues to fall short of meeting the full impact of COVID-19 on the Council's finances. Clearly drawing on reserves to fund ongoing costs is not a sustainable position given that Waverley has very limited General Fund reserves. The budget and MTFP projections are being prepared with a range of assumptions made in very uncertain economic conditions therefore the figures are volatile, particularly with regard to the timing and extent of recovery of income streams impacted by the pandemic.
- 1.4 The February 2020 MTFP already included some challenging targets supported by a range of strategies and it is crucial that these continue to be fully supported and remain the central focal point for addressing the budget shortfall.
- 1.5 This report contains the following Annexes:

- Annexe 1 – General Fund MTFP update at October 2020
- Annexe 2 – Contingency budget ongoing impact schedule
- Annexe 3 – Update to projected reserves position

2. Recommendation

That the Value For Money Overview and Scrutiny Committee considers the updated Medium Term Financial Plan projections and makes comments and observations to the Executive ahead of consideration by Council in December

Draft Recommendations from Executive to Council

2.1 It is recommended that the Executive, after considering comments from the Value for Money Overview & Scrutiny Committee, makes the following recommendations to Council, to:

1. Approve the updated forecast and assumptions in the latest Medium Term Financial Plan and request that a full review of the Plan is brought to Council in February 2021 alongside the draft 2021/21 Budget report; and
2. Agree that capital receipts are applied to fund business transformation and efficiency projects as allowed under the statutory provisions.

3. Reason for the recommendations from Executive to Council

3.1 The budget is a major decision for the Council and setting a balanced budget is a statutory requirement. As a result of the sudden and unexpected COVID-19 impact, the Council had to act quickly to take steps to address the significant projected net budget shortfall so that the Council can continue to function. A revised budget for 2020/21 was set in August and Council asked that the medium term financial projections are updated in December, ahead of the budget setting process in February 2021. The Medium Term Financial Plan projects future financial pressures and opportunities to enable the Council to take action to ensure sufficient funding is in place to deliver services.

4. Background

4.1 The 2020/21 budget and MTFP included a range of estimates based on assumptions which, at the time the budget was set, were deemed to be robust and deliverable overall. However, the sudden, unexpected and material adverse impact of the COVID-19 pandemic necessitated a thorough review of the Council's in-year budget which identified a projected budget deficit of £6.6million as shown in the summary below. The Contingency Revised Budget also highlighted the risk that the Council may not have yet identified all of the impacts and that the pandemic may not be controlled as currently envisaged, these have been addressed in the updated MTFP projections.

Contingency Revised Budget Summary 2020/21	£
Leisure facilities	£2.7m
Car park income	£2.0m

Property income	£0.7m
Planning and land charges income	£0.6m
Other costs and loss of income	£0.6m
Total estimated budget deficit	£6.6m
Agreed actions to address the deficit:	
Cost saving and efficiency measures	£2.3m
Government one-off grant	£1.5m
One-off draw on reserves	£2.8m
Total	£6.6m

The government has so far given the Council £1.527million of COVID-19 support grant towards its £6.6million 2020/21 projected budget deficit, and the Council estimates that it may be eligible to claim £2.3million from the government's compensation scheme for lost income from fees and charges. This year's claim is not certain yet and it is not clear yet if the government will continue the compensation scheme into next year.

Revised Budget Shortfall Summary.

- 4.2 The Council's MTFP has been updated to include the latest General Fund projections, including the reserves earmarked for specific purposes, that may have to be drawn upon to meet the budget shortfall. This report sets out the emerging pressures, risks and the projected budget shortfall over the next four years. The report also develops existing strategies for addressing the shortfall to protect vital services and put the council in a more sustainable financial position.
- 4.3 This report does not present a balanced position and highlights a significant unresolved funding shortfall over the medium term and, due to the current fluidity of the economic conditions within which the MTFP is framed, it will be necessary for a further review to be considered by the Council alongside the budget setting report for 2021/22.

The following table shows the total projected change in the forecast gross budget shortfall (before mitigating measures) since the MTFP was agreed in February.

	2021/22	2022/23	2023/24	2024/25	
	Change from 2020/2021 Base	Change from 2021/2022 Base	Change from 2022/2023 Base	Change from 2023/2024 Base	Total
	£000	£000	£000	£000	£000
Projected Shortfall Feb 2020	1,270	1,280	980*	0*	3,530
Projected Shortfall Oct 2020	3,873	136	540	143	4,692
Total change per year	2,603	-1,144	-440	143	1,162

* February 2020 MTFP extended to 2023/24, the Oct 2020 revision includes 2024/25

- 4.4 The updated MTFP projection is included in **Annexe 1** which details the revised projections and assumptions for the four year period. The changes from the February position are based on a review of the ongoing impact of the items identified in the Contingency Revised Budget, new emerging issues and cost pressures.

Key Assumptions

- 4.5 The detail of the estimated ongoing impact of the pandemic is included on **Annexe 2** which builds on the contingency revised 2020/21 budget. The underlying assumption is that the income streams will fully recover within the time period of the MTFP.
- 4.6 Due to the significant financial pressures resulting from the pandemic, it will take a number of years for some income to recover to normal levels and therefore will require the identification of short or longer term measures to address this. Any change of use of earmarked reserves does not resolve the ongoing budget pressure and will require a resolution in the following year, this is represented by the line "Previous year net deficit" in the table above. Specific detail on the line items in the table is given in the following paragraphs.
- 4.7 Inflation - including pay and contractual increases assumes that inflation will not increase beyond 2% in line with the Bank of England's commitment. The inflation figure now includes all contractual increases resulting from non inflation related increases such as pay grade incremental progression and the refuse and recycling contractual increase resulting from growth in the property base. Inflationary increases on income streams such as fees and charges are included as part of the commercial strategy target.
- 4.8 Waverley currently retains £2million of the £38million business rates collected as its core funding for general fund services. The main element of this amount, approximately £1.8million, is derived from a Government formula which determines each Council's safety net position against its 'baseline need' for funding. The second element, approximately £0.2million, is related to the total Rateable Value (RV) of business premises in the borough which is affected by physical properties and the RV assessed by the Government's Valuation Office. This can also fluctuate according to appeals from rate payers. The Government is committed to reviewing business rate funding for local authorities and its 'relative needs' calculation. Waverley's MTFP forecasts significant reductions in Government funding over the next four years. This review has already been delayed for several years and it has announced recently that the review is delayed again. This delay has been reflected in the reprofiling of the Business Rate Retained Income reduction in the MTFP and relieves cost pressure in 2021/22. Officers have taken a cautious view of the impact of these reviews on Waverley's budget given previous past experience of redistribution formula. District and borough councils across southern England would tell a similar tale, and further lobbying is being undertaken with local Members of Parliament and the Local Government Association on this issue, as the Government prepares its 'Fair Funding Review' and its proposed new policies on devolution.

- 4.9 The government has indicated that the 2021/22 finance settlement will be a one year settlement, again. The assumptions such as the historical correction of the £0.8million negative grant, loss of Retained Business Rates and reduction in New Homes Bonus in the February MTFP are still valid. These will be covered in the 2021/22 budget report in February 2021 when more detail is known from the Government.
- 4.10 Investment property contributed a £0.742million cost pressure to the Contingency Revised Budget before mitigation from the Investment Property Void provision. This pressure has been resolved by the expected resolution of the Wey Court East void, a number of lease regears within the current property portfolio and the anticipated completion of an investment property acquisition. The balance of the investment property £1.2million target over the MTFP period yet to be achieved is included in the ongoing funding identified below.
- 4.11 Treasury management interest has been achieving an average return of 1.1% prior to the pandemic, netting the General Fund £0.577million. Since then the Bank of England reduced the base rate from 0.75% to 0.1% in March and due to the significant economic uncertainty the rates available on fixed term fixed rate money deposits has reduced to 0.2%. The immediate impact of the rate reduction is mitigated by the strategy in recent years to place cash deposits over longer terms where the rates were better. These will unwind over the next 18 months. The long term forecast does not indicate an increase in the base rate in the MTFP period.
- 4.12 In common with many other councils, it is proposed that under these challenging financial circumstances, Waverley should take advantage of the government's time limited Flexible Capital Receipts scheme to utilise capital receipts to fund business transformation projects that deliver efficiencies and savings. A schedule is being compiled of projects from the Corporate Projects list including the cost of the Business Transformation team. This will be submitted to government for approval. As this is a new policy approach, a specific recommendation has been included in this report.

Addressing the Budget Shortfall

- 4.13 The cumulative deficit to be resolved by the end of the MTFP period 2025 is £17.1million (see annexe 1). In Feb 2020 £3.5m in mitigating savings measures had been identified. In order to still achieve a sustainable and balanced budget in the medium term, all projected shortfalls in funding must be resolved with an ongoing resolution. The table below shows a summary of the profiling of the budget deficit and an update to the measures identified in the February plan to address this. The table shows a significant unresolved balance still to identify in the coming weeks ahead of the formal budget setting process.

	2021/2022	2022/2023	2023/2024	2024/2025	
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	Change from 2020/2021 Base	Change from 2021/2022 Base	Change from 2022/2023 Base	Change from 2023/2024 Base	Total
	£'000	£'000	£'000	£'000	£'000
October 2020 updated February 2020 increase on previous year base	3,873	136	540	143	4,692
Oct 2020 updated on previously identified Feb 2020 savings proposals	-912	-929	-1,053	-595	-3,491
Funding yet to be identified to be met from Government Funding, further savings or one-off use of earmarked reserves	2,961	-793	-513	-452	1,201

The full detail is set out in **Annexe 1** and specific items discussed below.

Council tax

- 4.14 The table on **Annexe 1** shows three aspects to council tax income (1) an inflationary uplift at the maximum permissible under the governments referendum principles (2) a modest forecast of tax base growth that is eroded by any increase in the number of people claiming Council Tax Support and (3) a surplus or deficit on the planned collection rate each year.

The amount of council tax that will be paid to each of the precepting bodies, including Waverley, Surrey County Council and the parish and town councils, is fixed for the financial year. Any variation in actual compared to estimated forecasts used in calculating the council tax base and/or the estimated in-year collection rate will impact in the following and subsequent years. For example, if Council Tax Support caseload and value increase above the estimated amount, or if the collection rate was lower than the assumed amount, the collection fund will fall into deficit which will be apportioned in future years. In its recent announcement, the Government has confirmed that it will allow councils flexibility to spread this impact over more than one year but the details are not yet known. Government COVID-19 support to business in the form of reliefs and grants will be fully reimbursed and not impact on Waverley's finances. The forecast included in **Annexe 1** is based upon the council tax support caseload and the collection rate as at the end of September. It is too early to judge the likely total case load until January.

- 4.15 The detail, strategy and progress behind the Investment Property, Head of Service cost review, Business Transformation and Commercial Strategy are adequately reported and available through the Value for Money Scrutiny and Executive minutes. The commercial strategy highlights the need to review existing income sources to generate additional revenue including a review of possible increments to all fees and charges. This will be covered in more detail as part of budget setting and included in the February MTFP update.
- 4.16 Part of the package of measures within the Contingency Budget was a recruitment freeze to hold back on £0.6million of vacancies following on from the Management Board decision to suspend all non-critical recruitment, review all external staff costs and suspend non-urgent spending where possible. This is proving to be an effective

interim measure to help reduce costs although it must be recognised that it does place pressure on services and staff and can affect performance. The ability to and impact of continuing with these staff budget controls beyond 2020/21 is being carefully considered.

- 4.17 The non urgent expenditure review included in the Contingency Budget achieved £0.436million of savings, this will be considered as part of the 2021/22 budget setting exercise with heads of service being asked to identify the extent to which these savings can be repeated without impacting on essential services.
- 4.18 The core funding for the General Fund Capital Programme is from Revenue Contributions from the revenue budget of £1.05million. This was reduced following a corporate projects review under the Contingency Budget by £0.472million. Within the MTFP the revenue contribution may have to be scaled back again to balance the budget, acknowledging that this may reduce investment in existing and new facilities and assets. Clearly, there will be need to be a proper assessment of the impact of this reduction on health and safety and the potential deterioration of assets and this will be done as part of the budget review and updated in the February MTFP.

Earmarked and non-earmarked reserves and provisions.

- 4.19 A summary of the projected impact of the pandemic on the available reserves is included on **Annexe 3**. In line with the Contingency Budget agreed recommendation, the additional Sales, Fees and Charges compensation grant (£2.3million) claimed in 2020/21 will be used to replenish the reserves. It is not yet certain how much of the claim will be received.
- 4.20 The Property Investment Void provision is an important revenue mitigation supporting the Property Investment Strategy. Going forward this provision is intended to be maintained at a sufficient level to limit the impact in the event of rent loss due to a void period (such as Wey Court East). Until the property portfolio is fully established and self sustaining, it will require a contribution from the New Homes Bonus to replenish the provision.
- 4.21 The future financial resilience of the council is dependant upon the availability of reserves to manage financial shocks such as more lockdowns. Ideally, the use of reserves should be limited as far as possible to mitigating the temporary impact of the pandemic net of any government assistance. It is important to therefore ensure sustainable resolutions are found where ever possible and if necessary or appropriate temporary measures such as a vacancy freeze to limit the need to call upon reserves, which should always be a last resort.

Risk and Impact

- 4.22 There is a risk that, if not monitored adequately, the proposed MTFP prolonged

vacancy freeze, reduced capital spend and pared back service costs could put pressure on services, particularly if the Council continues to experience further pressure as a result of local or national lockdowns and the predicted wider economic downturn.

- 4.23 The MTFP 2021/22 projected base has accounted for a £2.6million reduction in income prior to subsequent recovery, this compares to £3.3million impact from the first lockdown (excluding leisure start up costs), which would be a reasonable estimate for an equivalent lockdown period in 2020/21. The equivalent government compensation would be £2.35million resulting in a net deficit of £0.95million. There is no information about the government compensation scheme in respect of subsequent years and the estimated income loss is accounted for in the MTFP.
- 4.24 The biggest single budget impact of the first lockdown has been on leisure income and the MTFP assumes that there will be no income at all during 2021/22 and a steady recovery going forwards. The impact of subsequent lockdowns on the viability of the leisure contract will need to be closely monitored as this will be a significant financial impact. Car parking income was the second biggest budget impact with an annual income of £5.2million equating to £0.1million per week. Post lockdown monitoring showed parking to be at 70% of pre COVID-19 capacity. Parking income will be zero for the duration of subsequent lockdowns, and the MTFP assumes the capacity usage will recover over the MTFP. Changes in Planning fee income are not considered to be directly related to lockdowns and more aligned to the macro economic climate. The remaining smaller income streams in total contributed an estimated £25,000 per week to the Contingency Budget deficit.
- 4.25 The MTFP projections include costs for additional capacity in Housing Benefit and Revenues team to cover the increased workload and also additional PPE expenditure. This insulates the cost base to a reasonable degree from further lockdowns and a worsening economic climate. It is envisaged that short term spikes in community pandemic response teams will be resourced internally resulting in services levels being temporarily reduced whilst staff are deployed.
- 4.26 The MTFP projections include a moderate recovery. Any delay or adverse change in the income projection profile will result in the need to draw down additional reserves to balance the budget.
- 4.27 The impact in future years of Waverley needing to unexpectedly draw down significant value of reserves is difficult to assess but, given the £5million budget shortfall already projected in the medium term, these risks will put serious pressure on the Council's financial resilience. In the light of the COVID-19 impact, the government need to urgently give clarity to councils on the continuation of the COVID-19 Sales, Fees and Charges compensation scheme, the business rate funding and address the growing risk of business rate appeals and declining rateable values to local council budgets.

Considerations for the 2021/22 and subsequent years budget setting

- 4.28 Options for members to consider as part of next and subsequent years budget settings in the light of the challenging position are:

- car park charges
- other charges
- importance of property income
- further efficiency and business transformation, including collaboration opportunities with willing partners
- council tax to be increased by the maximum level
- funding for growth areas will be extremely challenging and require reprioritisation of funds and service reductions in non-critical areas

5. Relationship to the Corporate Strategy and Service Plan

5.1 Having a robust, sustainable budget is essential to deliver all aspects of the Corporate Plan.

6. Implications of decision

6.1 Resource (Finance, procurement, staffing, IT) - covered above

6.2 Risk management – covered above

6.3 Legal

The Coronavirus Act came into force on 25 March 2020, and since that date the government has introduced a significant amount of secondary legislation (statutory instruments) that has required the Council to change the way in which its services are delivered; required partner organisations and contractors to change their operational pattern, or temporarily cease operations altogether; and placed additional temporary functions within the Council's statutory powers, including additional enforcement powers in relation to businesses and additional homelessness duties.

Throughout this period the Council's Legal Services team has supported the Council's COVID-19 response by providing advice in relation to any and all suspended, additional and revised discretionary and non-discretionary functions, to ensure the Council has continued to operate lawfully in accordance with both existing and COVID-19-related legislation.

Over the coming months as the impacts of the effect of COVID-19 continue to be evaluated, that advice will continue so as to enable the Council to function lawfully in circumstances where the financial resources available to its non-discretionary and discretionary services are under far greater pressure than anticipated when the 2020/21 budget was set. Any and all further legislative changes and statutory guidance will be assessed and the Council's service supported with advice targeted to those changes, including through the Recovery, Change and Transformation programme.

6.4 Equality, diversity and inclusion

There are no direct equality, diversity or inclusion implications in this report. Equality impact assessments are carried out when necessary across the council to ensure

service delivery meets the requirements of the Public Sector Equality Duty under the Equality Act 2010.

6.5 Climate emergency declaration

There are no direct implications arising from this report but reference is made to the need for the main budget proposals to address the resource requirement for the emerging climate change action plan. The current proposals retain in full the budget allocated to support the delivery of the action plan.

7. Consultation and engagement

- 7.1 As with the contingency budget in July/August, the revised MTFP will be considered by the Value for Money Overview & Scrutiny Committee for discussion and scrutiny. There will also be an all-member briefing on the subject to enable councillors to receive a presentation on the main issues and ask questions ahead of the Council meeting in December. A separate briefing for O&S councillors was held in September specifically on reserves and provisions. Officers have been working with the Staff side/Union in the formation of the Recovery, Change and Transformation programme and this work will continue. In parallel to the council's scrutiny and decision making process, officers will discuss the position and proposals with Grant Thornton, Waverley's external auditors.

8. Other options considered

- 8.1 The report is an update to previously agreed projections. A range of assumptions have been made in the financial projections and a number of options are set out in the report and annexe for consideration by the Council in the coming weeks ahead of the budget setting meeting in February 2021.

9. Governance journey

- 9.1 This report will be considered by the Executive following scrutiny by the VFM O&S Committee. Full Council will receive the Executive's recommendation at its meeting in December.

Background Papers

There are no background papers, as defined by Section 100D(5) of the Local Government Act 1972).

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Agreed and signed off by:

Legal Services: date

Head of Finance: date

Strategic Director: date

Portfolio Holder: date

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GENERAL FUND MEDIUM TERM FINANCIAL PLAN: October 2020

Annexe 1

	2020/21 revised budget	1	1	1	1	Total
	Contingency revised budget	Change from 2020/2021 Feb Base	Change from 2021/2022 Base	Change from 2022/2023 Base	Change from 2023/2024 Base	
	0	0	0	0	0	0
Anticipated Budget Variations						
Contingency budget, on going impact	5,894	2,777	-1,226	-722	-840	-11
Inflation and contractual increases		478	524	569	616	2,187
Housing benefit admin grant		0	30	30	30	90
Business Rate Retained Income		0	700	700	400	1,800
Investment Properties	742	-460	-262	-100		-822
Treasury management interest		298	150			448
One off capital receipts funding for Business Transformation team		-220	220			0
Borough Elections Reserve 2020/21 deferred contribution				63	-63	0
Income volatility provision: 8 weeks income loss		1,000				1,000
Budget Shortfall	6,636	3,873	136	540	143	4,692
	<i>From Feb Base</i>	3,873	4,009	4,549	4,692	
	<i>Total over MTFP</i>		7,882	12,431	17,123	

Addressing the Budget Shortfall						
Council tax increase - 1.9%/1.99%		-207	-240	-273	-307	-1,027
Council tax change in tax base		-28	-28	-28	-28	-112
Council tax collection fund surplus / deficit		120	-40	-40	-40	0
Investment Property income target - Balance of £1.2m		-340	-38	-200		-578
Head of Service Cost Review 2019/20 ongoing impact		-191	-63	-13	0	-267
Business Transformation		-121	-400	-379	-100	-1,000
Commercial Strategy		-145	-120	-120	-120	-505
Staff salaries: vacancy saving from a recruitment freeze	-600	0				0
Cancelled revenue contributions to reserves	-510		0			0
Reduction in revenue contribution to capital	-472			0		0
On going base budget reductions	-1,582	-912	-929	-1,053	-595	-3,491
	<i>From Feb Base</i>	-912	-1,842	-2,895	-3,491	
	<i>Total over MTFP</i>		-2,754	-5,649	-9,140	

Budget Shortfall: recurrent deficit	5,054	2,961	2,167	1,654	1,201	7,983
	<i>Total over MTFP</i>		5,128	6,782	7,983	

One off adjustments not affecting baseline						
Contingency Budget revenue and capital cost savings measures:						
COVID-19 Costs Government Grant	-1,507	0	0	0	0	0
Contingency budget savings	-673	0	0	0	0	0
Use of reserves	-2,874	0	0	0	0	0
Use of COVID-19 Sales, Fees and Charges claim		0	0	0	0	0
Business Rates Equalisation Reserve		0	0	0	0	0
One off none base line adjustments	-5,054	0	0	0	0	0

Annual Net Budget deficit/(-)surplus	0	2,961	2,167	1,654	1,201	7,983
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General Fund Useable Revenue Reserves	2020/21 pre COVID-19 balance	2020/21 Approved Reserve Use	92	88	84	81	Forecast Closing Balance
Earmarked Reserves							
Flexible Homelessness Support Grant	-974	474					-500
Commercial Property Void provision	-425	425					0
Emergency Funding	-17	17					0
Climate change	-300	0					-300
Brightwells Reserve - licence from Dogflud	-311	296					-16
Local Plan Reserve	-236	0					-236
Place shaping	-320	188					-132
Investment Advisory Board	-2,432	418					-2,014
Revenue Reserve Fund - Capital Programme funding	-197	0					-197
Insurance Reserve - MMI run off	-188	0					-188
Insurance Reserves	-566	0					-566
Borough Elections Reserve	-63	0					-63
Business Rates Equalisation Reserve	-3,850	649					-3,201
SANG Site acquisition	-1,000	200					-800
Total Earmarked Reserves	-10,880	2,668	0	0	0	0	-8,212
General Fund working balance: min balance £3.2m	-3,406	206	0				-3,200
Total General Fund Useable Revenue Reserves	-14,286	2,874	0	0	0	0	-11,412

Capital Grants Unapplied Account	-862						-862
Capital Receipts Unapplied	-3,534		220				-3,314
Brightwells capital receipt:	-2,676						-2,676
	-6,210						

Commitments against capital receipts:	
Wilmer House refurbishment (500k +)	500
Weyhill?	250
Property investment transaction costs	452
BT team (one off)	220
Nuffield regear	2500
Capital programme 2021/22? IT hardware?	
Additional property acquisition costs; £14m*.065 transaction cost	845
	4,767

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WAVERLEY BOROUGH COUNCIL

VALUE FOR MONEY OVERVIEW & SCRUTINY

16TH NOVEMBER 2020

Title:

Recovery, Change & Transformation (RCT) Projects update

Portfolio Holder: Cllr J Ward Leader, Cllr P Follows Deputy Leader

Head of Service: Kelvin Mills, Head of Commercial Services

Key decision: No

Access: Public

1. Purpose and summary

This report is to update the Value For Money Overview & Scrutiny Committee on the progress of the Recovery, Change and Transformation projects that the Council has embarked on as a result of the Covid-19 Pandemic.

There are 10 projects in the overall programme, 7 of which report to this O&S Committee.

The Programme has been underway since April and there has now been progress made towards completing some projects, considering that they have assessed the impact of Covid (so far as we know now) and moving into Business as Usual. Each project, as it is closed will complete a lessons learned and move that learning into the service area, especially as we continue to still live and work with the pandemic as part of our lives.

2. Recommendation

It is recommended that the Committee notes the progress of the RCT Projects discussed in this report and pass any comments and observations to the Executive.

3. Reason for the recommendation

To note the update and feedback any questions or comments.

4. Background

4.1 The COVID-19 pandemic continues to have a significant effect on the Council, its services, residents, businesses, staff and Councillors. The exceptional situation has resulted in significant operational changes and financial impact.

To address these challenges the Programme concentrates on the organisation and its community. Is it worth adding here that there are 10 projects and list the 3 that are considered by other O&S ctees. The seven projects that have been identified for the O&S VFM Committee to have oversight of are:

Organisational Change projects

- Service Plans assessment and update
- People & Staff
- Corporate Projects
- Finance

Organisation Transformation Projects

- Agile working and IT
- Governance Decision Making
- Future Office Requirements

A summary of the objectives and their status can be found in Annex 1. The objectives have been colour coded - those objectives that are blue are complete. Green means the objective is on track, amber is a warning that the objective is close to requiring to be completed, red is off track and not completed in time.

A short summary of each project can also be found in Annexe 1.

5. Relationship to the Corporate Strategy and Service Plan

5.1 One of the key strands of work from this programme is the update to the current Corporate Strategy and Service plans, having taken into account the impact of the pandemic.

All elements of the Programme have fed into and informed these documents.

6. Implications of decision

6.1 Resource (Finance, procurement, staffing, IT)

Each Project within the Programme has had to consider the budget impact as a cross-cutting theme, these financial savings have been fed back into the 2020-21 budget and Medium Term Financial Plan.

Resourcing the works streams as a second wave of the pandemic and lockdown measures are imposed is a risk that has been considered by the Working Group and timelines adjusted for some specific objectives.

6.2 Risk management

The corporate risk register has been updated to reflect the Covid Emergency. The overall risk register continues to be considered by the Programme Board.

6.3 Legal

The Recovery, Change and Transformation project is provided with legal support at the Programme Working Group level with representation by the Borough Solicitor, and each Project Board work stream is supported by either active participation or call-on when required support from a specific member of the Legal Services team. This ensures that any legal risks and opportunities are identified within each work stream and coordinated at

the overarching Working Group.

6.4 Equality, diversity and inclusion

There is no Equality & Impact assessment for the programme but each project change will have its own assessment.

6.5 Climate emergency declaration

Sustainability has been identified as a cross-cutting theme across all projects within the programme.

7. Consultation and engagement

7.1 Each project has its own communication and engagement thread and plan.

8. Other options considered

8.1 To continue without a formal programme that does not address the financial the impact of the pandemic would mean that the Council could not continue to operate its full range of services and would have to take drastic cost cutting measures to balance its budget. It would also bring into question the longer term financial resilience of the Council. Each of the work projects will be identifying options for change and transformation that will be considered by members in due course.

9. Governance journey

9.1 O&S Value for Money Committee 16th November 2020

Annexes:

Annexe 1 – Objectives – tracked analysis and summary updates

Background Papers

There are no background papers, as defined by Section 100D(5) of the Local Government Act 1972).

CONTACT OFFICER:

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Agreed and signed off by:

Legal Services: 7th September 2020

Head of Finance: date

Strategic Director: 8th September 2020

Portfolio Holder:

Summary of project activity to date with objectives and tracked progress

To note that those objectives that are blue are complete. Green means the objective is on track, amber is a warning that the objective is close to requiring to be completed, red is off track and not completed in time.

SERVICE PLANS:

Project Name:	Service Plans Assessment and Update (RCT Project)		
Project Manager	<i>Debbie Smith</i>	Project Start Date	May 2020
Project Sponsor	Robin Taylor	Project Original Finish Date	September 2020
Project Lead / Prime User	Louise Norrie	Project Expected Finish Date	December 2020

This project has worked with each Head of Service to complete a revised service plan that incorporates an assessment of the impact from the initial emergency period of the pandemic, and the on-going changes to the way we are working.

The revised corporate strategy has been re-shaped and drafted. The two documents will be going to Executive Committee in December. They have been presented to the O&S Committees in September.

OBJECTIVE	TIMELINE	% COMPLETE
Review Service Plans	April - May	100%
Once review of service plans are completed, review and if necessary, revise all recovery projects to check all areas are covered	May - June	100%
Revise Service Plans - Exec sign off in October and then return to usual quarterly reporting (revised to December)	June – December (adjusted from October finish)	70%
A new Corporate Strategy for Waverley	August – December (adjusted from September finish)	80%

PEOPLE AND STAFF:

Project Name:	People and Staff (RCT Programme)
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Project Manager	Debbie Smith	Project Start Date	May 2020
Project Sponsor	Robin Taylor	Project Original Finish Date	June 2021
Project Lead / Prime User	Sally Kipping	Project Expected Finish Date	June 2021

This project continues to bring together many teams to focus on staff and Councillor Wellbeing and safety during the pandemic.

The new **Return to Office Working policy** has been successfully implemented, bringing staff back to the office environment in a safe and managed way. A total building capacity of 120 has been determined and service caps provided to ensure that we do not exceed the recommended levels. Numbers of staff entering the building is between 60-75 each day (excluding Surrey County and the Police). The Policy has been reviewed further to the government announcement last week and wording adjusted to reflect the new alert level '4' (and now lockdown) with new measures such as advising face coverings when standing.

We had been preparing for the building to be slowly opened to the public and guidance for dealing with these appointments being created, however this has now been put on hold due to the lockdown measures introduced this week.

The **Working from Home Safely guidelines** have been published (with Unison input) to complement the Return to Office Working Policy and shared with all staff and councillors. This includes clarity on how staff can claim relief for home energy use whilst being told to work from home and will seek clarity on changes should a member of staff ask to permanently change to working from home.

The project has also looked at **etiquette required for zoom meetings**, such as encouraging shorter meeting times to allow for breaks in people's day and using the chat function to tell someone the Chair you need to leave for a few minutes.

A staff well-being week with a series of activities ranging from on-line yoga to discussion groups has been put together for w/c 2nd November.

OBJECTIVE	TIMELINE	% COMPLETE
Establish a set of principles and values that will guide both our short term and longer term recovery	May	100%
Preparing and implementing a healthy, safe and positive return of staff and councillors into the office. Implemented 27/07.	May - June	100%
Create a plan for managing the transition to a new normal in the medium and longer term (working from home safely policy). Remaining 10% of work to be transferred to new BT project Reacting to people & Staff changes in the recovery as they	June – March (updated from	75%

occur – now focus on Zoom meeting etiquette, Site visit policy and Well-being for staff and Councillors	September due to second wave)	
Support organisational change and HR activity required to bridge our new budget gap. Short term work completed - Longer term processes to return to HR business as usual	June - September	90%
Deliver an expanded wellbeing programme for both staff and councillors.	May 2020- May 2021	50%

AGILE WORKING AND IT:

Project Name:	Agile Working and IT Project Name (RCT Programme)
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Project Manager	Wendy Cooper	Project Start Date	May 2020
Project Sponsor	David Allum	Project Original Finish Date	March 2021
Project Lead / Prime User	Linda Frame	Project Expected Finish Date	March 2021

Ongoing work predominantly through the BT Customer Services Programme – particular focus on:

- a) continuing the first 5 builds (IT service desk, FOI, ES missed bins and order new bin and payments integration module ~ doing the customer journey and specification work and then build and setting up for later builds (i.e. Garden waste pool, car bookings, Report it) Now working in partnership with Netcall to deliver some key builds in the next 3 months.
- b) progressing Biffa / whitespace, MDM, Converse (CSC telephony) integrations
- c) Waverley digital transformation service manual of principles and architecture largely drafted and will be reviewed as builds are developed

IT strategy confirmed at SMT 4/8/2020 – action plan shared with SMT September/October.

It has been agreed a RCT Board that this project will close and outstanding objectives moved into the existing Business Transformation Customer Services Project.

OBJECTIVE	TIMELINE	% COMPLETE
Finalise corporate IT Strategy including updates in light of learning from CoVid emergency	December (adjusted from July finish)	90%
Agree digital transformation policy/delivery model	June-July	100%
Agree low code development schedule (working document)	April-June	100%
Develop remote working strategy/policy (having synergy with Inspection/Enforcement Business Transformation work-stream)	April-September	60%
Develop IT infrastructure to support the remote working policy	November – January	0%

GOVERNANCE & DECISION MAKING:

Project Name:	Governance and Decision Making
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Project Manager	Debbie Smith	Project Start Date	May 2020
Project Sponsor	Robin Taylor	Project Original Finish Date	April 2021
Project Lead / Prime User	Fiona Cameron	Project Expected Finish Date	April 2021

The Standards Committee has met and recommended that the planning committee temporary arrangements continue which has been agreed by Council.

A discussion was had about how virtual committees have been progressing and suggested improvements have already been taken forward by Officers. All public meetings continue to be held via Zoom.

Head of Policy & Governance has met with Deputy Leader regarding the Governance Review and Officers are working up first draft proposals for taking the Governance Review forward to its next phase.

OBJECTIVE	TIMELINE	% COMPLETE
Revise the Executive Forward programme	May	100%
Implement phase 1 of agreed remote meetings schedule: Exec, Standards, Extraordinary Council, Planning, priority O&S, Audit	May-July	100%
Implement phase 2 of agreed remote meetings schedule (widened schedule)	August-October	100%
Pre sunset clause review – do any of the temporary governance arrangements need to be extended / changed? Standards Committee in September and review in November	September – November (previously October)	50%
Implement (if necessary) phase 3 of remote (or partially remote) meetings schedule if normal business has not been resumed.	November – April	25%
Re-convene and complete the existing Governance review, taking account of how things changed in terms of both governance and culture as a result of the pandemic	August - April	10%

FUTURE OFFICE REQUIREMENTS (PART OF BUSINESS TRANSFORMATION)

Project Name:	Future Office Requirements
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Project Manager	Wendy Cooper	Project Start Date	May 2020
Project Sponsor	David Allum	Project Original Finish Date	2025
Project Lead / Prime User	Caroline Wallis	Project Expected Finish Date	2025

This RCT Future Office Requirements work stream is an existing Business Transformation Project that was considered part of the RCT programme to ensure that learning from the ways of working during the pandemic were captured.

The key deliverables for the Future office Requirements work stream (assessment of number of desks and requirements for the Council HQ are delivered – see below).

The Business Transformation project for the Future Office Working will take forward the learning into the new Future Office Strategy and it has been approved at the RCT Board that this project is closed and governance is solely with the Business Transformation Board.

It should also be noted that the Future Office Strategy and Burys Development Project are long term projects with significant stakeholder, budget and political dimensions– therefore there is likely to be only limited progress on this project in the next 6-12 months as the strategic approach and designs are confirmed.

OBJECTIVE	TIMELINE	% COMPLETE
Identify and agree options for The Burys and associated sites – Note that this is now part of the Property & Investment Board.	May- June	100%
Identify office requirements in terms of work-spaces and other facilities to be part of the new development (or moved off-site) - <i>including lessons learned and feedback from home working during lockdown</i> – Business Transformation project	July- September	100%
Consult with existing tenants and develop a leasing strategy/policy for the future – <i>Note that this is now part of the Property & Investment remit.</i>	September – February	0%
Identify/acquire/develop local remote sites in conjunction with the Inspection//Enforcement Business Transformation work-stream – Separate BT Enforcement & Inspection project	October – March '21	0%
Identify the IT and Facilities infrastructure to support the new model – Separate Business Transformation element	September – November	0%

FINANCE:

Project Name:	Finance (RCT Programme)
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Project Manager	Tamsin McLeod	Project Start Date	May 2020
Project Sponsor	Peter Vickers	Project Original Finish Date	February Council 2021
Project Lead / Prime User	Rosie Plaistowe	Project Expected Finish Date	February Council 2021

The Medium Term Financial Plan (MTFP) strategy has been further developed and shared with Management Board and SMT. The position reflects a balanced MTFP.

All but one of the objectives of the Finance project have been completed and therefore the project has come to an end. The one remaining objective (4) is around developing the 2021/22 budget which is normal work in progress for the finance team.

The project will complete a project close and lessons learned report.

OBJECTIVE	TIMELINE	% COMPLETE
Assist all HoS to develop action plans to reinstate all Covid related negatively impacted income streams.	May- June	100%
Develop an emergency budget and options to resolve the 2020/21 projected budget deficit	June	100%
Revise the MTFP assumptions and risk assessment, base budget adjustments and MTFP action plan targets informed by the recovery programme outcomes and objectives 1 and 2	June – October	100%
Revised 2020/21 based upon monitoring and 19/20 outturn and develop the 2021/22 budget reflecting objectives 1,2,3	Feb 21	On track / business as usual

CORPORATE PROJECTS:

Project Name:	Corporate Projects Review (RCT Programme)
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Project Manager	Fotini Vickers	Project Start Date	May 2020
Project Sponsor	Kelvin Mills	Project Original Finish Date	Mar 2021
Project Lead / Prime User	Debbie Smith/Adam Holt	Project Expected Finish Date	Mar 2021

This project has now reached its completion and all the objectives have been achieved

All capital projects have been assessed against certain criteria that were developed as part of the project. A briefing report has been produced presenting the results of the assessment and making some recommendations to the Board. The report has been shared with the portfolio holder for Finance and the Programme Board.

The project assessment criteria produced as part of this project will be the same for the capital project bid for 2021-22.

A full lessons learned and project close document will be completed.

OBJECTIVE	TIMELINE	% COMPLETE
Review and consolidate one consistent Corporate Projects list detailing the allocated financial commitments.	May	100%
Update from Project Leads on Corporate Projects Register in line with new priorities by working with existing Project Managers	May	100%
Assessment and prioritisation of projects against corporate priorities / agreed criteria ahead of the corporate priorities being re-agreed	June – July	100%
Creation of corporate project list with recommendations to either: Commit, Pause, Cancel	July-August	100%
Project list to be approved / amended by Programme Board, Executive / Council as required – in line with Council / Decision making process.	October – November	100%
Communication plan agreed for each project to update key stakeholders on next steps e.g. Project Teams, Community groups. (This will now form part of the budget setting process and business as usual work for 2021/22. Projects taken forward will be dependent upon finance available for capital projects)	September – November	100%

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