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December 2016

Strategic Review of Waverley Borough Council

Prepared by Cratus Communications

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The Review Methodology

1. Cratus Communications was appointed by Waverley Borough Council to undertake a strategic review of the Council, its effectiveness and culture, to act as a catalyst for improving the Council's strategic vision and functioning. The Council specifically asked the review to:
 - Identify and articulate the strategic opportunities, which the Council may wish to pursue.
 - Analyse the challenges and issues for Waverley Borough Council in achieving these opportunities including organisational, partnership, resources, skills and culture.
 - Produce a statement setting out the Council's strategic ambition and key priorities for discussion by the Executive and Directors.
2. The Council wished the work to be concluded and reported back to them by mid December 2016, consequently a programme was determined which worked to this deadline and comprised the following activity:
 - Review of key council documents and performance information
 - Meetings with the Leader and all members of the Executive
 - Meeting with the Leader of the Opposition
 - Meeting with a group of backbenchers including those involved in Scrutiny
 - Meeting with the Executive Director, Directors and all Heads of Service
 - Meeting with a group of staff including a staff-side representative
 - Tour of the Borough
 - Evidence received from 8 councillors who submitted email comments
 - Telephone conversation with the Chief Executive of Surrey County Council to obtain an external partner perspective.

In addition, expert opinion and analysis of the Council's financial position was undertaken and is reported back at Appendix A to this report.

3. It is important to note that this was not an inspection nor a peer review, nor a review in the context of a council in difficulties. This was rather a strategic review to act as a catalyst for the council to develop a more ambitious agenda for its place and to explore the role of the council in keeping Waverley successful and prosperous. The methodology therefore drew on the experience and expertise of the Cratus team to provide insight and stimulus for the dialogue the Council wishes to initiate.
4. Initial verbal feedback was given individually to both the Leader and Executive Director at the end of Phase 1: Fieldwork. A workshop will be held for the Executive and Directors at which our findings will be presented and we will begin a dialogue whereby the Council Leadership can start to determine the actions it wishes to pursue. This report sets out in greater detail the findings of the review and a menu of actions and opportunities for Waverley Borough Council to consider.
5. During Phase 1 various detailed and specific issues were raised with the Cratus team. In the time available it was not possible to undertake deep dive analysis and respond fully to these specifics, but the wider lessons have been taken into account.

6. This review was an intensive piece of work undertaken to a tight schedule and the Cratus team are very grateful for the assistance provided by all elected members and Council staff. The team was impressed by the willingness of participants to contribute to the review and by the frank and thoughtful nature of their comments. Special thanks to Dee Garnett who coped admirably with the not inconsiderable diary and logistical requirements and to Louise Norie for the extensive sourcing of key documentation for the review.
7. The Cratus team comprised the following roles and individuals:

Team on site:

Mary Ney

Project Lead. Commissioner Rotherham MBC and former Chief Executive of the Royal Borough of Greenwich

Katharine Marriott

Executive Director Strategic, Cratus

Off-site support:

Lauren Bennie

Director, Cratus

Chris Perry

Financial expert, former Section 151 officer with 33 years' experience

Cratus' unique capability is to offer experience from local government politicians as part of their approach, this was provided by Sir Merrick Cockell and Chris Roberts, Chairman and Deputy Chairman of Cratus and both long serving Council Leaders. In addition to their advice to the project team, Sir Merrick Cockell participated in a telephone discussion with the Leader.

Waverley

8. Waverley is situated in south west Surrey and is predominantly rural with much land designated as green belt or as areas of outstanding natural beauty and with four distinct town centres in Godalming, Farnham, Haslemere and Cranleigh. The borough population is around 121,000 and is overall relatively affluent with low levels of deprivation and unemployment. The Council provides the usual range of services at district level including management of housing stock of some 4580 units as well as some services for vulnerable people. The Council employs around 450 staff and has a gross revenue budget spend of £14.3 million. Council tax has been frozen for 9 years.

The political composition of the Council is:

Conservatives 50

Farnham Residents 5

Independent 1

There is one vacancy at present. The Council operates a leader and executive style of governance. A new Council Leader was appointed in May 2016 together with an executive of 9 members with a mix of experienced and new members. All out elections will next be held in the Borough in May 2019.

Strategic Vision

Findings

9. The Council has a Corporate Plan 2016-2019, an Economic Strategy 2015-2020 and a Medium Term Financial Strategy (MTFS) 2016/17 – 2019/20 and is progressing the approval of its Local Plan. There are service plans and other strategy and policy statements for various areas of activity, however those are the three key documents in setting the strategic vision for the Council. There is insufficient linkage between these strategies and a widely held view amongst members and officers that they require revision. The changing funding climate for local councils makes it imperative that the MTFS has regard for the impact on business rate income arising from the economic prospects of the borough; the impact on council tax collection and new homes bonus from new housing and the ability of the Council to intervene to achieve increased income streams, as well as direct sources of commercial income to support its revenue spending on services.
10. The Corporate Plan sets out the Council's values and priorities but is too narrowly defined and lacks specific targets and actions. It reflects the historical focus of the Council on good delivery of basic, statutory services. Vital though this is, there is an equally important need to set out the Council's ambitions in terms of its place-shaping role. Overall, this failure to do so leads to an organisation with low ambition, a lack of targets, unclear priorities and a lack of organisational pace and stretch.
11. Similarly, the Economic Strategy is non-specific and sets no framework for how the Council will support existing businesses, promote future economic activity or support the viability of its town centres and high streets. Whilst the Council has pursued various projects these tend to be parochial and not purposefully set within any strategic context. An example of this is the capital project to provide improved facilities at Frensham Ponds. This is narrowly viewed as an important project but not seen as part of any visitor economy strategy with the wider purpose of increasing benefits for the local economy and traders.
12. The Council has good financial standing and has been prudently managed. A full report on the Council's financial position and strategy is attached at Appendix A. This analysis identifies the strengths of the MTFS but also sets out the need to improve on the current strategy, linking it to the corporate plan and the wider strategic ambitions for the borough; including a more expansive efficiency programme; focusing on generating income and making provision for investment including the scope and role for borrowing.
13. This review did find that many members and staff acknowledged the need for a more strategic vision and high expectations that the new Council leadership will set a new and ambitious agenda. We found there is both talent and capability amongst members and officers to deliver on this. In addition to its sound financial standing, the Council can show a track record in taking forward projects which required particular learning and skills, such as investment in leisure and community facilities as well as house building, and which all demonstrate certain skills and achievements in project management; the mixed use development in Farnham which shows the Council's 'pulling power' in terms of inward investment and the Troubled Families Project which provides an example of partnership working. This will be crucial in the future direction of the Council and its ability to achieve more ambitious goals.

Strategic Vision

Way Forward

14. The Executive needs to articulate a strategic vision and priorities for the Council which, whilst including the existing priorities of customer service, community wellbeing, environment and value for money, also incorporates the development of the Council's place-shaping role. Waverley is blessed with outstanding natural assets and affluence valued by all. The new strategy needs to have as its cornerstone the Council's commitment to its duty to provide good stewardship of Waverley, to value and secure those assets and to balance that with the need to promote the economy. No doubt the Council may encounter some opposition to its proposals. To prevent this being overwhelming it will be important to explain to residents the link between economic growth and the sustainability of the Council's finances and basic service delivery, as well as the viability of the Council as a democratic entity. Residents express great allegiance to the four individual towns which make up Waverley and the Council could articulate its vision based on its priorities for each town centre - to ensure they maintain vibrancy and viability for retail traders at a time when high street businesses generally are experiencing decline, which Waverley will not be immune from.
15. Having progressed the Local Plan, the Council might wish to consider the need to develop in tandem a new Economic Development Plan and master plans for some or all of its town centres. The master planning process will ensure there is wide engagement with and consultation of all stakeholders about the future of their towns and an opportunity for this dialogue to take place without the pressure of specific planning applications. It should also assist developers in understanding local aspirations for the area and the need to bring forward proposals which are sympathetic to those concerns. More broadly it will allow purposeful and more creative dialogue with residents, parishes and town councils across the borough.
16. Such a process could also help to inform the new Economic Development Plan, particularly regarding how best to ensure the vibrancy of town centres, the role they may play in the visitor economy and how best to support small businesses and traders. The Plan will need to discuss the potential for business and jobs growth, identify target business sectors, skills required, the demand for commercial space and what impact there may be on housing need.
17. An ambitious vision needs to be underpinned by a sound MTFS so that the Council has the ability to intervene and invest alongside provision of good basic services. The issues needing to be addressed in developing the new MTFS are set out in greater detail in the analysis at Appendix A and so are not repeated here. In summary though the new MTFS needs to move away from an annualised budget process, needs to incorporate a cross-cutting efficiency programme and modernisation of council business processes and needs a focus on growing the income base, including income generation and targeted investment proposals which are in synergy with the new Economic Development Plan.
18. In developing these plans and building its ambitions the Council needs to broaden its approach to partnership working and establish a wide range of alliances with the chambers of commerce, local businesses and traders, the University of the Creative Arts, potential investors, RSLs as well as other districts and the County Council. Such collaboration will not only assist the Council in developing ideas and opportunities but will expand the community of interest, understanding and support of the Council's approach. For instance, the University will be producing graduates in various aspects of the creative arts who will be looking to develop start-ups, small businesses and pop-ups. Such activity can contribute to jobs growth, vitality and diversity of the local cultural offer making a dynamic contribution which the Council may be able to capture for the advantage of Waverley. Similarly, engagement with other parts of the public sector will ensure the Council is better understood and will mean opportunities for joint working, shared budgets and services can be more easily pursued.
19. Finally, in developing its strategic direction the Council does need to discuss its approach to the future viability of the Council and whether and how to partner with others so that it takes control of its own destiny as far as it can.

How the Council Works

Findings

20. The review found both members and officers shared a pride in and loyalty towards Waverley and a determination to provide good services to residents. There is both talent and capability amongst both members and senior officers as well as within the wider workforce. There is a general recognition of the wish of the Executive to set an ambitious vision and that the changes needing to be implemented so as to deliver a more ambitious vision will be challenging and will require adjustments to the way the Council works and to the skills and capabilities it needs to deploy.
21. Whilst the Council does have the capacity to deliver on ambitious goals, the review found a number of aspects in the way the Council works which would need to change if the Council is to have the cultural ethos, visible leadership and pace of decision-making needed.
22. The review found that attitudes and working relationships between members and officers was not always as it should be. Executive members and Heads of Service work together well on their individual portfolios, but there is insufficient dialogue and joint development of policy between the member and officer leadership teams. Some officer attitudes to members showed insufficient empathy for their role as democratically elected representatives. This results in feelings of mistrust on both side, some confrontational experiences and a feeling that officers are inappropriately blocking implementation of member decisions. Examples the review heard include the way in which ward casework is progressed, this is sometimes protracted and members are not always up-to-date on progress. The failure as yet to appoint to the new scrutiny support post, which was agreed by the Executive in July 2016 and with no interim solution in place, is perceived, rightly or wrongly, as officers blocking member decisions.
23. Managerial Leadership is not sufficiently visible to the workforce and there are few opportunities for member leadership to directly address managers and employees to explain their priorities and thinking.
24. Although there are a number of council-wide officer groupings and forums, in the main, services tend to work in their individual silos and the Council does not have a strong corporate ethos. This can lead to a lack of ownership of issues. For instance, the review heard a number of examples of difficulties in recruitment with posts being advertised 3, 4 or even 5 times without success. The Council is slow to recognise the need to pause and look for alternative solutions. Recruitment is located in finance, strategic HR reports to the Executive Director and staff development sit with the Head of Policy. As a consequence no one takes ownership of the need for an alternative approach to recruitment and retention.
25. Formal decision-making processes to member level bodies seem to be slow, cumbersome and require an unnecessary number of reports for further decisions on minor matters of implementation. For example, the report of the review into scrutiny which was finalised earlier in 2016, was reported to the Executive Board in June 2016, a further report back was required from officers to consider the requirement for a dedicated officer to support scrutiny. This was reported back and agreed in July 2016 and the process to prepare a job description, grade the post and move to recruitment then commenced. At the time of the review no appointment had been made and no interim arrangements were in place. It should have been possible for officers to write a covering report to the Executive for the June 2016 meeting and have the work required to establish the post in hand thus saving the need for further reports. An interim option should have been found so that the outcome of the review could be progressed. The length of the process resulted in members' proposals being delayed leading to a feeling amongst members that officers are deliberately thwarting executive decisions.

26. Decision-making within the officer structure is also protracted and it appears that levels of delegation are not sufficient. The review was told that permission to recruit to a vacant post needed to be agreed by the Corporate Management Team (CMT) and needed the submission of a report two weeks before the meeting. In addition, all reports which are to be submitted to the Executive are considered first by the CMT after going through both Legal and HR. If the CMT has issues to raise and defers the report it seems that on occasion no explanation is given to the relevant Executive Member which leads to suspicion of the motives of CMT and a questioning of their role.
27. As a consequence of these requirements and insufficient delegation to managers, CMT does not have capacity for strategic matters and the pace of change and scope for innovation are stifled. The unusual phrase 'keeping Waverley safe' was often used but it should be possible to provide good standards of governance on decisions at member and officer level without such excessive controls.
28. The Council's working environment seems old fashioned and not all of the Council's business processes are modernised. For example, a review of the customer services arrangements commenced a year ago as a cross cutting project involving staff from across the Council. The initial scoping of suggestions was supported by the Executive member but senior managers had concerns about the proposals for a contact centre. Although the matter had since been considered by the Executive Briefing and Scrutiny, there seemed some confusion over whether the Council was taking the review of its customer services forward.
29. Several members cited Planning Services and HR as the services they were most concerned about. Whilst members acknowledged that Planning Services staff were working hard there were concerns about workload pressures, recent losses of experienced staff, the quality and accuracy of reports, the quality of pre-planning advice, the need to ensure applicants understand the Council's design standards, keeping members briefed on ward matters, the need to consider external expert advice, including legal advice. The concerns for the functioning of HR matters have been referred to above.
30. Although not raised by members, the review identified a lack of appropriate support for members to undertake their role including the absence of any dedicated administrative support and a lack of separate and private meeting spaces for the majority group and opposition group. It was felt that the absence of support to members to pursue case work, including no target times for reply and the need for members to chase up replies themselves, could be a contributory factor in some of the tensions between members and officers.

How the Council Works

Way Forward

31. It is important to address the cultural issues to improve working relationships and attitudes between members and officers and to establish clarity on the political direction the Council wishes to set. It is suggested that this could be tackled in a number of ways, such as:
- The Executive and CMT working together to articulate the new strategic vision and priorities, using away days, workshops and external facilitation
 - Ongoing use of the Executive Briefing as a forum for co-development of policy, monitoring of progress and unblocking of barriers upstream of decision making reports
 - Visible leadership of the Leader and Executive Director to the workforce and other stakeholders e.g. through occasional joint attendance at manager forums, undertaking staff roadshows, celebrating success and staff induction sessions
 - Improved support to Overview and Scrutiny implementing the proposals already agreed and by ensuring senior officer attendance, as required, at scrutiny meetings
 - Improved arrangements for responses to ward members' casework including administrative support to progress, chase, set target response times and sample monitoring quality of responses
 - Critical Incident Reporting Protocol put in place to ensure all staff are aware of issues which require the Leader or Cabinet Member to be notified to support a 'no surprises' ethos
 - Identifying the need for mentoring or coaching for officers and members
32. The Leader's Scheme of Delegation should be reviewed to improve speed of decision-making particularly on implementation matters where the substantive matter has already been approved and has the necessary budget provision. Delegation could be to officers in consultation with their Executive Member or directly to Executive Members. If the Council decides to pursue the latter it will be necessary to set up normal good governance arrangements for dealing with such matters including notice of decisions, officer reports, making of representations and call-in.
33. CMT should review the delegation arrangements to senior managers to free up time for strategic matters and speed up the pace of operational decisions by placing them at the right level. This needs to include budget holding responsibility, staff establishment management and recruitment decisions.
34. All external partnership forums should be identified and appropriate attendance agreed. Arrangements for accountability should be put in place to ensure transparency and clarity of political leadership and direction, and the opportunities to be pursued.
35. Greater explicit use of cross cutting themes and working building on what is already in place via the Foresight Groups. This will assist in breaking down silos and encourage the promotion of a corporate ethos. Employing regular staff communications from the Executive Director will ensure widespread understanding of the new strategic vision and its implementation.
36. Approaches to customer care and service should be reviewed to improve attitudes towards residents, responsiveness to complaints, access arrangements by phone and in person and use of the web-site for service delivery. It is expected that the outcome could result in improved service and produce efficiency savings.

37. The CMT should identify and establish a robust efficiency savings programme to support the new MTFs and to streamline business systems and ways of working. The scope to work in partnership with other neighbouring councils or provide a modern working environment should be explored. This may be particularly applicable for services which are under pressure, where the Council finds difficulty in recruiting and retaining staff or where others are known to provide best practice services.
38. The facilities to support members require some improvement. For instance, the Leader should have an office which provides some confidentiality and a dedicated PA who could possibly also support executive members. The Opposition Group should have a separate members room from the Conservative Group room.
39. The Council, officers and members should ensure that all opportunities are pursued to learn about best practice and service developments from others, for instance via the Local Government Association's programme for members and seminars, as well as directly from other councils and networks.
40. If Waverley Borough Council decides to embark on a new strategic vision and the modernisation of its service delivery, it must ensure that the Council is fit for purpose in terms of structure, change management, project management, negotiation and partnership skills. The CMT should ensure that skills and capacity gaps are identified so that agreed change can progress at pace. Services which appear to be struggling most i.e. Planning and staff recruitment and retention, will need particular attention to identify the best way to support improvement. This may need to include consideration of some structural amendments e.g.
- Bringing the deferent aspects of the HR Service together and putting in place an improvement plan
 - Drawing up an improvement plan for Planning so that the need for support to the service and explicit attention to the key concerns can be progressed.
41. The need to build capacity, skills and focus effort may warrant a collective realignment of those key services to delivering the new agenda e.g. Planning, Economic Development, Major Projects and Strategic Housing.

Summary

42. This review has identified the scope for Waverley Borough Council to develop its strategic vision to expand the Council's role as place-maker. A range of political choices could be made which could be carried forward via a new Corporate Plan, Economic Development Plan and Medium Term Financial Strategy. The Council has stewardship of some outstanding natural assets and it can build into its strategies the security, protection and promotion of those assets. It has a sound financial base on which to build and talent and enthusiasm amongst both officers and members. The extent to which the Council, both officers and members, will need to change its culture and working arrangements should not be underestimated. However, it is achievable with appropriate support, learning and sharing with others, including other councils with a similar experience and agenda. This report serves to provide a beneficial insight and stimulus and can act as a catalyst to assist Waverley Borough Council on this journey.

Appendix A - Confidential Review: Financial Position & Strategy

Methodology

1. Desktop review of key documents
2. Feedback from observations and evidence gathered by Cratus Project Team
3. Review based on 3-pronged focus- quantitative, management, strategic.

The comments below are for use by the Project Team, to be incorporated or further tested and explored as appropriate. They are based upon the evidence available and have been framed on the basis that these are lines of enquiry.

Overall Observation

Waverley can take some comfort in that, although it faces financial challenges, those it faces are similar to many other Local Authorities, particularly District Councils. Nothing emerges from the Financial Accounts, nor from the Budget Strategy and Council Tax setting reports that indicate the Council is in a fundamentally risky financial position compared to other Local Authorities. The Balance Sheet is sound, and the revenue performance against budget, and issues such as pensions liabilities, levels of cash, and debt levels to assets all indicate that generally it is prudently managed. Notwithstanding this it is clear however that the on-going financial strategy requires more specific measures to address the withdrawal of grant, and the need to reach a broadly self-sustaining position by 2020. Although recognised, these measures are not explicitly addressed beyond broad intentions. This is understandable given the uncertain financial prospects, however there is a need for a more developed set of targeted, strategically led, accountable proposals for the MTFS.

The setting of 2016/17 Council Tax with the first increase in 10 years (1.95%) indicates there is a recognition of the need to re-position the previous strategy to achieve financial sustainability. The future projections of budget gap should specifically include assumed future Council Tax projections to demonstrate this. The strategy now needs to be developed into a concerted growth-oriented approach, fully exploring the impact of potential re-generation and commercially informed proposals. These must sit alongside the usual financial "good house-keeping" but this should not diminish capacity for growth.

The capital financing position is prudent, but a further exploration of options is required, particularly in regards to funding non-HRA investments. It would appear that borrowing for General Fund initiatives is not currently used as a financing option (it is believed the Treasury Management Strategy has a £5m borrowing limit for General Fund). Borrowing should not be seen as an initial limiting factor. Projects should be developed, and then subsequent financing options, including borrowing, could be explored and structured.

The balance and incidence of expenditure and income is not significantly skewed compared to expectations and broad comparators. "Best in Class" bench-marking is unlikely to unlock sufficient efficiencies to justify the organisational effort involved. However some assurance is needed that service expenditure levels are led by strategic imperatives rather than operational inertia. Therefore some challenge and healthy tension should be practiced, and it is expected that this approach is already embedded within the established Star Chamber process, or if not it needs to be introduced.

Although universal “dumb targets” should be avoided, some degree of quantifiable driver should be considered, linking priorities to resource shifts. The objective being a strategy-led budget and MTFs linking to a more focused Corporate Plan. Creating “headroom” in the current financial climate is very difficult, but not impossible given that the budget will need to be balanced in the longer term in any case; therefore consideration should be given to timing the phasing of efficiencies, and reflect this in the MTFs together with a longer term financial prospects element, which will provide a longer term more strategic backdrop for the Corporate Plan (and the Local Plan), and will also serve to show the impact of growth and development initiatives in supporting future sustainability.

Specific Lines of Enquiry to Pursue

- The overall budget shortfall, although substantial is not insurmountable through a combination of strong budgetary discipline, and a focused approach on sustainable growth.
- It is noted that the Local Plan is currently under consultation. The financial strategy should be flexed to demonstrate the relative effect of growth proposals and projections on both business rates and tax-base. The balance between a shrinking base budget and the need for local self-sustainability needs to be presented. This is necessarily complex, growth invariably brings demand as well as additional revenue. In addition there is the uncertainty of government funding intentions into the medium term. This is recognised to some extent in the adjustment for growth in the tax-base, however a more explicit presentation of this effect can help understanding of the positive effect of growth. The necessary stimuli the Council can apply need to be considered. Without this there is a danger of a shrinkage to a core set of sustainable services, significantly reducing the Council’s capacity to serve as a place shaper and community leader.
- The level of balances appear healthy, providing some options. The General Fund balances, together with the Revenue Reserve Fund provide assurance together with some flexibility to address unplanned budget stress. In addition the new Asset Development Reserve is an immediately recognisable source of funding (£2m), overseen by the Investment Advisory Board. It is anticipated that this will increase through New Homes Bonus.
- Setting up an Investment Fund is a very positive step, however setting up a fund does not necessarily trigger its use. Therefore from both a management and strategic perspective, stimulating the demand and ideas for the fund will be critical. The governance around the fund appears robust, however for it to succeed investment ideas will need to be identified, and driven through proactive management, particularly in regards to income generation and stimulating economic growth. Investment ideas will need to be based upon strong business cases, and this is well understood by the Council. However the financing options for each case will also need to be considered, not necessarily just a call on the Asset Development Reserve, but using other options such as borrowing (such as MRP reflecting an investment class of asset rather than an operational one).
- It is clear that the Council is prudently managed. This is reflected in the approach to prudential borrowing, and the prioritisation of the use of cash reserves and balances to support investment. The documents reviewed recognise that prudential borrowing is an option, the position on this will need to be dynamically re-visited, particularly if proposals materialise which exceed current cash based affordability, but would prove viable in the longer term. This is recognised in the documents reviewed, however the underlying approach and appetite for borrowing to support investment needs to be fully tested and discussed to establish a strategic preference.
- The use of a Star Chamber process is recognised, and this is generally good practice. However, as an observation, it appears that its net effect upon the budget gap was minimal. Largely this appears to be due to be growth pressures (Planning). It is understandable that reviews have effectively funded growth pressures from efficiencies. However it is considered that a more challenging stance should be adopted, with a higher level of net efficiencies being generated through this process.

- A key action identified in the MTFS is to maximise investing to save opportunities and make savings. This needs to be developed more, into a specific delivery programme with sufficient detail to drive proactive delivery and accountability. Joining the dots from this overall aim into specific management activity would help develop organisational focus and expectations. It is fruitless to pursue a detailed MTFS beyond a medium term horizon. However the Financial Strategy should signal “Financial Prospects”. It is fully understood that the future is extremely uncertain. However there will be a range of projects, initiatives and other activities where there will be a longer term view or ambitions. For example capital projects, assets, and assumptions about service continuity and demographics, will have validity beyond a 4 year horizon. Therefore, these assumptions should be played in and potentially reflected into the Corporate Plan and Local Plan, helping to inform and develop longer term growth and investment decisions.
- The balance between General Fund and HRA activity is not unexpected, however the Council needs to ensure that it recognises a substantial element of its service & finances relates to Housing. Although there are obvious issues around ring-fencing and the requirement for financial separation, it is clear that the HRA has a significant impact on the Council’s balance sheet, in regards to both its asset holding and its debt. Not unexpectedly it is not possible to specifically comment on how creatively HRA/GF synergy has been explored, as the financial documents reviewed understandably comply with regulation. However it may be worth self-challenge to see if more options can be identified. This can be cross-referenced to the action in the MTFS to undertake a fundamental review of HRA budgets and asset strategies.
- The MTFS incorporates a procurement review. A danger is that the identification of “contracted” goods and services leads to a view that there is a smaller controllable base budget, with corresponding pressure on in-house costs rather than those of contractors. Also, a focus on minor spend items is likely to yield limited efficiencies. Therefore a robust stance on negotiations against existing contracts is advocated. It is understood that these may be currently committed, however this can sometimes help stimulate re-negotiation. In particular the use of apprenticeships, mutual training, secondments and joint initiatives are increasingly emerging as negotiated “added-value” from procurement exercises.
- In addition, a Procurement Review should be considered as part of a strong commercial stance to be adopted by the Council. Smart buying is a key aspect of commercial activity. However so too is smart selling, therefore a procurement review should not be done in isolation of a review of what services are/could be sold. The budget papers refer to a review of fees and charges, and these are constrained in some cases by law (it is noted the Council has responded to consultation by seeking more charging freedoms). The Council therefore recognises that income streams such as car-parking already form a key element in the budget; a continued pro-active and commercial approach to income generation needs to be supported, possibly with stimulating targets considered where appropriate.
- The version of the MTFS projections reviewed only included a “?” for pay increases. Given the uncertainty it is understood why, but this could substantially understate the gap, and Members & Officers may need to recognise the overall pressure on the bottom line, particularly from a key element of expenditure.
- Although not explicitly within the documentation reviewed, the role and relationship with County, together with other public sector services, is a factor. Many activities will inevitably have cross-organisational boundary implications. Therefore planning for the potential effect of proposals (particularly County and NHS) is critical. The MTFS does not explicitly explore these aspects, and generally there seems to be an expectation that demand and resources are likely to create problems of shunting across public sector bodies, however this need not necessarily be the case. A range of opportunities and examples are in place across several Local Authorities for collaboration. Shared services, shared accommodation, shared management teams and procurement are examples. It is fully understood that these are well developed ideas, and likely to already be in place, however a review of the overall “collaborative” stance may be useful. Other initiatives such as joint developments, public health initiatives, skills and inward investment are areas to explore with public sector partners, and could well be supported through the property investment strategy.

- In discussions in regards to partnerships, including with other Local Authorities, the Council needs to be mindful that its balance sheet, and its balances, will be a key factor. In short, those balances need to either be secured/ applied under local control, and not lost into other organisational bodies.
- In regards to public sector positioning, the Council should express the view that it is a significant generator of public sector resources, particularly with a projected negative RSG position and rate tariffs. Although not a unique position, it may be worth emphasising that point during lobbying and consultation exercises.

Closing Comments

Waverley Borough Council has firm financial standing, and the Council clearly understands the withdrawal of grant will substantially undermine this position. The way in which it is addressed needs to balance economy with investment. Therefore a fundamental message of change around the Council's finances is required. This message need to be managed, and presented as a response based upon strengths, and not a trigger for a headlong dash into reductions. The basic messages around growth and commercial thinking are evidenced in the documents, but they need to be raised in regards to prominence, worked through into detail and targets.

The next steps should be to push for some specific initiatives, not necessarily finance-led but definitely finance supported. These initiatives will need to demonstrate strategic as well as financial sense, and align with the Corporate Plan. There is sufficient background financial strength and stability to support initiatives, and although these may be on a longer timescale than short-term budgetary responses, the financial capacity exists to manage the short-term, whilst seeking medium term growth.

Headline Financial Indicators

Tax and Grants

Council Tax base		54187
Current Band D Council Tax	Borough Element	£166.91
	Preceptors -	
	County	£1268.28
	Police	£220.19
	Parishes – wide variations	Vary ranging £4 - £86
	Treat with caution – broad average due to Parishes.	Average Band D c£1700 pa
Council Tax in Base 2016/17	Total Revenue CT	£9124k
	Rates	£2001
	New Homes Bonus	£2230k
	RSG (incl Transitional Grant) Last year was £1574k	£917k

Budget

Service expenditure		£11292k
Other Revenue Items	Inflation & revenue projects	£658k
Transfers to Reserves	Support to capital & building reserves	£2322k
Total Budget Spend		£14272k
Financed by:		
Council Tax		£9124k
Rates		£2001k
Grants		£3147k
		£14272k

Balance Sheet

Assets	Property Plant & Machinery (incls HRA)	£470m
HRA stock	4580 dwellings	£377m
Cash		£12.8m
Investments		£35.6m
Reserves	GF Working Reserve	£3.2m
	Revenue Reserve	£1.5m
	Earmarked Reserves – includes Insurance Fund £741k, Asset Development £2000k, “SANG” -Suitable Alternative Natural Greenspace £1000k	£9.3m
	HRA working Balance	£2.6m
	HRA Affordable Housing Reserve	£7.4m
Borrowing	No borrowing in 2015/16 Borrowing is HRA. No GF debt	£187m
	External GF Debt Limit (currently no borrowing)	£5m
Other Assets	750+ garages, 28 car parks, Museum, Art Gallery, 21 recreation Areas etc.	

Appendix B - List of key documents from Phase 1 fieldwork received and reviewed

1. Medium Term Financial Strategy 2016/17-2019/20– Update February 2016
2. Annual Budget 2016-17
3. Annual Financial Report 2015-16
4. Audit Committee Paper – Statement of Accounts 2015-16
5. Annual Financial Report 2015-16 Paper – Annex 2
6. Grant Thornton Financial Statement Letter 13.09.16
7. Grant Thornton Audit Findings Paper for year end 31 March 2016 - September 2016
8. Grant Thornton Annual Audit Letter for year end 31 March 2016
9. Waverley Economic Strategy 2015-20
10. Joint Overview & Scrutiny Committee Paper – Local Plan Part 1
11. Corporate Overview & Scrutiny Committee Paper – Budget Management Mid-Year Budget Review
12. Corporate Overview & Scrutiny Committee Paper – General Fund Property Investment Strategy
13. Corporate Overview & Scrutiny Committee Paper – Housing Revenue Account (HRA) Business Plan Review
14. Corporate Overview & Scrutiny Committee Paper – Treasury Management Activity 2016/17
15. Community Overview & Scrutiny Committee Paper – Performance Management Report Q2 2016/17
16. Community Overview & Scrutiny Committee Paper – Performance Management Infographics
17. Corporate Overview & Scrutiny Committee Paper – Performance Management Report Q2 2016/17
18. Corporate Overview & Scrutiny Committee Paper – Performance Management Infographics 2015
19. Regional benchmarking indicators for Q1 and Q2
20. Annual Governance Statement 2015/16
21. Corporate Plan 2016-19
22. Service Plans 2016-17 Master, V.2
23. Strategic HR Service Plan for 2015-16
24. Policy & Governance Service Plan 2016-17
25. Executive Paper – Senior Management Restructure – December 2013
26. 2016 Waverley Staff Survey – October 2016
27. Investors in People 2014 Assessment Report, V.5

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