

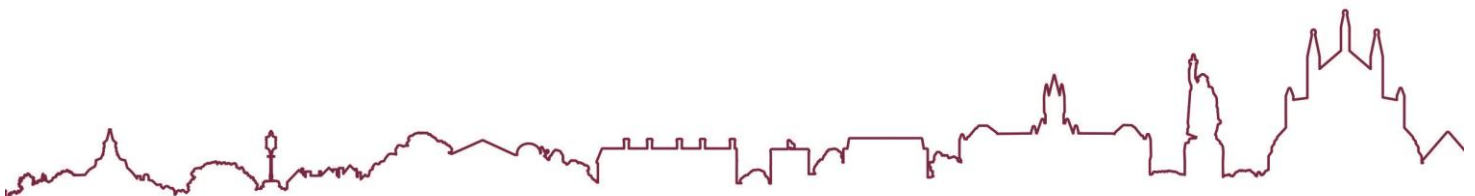


Meeting	Council
Date and Time	Wednesday, 26th February, 2020 at 7.00 pm.
Venue	King Alfred Conference Chamber, Guildhall, Winchester

NOTICE IS HEREBY GIVEN that an Ordinary Meeting of the Council will be held at 7.00 pm on Wednesday, 26th February, 2020 in the King Alfred Conference Chamber, Guildhall, Winchester and all Members of the Council are summoned to attend.

AGENDA

1. **Minutes of the Ordinary Meeting of the Council held on 15 January 2020**
(Pages 9 - 14)
2. **Disclosure of Interests**
To receive any disclosure of interests from Members or Officers in matters to be discussed.
Note: Councillors are reminded of their obligations to declare disclosable pecuniary interests, personal and/or prejudicial interests in accordance with the Council's Code of Conduct.
3. **Announcements from the Mayor, Leader and Chief Executive.**
4. **Questions from Members of the Public**
To receive and answer and questions from the public.
(Questions must be received in writing by Democratic Services – democracy@winchester.gov.uk – no later than noon, 19 February 2020)
5. **To consider and determine the following Recommended Minutes:**
 - a) **CABINET - 12 FEBRUARY 2020 - TREASURY MANAGEMENT STRATEGY 2020/21 (CAB3218)** (Pages 15 - 44)



RECOMMENDED:

1. THAT THE TREASURY MANAGEMENT STRATEGY STATEMENT WHICH INCLUDES THE ANNUAL TREASURY INVESTMENT STRATEGY FOR 2020/21 (AND THE REMAINDER OF 2019/20) BE APPROVED.
2. THAT AUTHORITY BE DELEGATED TO THE SECTION 151 OFFICER TO MANAGE THE COUNCIL'S HIGH YIELDING INVESTMENTS PORTFOLIO AND LONG TERM BORROWING ACCORDING TO THE TREASURY MANAGEMENT STRATEGY STATEMENT AS APPROPRIATE.
3. THAT AUTHORITY BE DELEGATED TO THE SECTION 151 OFFICER, WHO IN TURN DELEGATES TO HAMPSHIRE COUNTY COUNCIL'S DIRECTOR OF CORPORATE RESOURCES, AS AGREED IN THE SERVICE LEVEL AGREEMENT, TO MANAGE ALL COUNCIL INVESTMENTS (OTHER THAN THE HIGH YIELD PORTFOLIO) AND SHORT TERM BORROWING ACCORDING TO THE TREASURY MANAGEMENT STRATEGY STATEMENT AS APPROPRIATE.

b) CABINET - 12 FEBRUARY 2020 - CAPITAL INVESTMENT STRATEGY 2020-2030 (CAB3209) (Pages 45 - 84)

RECOMMENDED:

1. THE CAPITAL PROGRAMME AND CAPITAL PROGRAMME FINANCING (APPENDICES A AND B TO THE REPORT) BE APPROVED.
2. THE MINIMUM REVENUE PROVISION (MRP) POLICY STATEMENT (APPENDIX E) BE APPROVED.
3. THE PRUDENTIAL INDICATORS DETAILED IN THE REPORT AND ITS APPENDICES BE APPROVED.
4. THAT THE COUNCIL MAY NEED TO INCREASE ITS EXTERNAL BORROWING IN 2020/21 SUBJECT TO DELIVERY OF THE PROPOSED CAPITAL PROGRAMME.

c) CABINET - 12 FEBRUARY 2020 - MEDIUM TERM FINANCIAL STRATEGY, BUDGET AND COUNCIL TAX 2020/21 (CAB3211) (Pages 85 - 130)

RECOMMENDED:

1. THAT THE MEDIUM TERM FINANCIAL STRATEGY BE

APPROVED AS SET OUT IN THE REPORT.

2. THAT THE GENERAL FUND BUDGET FOR 2020/21, UPDATED FORECAST FOR 2019/20, AND THE SUMMARY BE AGREED AS SHOWN IN APPENDIX A TO THE REPORT.
3. THAT THE INVESTMENT PROPOSALS SET OUT IN SECTION 17 OF THIS REPORT BE SUPPORTED, INCLUDING:
 - a. £50,000 PER ANNUM TO FUND ADDITIONAL PARKING ENFORCEMENT OFFICERS;
 - b. AN ANNUAL PROVISION OF £350,000 TO THE PARKING RESERVE TO FUND ADDITIONAL PARK AND RIDE INITIATIVES AND SUPPORT INVESTMENT IN OTHER TRANSPORT AND PUBLIC TRANSPORT RELATED SERVICES;
 - c. £247,000 TO IMPLEMENT A FULL SURVEY OF ALL COUNCIL TREES AND FUND ASSOCIATED REMEDIAL WORKS (NET IMPACT OF £84,000 ON THE GENERAL FUND, WITH THE REMAINING COSTS MET FROM WINCHESTER TOWN ACCOUNT AND THE HOUSING REVENUE ACCOUNT FOR TREES WITHIN THE CONTROL OF THOSE BUDGETS);
 - d. ONE OFF PROVISION OF £105,000 TO SUPPORT FEASIBILITY STUDIES AND BUILDING SURVEY WORK FOR THE CENTRAL WINCHESTER REGENERATION PROJECT;
 - e. THAT £750,000, FUNDED FROM THE TRANSITIONAL RESERVE, BE APPROVED TO FUND THE IMPLEMENTATION OF THE CARBON NEUTRALITY ACTION PLAN WITH FURTHER DETAILS OF SPECIFIC PROPOSALS TO BE REPORTED TO CABINET IN JUNE 2020;
 - f. THAT ONE-OFF PROVISION OF £500,000, FUNDED FROM THE TRANSITIONAL RESERVE BE MADE TO SUPPORT THE TRANSFORMATION PROPOSALS SET OUT IN THE MEDIUM TERM FINANCIAL STRATEGY, WITH SPECIFIC PROPOSALS TO BE REPORTED TO CABINET LATER IN 2020.
4. THAT THE SAVINGS PROPOSALS SET OUT IN SECTION 18 OF THE REPORT BE APPROVED, INCLUDING:
 - a. THE IMPLEMENTATION OF AN ENHANCED GARDEN WASTE SERVICE FROM FEBRUARY 2021, WITH FURTHER DETAILS ON THE PROPOSAL INCLUDING THE CHARGING ARRANGEMENTS BEING REPORTED TO CABINET IN JUNE 2020;
 - b. THE CLOSURE OF PUBLIC CONVENIENCES AT MIDDLEBROOK ST AND WORTHY LANE, WINCHESTER.

5. THAT THE PROPOSALS FOR CHANGES TO PARKING CHARGES BE APPROVED, AS SET OUT IN SECTION 19 OF THE REPORT:
- a. PARKING CHARGES (WITH THE EXCEPTION OF (PARK AND RIDE CHARGES) BE INCREASED BY 3% (ROUNDED TO THE NEAREST 10P);
 - b. THAT A "FLAT RATE" CHARGE OF £2 BE INTRODUCED ON SUNDAYS IN ALL "CENTRAL" CAR PARKS, THE ACCESS TO WHICH ALL FALL WITHIN THE CITY'S AIR QUALITY MANAGEMENT AREA. THESE INCLUDE:
 - THE BROOKS
 - MIDDLEBROOK ST
 - COLEBROOK ST
 - FRIARSGATE
 - GUILDHALL YARD
 - JEWRY ST
 - COSSACK LANE
 - UPPER BROOK ST
 - ST PETERS ST
 - TOWER ST
 - GLADSTONE ST
 - c. THAT WEEKDAY CHARGING PERIOD FOR THE "CENTRAL" AIR QUALITY MANAGEMENT AREA CAR PARKS BE EXTENDED TO 7PM FOR A PILOT 6 MONTH PERIOD;
 - d. THAT DAILY PARK AND RIDE CHARGES BE INCREASED BY 50P;
 - e. THAT DISCOUNTED PARKING CHARGES FOR WEEKLY AND MONTHLY SEASON TICKETS AT CATTLE MARKET AND WORTHY LANE CAR PARKS BE REMOVED;
 - f. THAT A REVISED PARKING INVESTMENT PROGRAMME BE BROUGHT BACK TO CABINET BY SEPTEMBER 2020 WITH DETAILED PROPOSALS FOR ADDITIONAL INVESTMENT IN TRANSPORT RELATED SERVICES;
 - g. THAT ALL PARKING RELATED CHANGES SET OUT ABOVE, BE IMPLEMENTED WITH EFFECT FROM JULY OR AS SOON AS PRACTICABLE THEREAFTER;
 - h. THAT, SUBJECT TO CONTRACT, PARK AND RIDE BUS SERVICES BE EXTENDED IN THE EVENINGS AND INTRODUCED ON SUNDAYS FROM THE ST CATHERINES PARK AND RIDE SITE.
6. THAT THE POLICY AS PREVIOUSLY AGREED BY THE COUNCIL ON 14 JULY 1999 (MIN 186 REFERS) TO TREAT ALL EXPENSES OF THE COUNCIL AS GENERAL EXPENSES OTHER THAN THOSE SPECIFICALLY IDENTIFIED AND ITEMISED IN THE WINCHESTER TOWN ACCOUNT BE CONFIRMED. IN CONSEQUENCE OF WHICH

THE SUM OF £1,006,776 BE TREATED AS SPECIAL EXPENSES UNDER SECTION 35 OF THE LOCAL GOVERNMENT FINANCE ACT 1992 IN RESPECT OF THE WINCHESTER TOWN AREA, APPENDIX D.

7. THAT THE COUNCIL TAX FOR THE SPECIAL EXPENSES IN THE WINCHESTER TOWN AREA AT BAND D FOR 2020/21 BE INCREASED IN LINE WITH THE TOWN FORUM RECOMMENDATION.
8. THAT THE TOTAL DEFICIT BALANCE ON THE COUNCIL TAX COLLECTION FUND CALCULATED IN JANUARY 2020 OF £144,278, £18,676 FOR THIS COUNCIL BE APPROVED.
9. THAT THE LEVEL OF COUNCIL TAX AT BAND D FOR CITY COUNCIL SERVICES FOR 2020/21 BE INCREASED BY 3% TO £143.09.

NOTE: CAB3228 – ACTIONS & FEEDBACK FROM SCRUTINY COMMITTEE HELD 5 FEBRUARY 2020 ON CABINET REPORTS has been included in the agenda pack as background for Council's decisions related to financial papers including the budget.

TO PASS A FORMAL RESOLUTION SETTING THE COUNCIL TAX FOR THE CITY OF WINCHESTER FOR THE YEAR COMMENCING 1 APRIL 2020.

- d) **CABINET - 12 FEBRUARY 2020 - HOUSING REVENUE ACCOUNT (HRA) BUDGET 2020/21 & BUSINESS PLAN (CAB3214)** (Pages 131 - 154)

RECOMMENDED:

1. THAT THE 2020/21 HOUSING REVENUE ACCOUNT BUDGET AND FINAL FORECAST FOR 2019/20 BE APPROVED, AS DETAILED IN APPENDICES 1 AND 2 TO THE REPORT.
2. THAT A RENT INCREASE IN 2020/21 BE APPROVED IN ACCORDANCE WITH THE GOVERNMENT'S NATIONAL RENT STANDARD (SEPTEMBER CPI + 1%) RESULTING IN AN AVERAGE RENT INCREASE OF 2.7%.
3. THAT CAPITAL EXPENDITURE IN 2020/21 OF £9.1M BE APPROVED FOR THE MAINTENANCE, IMPROVEMENT AND RENEWAL PROGRAMME AS DETAILED IN APPENDIX 3 OF THE REPORT, IN

ACCORDANCE WITH FINANCIAL PROCEDURE RULE 6.4.

4. THAT CAPITAL EXPENDITURE IN 2020/21 OF £26.91M BE APPROVED FOR THE NEW BUILD PROGRAMME AS DETAILED IN APPENDIX 4 OF THE REPORT, IN ACCORDANCE WITH FINANCIAL PROCEDURE RULE 6.4.
 5. THAT FUNDING FOR THE HRA CAPITAL PROGRAMME BE APPROVED, AS DETAILED IN APPENDIX 5 OF THE REPORT, INCLUDING THE ADDITIONAL BORROWING REQUIREMENT.
 6. THAT THE HRA FINANCIAL PLAN OPERATING ACCOUNT EXTRACT BE APPROVED, INCLUDING ANNUAL WORKING BALANCES, AS DETAILED IN APPENDIX 6.
6. **Dispensation Consideration (CL152)** (Pages 155 - 158)
Report of the Monitoring Officer
 7. **Changes to Committee Memberships**
To receive any resignations from committees and to make any necessary re-appointments.
 8. **Questions from Members of Council**
The total time for questions and the answer and supplementaries thereto shall not exceed 30 minutes.
 9. **EXEMPT BUSINESS: To consider whether in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information.**
 - (i) To pass a resolution that the public be excluded from the meeting during the consideration of the following items of business because it is likely that, if members of the public were present, there would be disclosure to them of 'exempt information' as defined by Section 100 (I) and Schedule 12A to the Local Government Act 1972.
 10. **Organisational Development (CL151)** (Pages 159 - 162)
Report of the Chief Executive.

LAURA TAYLOR
Chief Executive

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18 February 2020

Agenda Contact: David Blakemore, Democratic Services Team Manager
Tel: 01962 848217 Email: dblakemore@winchester.gov.uk

Quorum = 12 members

PUBLIC PARTICIPATION

Members of the public may ask questions of the Leader, Cabinet Members and Committee Chairs at Ordinary Meetings of the Council. The total time allocated for questions by the public shall normally be limited to 20 minutes.

A question may only be asked if notice has been given by delivering it in writing to Democratic Services no later than 5 working days preceding the Council meeting. For example, if the Council meeting is being held at 7pm on a Wednesday then the question would need to be received by noon on the preceding Wednesday. Please email to democracy@winchester.gov.uk.

FILMING AND BROADCAST NOTIFICATION

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DISABLED ACCESS:

Disabled access is normally available, but please phone Democratic Services on 01962 848 264 or email democracy@winchester.gov.uk to ensure that the necessary arrangements are in place.

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COUNCIL

Wednesday, 15 January 2020

Attendance:

Councillors
Bell (The Mayor)

Achwal	Hutchison
Becker	Laming
Bentote	Learney
Bronk	Lumby
Brook	Mather
Clear	McLean
Clementson	Miller
Cook	Pearson
Craske	Porter
Cunningham	Power
Cutler	Prince
Evans	Read
Ferguson	Ruffell
Fern	Rutter
Gemmell	Scott
Godfrey	Thompson
Gordon-Smith	Tod
Gottlieb	Weir
Green	Weston
Hiscock	Williams
Horrill	
Humby	

Apologies for Absence:

Councillors Griffiths and Murphy

Audio recording of the meeting

A full audio recording of this meeting is available via [this link](#)

In addition, a link to an individual item's audio recording is also available under each of the respective minute headings below.

1. **MINUTES**
([Audio recording refers](#))

RESOLVED:

That the minutes of the Ordinary Meeting of the Council held on 6 November 2019 be approved and adopted.

2. **DISCLOSURE OF INTERESTS**
 ([Audio recording refers](#))

With regard to agenda item 6 (Report CL149 – Members’ Allowances – Interim Report of the Independent Remuneration Panel), by way of personal statements, Councillors Clear, Hiscock and Power each advised that as they were three of the four councillors to whom the report applied, none would take part in the debate nor participate in the vote. Councillor Brook, also by way of personal statement, as the other councillor to whom the report applied, advised that she would take part in the debate and participate in the vote, as there was no change recommended by the Panel to the Special Responsibility Allowance band for which she was already in receipt for the committee she chaired.

With regard to agenda item 5a (recommended minute of cabinet - Report CAB3207 - Council Plan 2020 – 2025) Councillor Gottlieb declared a disclosable pecuniary interest in any matters that might relate to the St Clement Street Surgery. There were no direct references to these matters during consideration of this item and he spoke and voted on this item.

Councillors Hiscock, Humby, Porter and Tod declared personal (but not prejudicial) interests in relation to agenda items which may relate to Hampshire County Council matters due to their role as County Councillors.

3. **ANNOUNCEMENTS FROM THE MAYOR, LEADER AND CHIEF EXECUTIVE**
 ([Audio recording refers](#))

The Mayor reported that she had attended the funeral of former Mayor of Winchester, Neil Baxter. Neil was a member of the council from 1999 until 2011 and was the 806th Mayor of Winchester, 2005-06. The Mayor also announced that former councillors Clare McKenna and Brenda Hatch had recently passed away. Members stood in silent tribute to their memory.

The Mayor then announced her forthcoming charities events. These included a Burns Night supper on 25 January 2020, the annual Quiz Night on 15 February and also a Pie and Mash lunch on 1 March 2020 in Abbey House. The Mayor also referred to the Mayor’s Awards event on 19 March and that on 21 March, there was to be a Freedom Parade in Winchester with the Army Training Regiment.

The Leader also made several announcements. Firstly, on Monday 13 January the council’s first Decision Day had taken place on subjects related to the economy and the environment. These had been well attended by members of the public. Decisions taken had included the council seeking legal protection of the Garrison Ground at Bar End to ensure that it remained a green space for future generations. The Leader then confirmed that following a detailed competitive tendering exercise for the council’s waste collection contract, Biffa had been awarded an eight year contract. The existing high collection standards were to be maintained and in addition to this, further service improvements were to be sought. The Leader then requested that all Members support promotion of the council’s

Community Infrastructure Levy (CIL). Parish Councils and organisations can submit applications for between £10,000 and £200,000 to support physical improvements to community infrastructure across the district. The deadline for submissions was 31 March 2020.

Finally the Leader advised that both her and Councillor Tod would be dealing with Councillor Murphy's areas of responsibilities during her period of recovery following her recent operation. Members joined the Leader in sending Councillor Murphy their best wishes.

The Chief Executive announced apologies for the meeting.

The Chief Executive also announced that the council was continuing to take active steps to protect communities during the current period of wet weather. The next steps for flood alleviation works were now also underway. Residents were able to register with the Environment Agency for updates with regard to flood risk in their own communities.

4. **QUESTIONS FROM MEMBERS OF THE PUBLIC**
([Audio recording refers](#))

Two written questions had been received which were presented by both members of the public at the meeting along with an associated supplementary question. The questions and the response from the Cabinet Member were subsequently set out in full on the [Council's website](#).

5. **TO CONSIDER AND DETERMINE THE FOLLOWING RECOMMENDED MINUTES:**

a) CABINET – 23 DECEMBER 2019
Council Plan 2020 - 2025
([Report CAB3207 and audio recording refers](#))

Council noted that the recommended minute of Cabinet held 23 December 2019 had not been circulated within the statutory deadline. The Mayor agreed to accept this item onto the agenda as a matter requiring urgent consideration to enable discussion at the meeting of the report.

Councillor Thompson, the Leader and Cabinet Member for Communication, moved that the recommended minute be approved and adopted (seconded by Councillor Tod, Cabinet Member for Service Quality and Transformation).

Council proceeded to ask questions and debate the matters in the report and recommended minute.

RESOLVED:

That the recommended minute of Cabinet held 23 December 2019 (as follows) be approved and adopted:

'That the Council Plan 2020 to 2025 be adopted and that this Plan

supersedes the previous plan with immediate effect.’

b) AUDIT AND GOVERNANCE COMMITTEE – 9 JANUARY 2020

Pay Policy Statement 2020/2021

[\(Report AG018 and audio recording refers\)](#)

Council noted that the recommended minute of the Audit and Governance Committee held 9 January 2020 and the updated version of the Pay Policy had not been circulated within the statutory deadline. The Mayor agreed to accept these items onto the agenda as a matters requiring urgent consideration to enable discussion at the meeting of the Report and the updated Policy.

Councillor Power, Chairperson of the Audit and Governance Committee, moved that the recommended minute be approved and adopted (seconded by Councillor Bronk).

Council proceeded to ask questions and debate the matters in the report, the updated version of the Pay Policy and recommended minute.

RESOLVED:

That the recommended minute of the Audit and Governance Committee held 9 January 2020 (as follows) be approved and adopted:

‘That the Pay Policy Statement for the Financial Year 2020/2021 be adopted.’

6. **MEMBERS’ ALLOWANCES – INTERIM REVIEW OF THE INDEPENDENT REMUNERATION PANEL**

[\(Report CL149 refers and audio recording refers\)](#)

Councillor Hiscock left the meeting at the start of this item.

Councillor Cutler (Deputy Leader and Cabinet Member for Finance and Risk) moved that Recommendations 1 – 4 of CL149 be approved and adopted (seconded by Councillor Thompson, the Leader and Cabinet Member for Communication).

Council proceeded to ask questions and debate the matters in the report.

RESOLVED:

1. That Council notes the report and recommendations of the Independent Remuneration Panel (IRP) and agree changes to Special Responsibility Allowances (SRAs) for 2020/21 to be in accordance with those listed on pages 3 – 6 of the IRP’s report (Appendix A of Report CL149), namely

i. Chairperson of Scrutiny Committee – Band 3

- ii. Chairperson of Audit and Governance Committee – Band 4
- iii. Chairperson of Health and Environment Policy Committee – Band 4
- iv. Chairperson of Business and Housing Policy Committee – Band 4

2. That the level of SRAs paid to the respective Chairpersons of the Scrutiny Committee, Audit and Governance Committee, Health and Environment Committee and Business and Housing Committee be backdated to 15 May 2019.

3. That Council note the Recommendation of the IRP that the existing approach to indexation continue from April 2020 - based on the staff salary increases relating to Spinal Column Point 49 of the NJC for Local Government Staff Services.

4. That authority be delegated to the Strategic Director: Resources to finalise a revised Members' Allowances Scheme to take effect from 1 April 2020, in accordance with the recommendations of the Independent Remuneration Panel as set out in Appendix A of Report CL149.

7. **CHANGES TO COMMITTEE MEMBERSHIPS**

([Audio recording refers](#))

There were no changes to committees required to be made.

8. **QUESTIONS FROM MEMBERS OF THE COUNCIL**

([Audio recording refers](#))

13 written questions had been received which were all heard at the meeting along with associated supplementary questions. All questions are set out in full on the [council's website](#), together with responses from the relevant Cabinet Member.

The meeting commenced at 7.00pm and concluded at 10.15pm

The Mayor

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EXTRACT OF DRAFT MINUTES

CABINET

12 FEBRUARY 2020

10. **TREASURY MANAGEMENT STRATEGY 2020/21**
(CAB3218)

Councillor Cutler introduced the report and stated that a representative from Hampshire County Council Investments team was present to answer any detailed questions.

Cabinet agreed to the following recommendations to Council for the reasons set out and outlined in the report.

RECOMMENDED:

1. THAT THE TREASURY MANAGEMENT STRATEGY STATEMENT WHICH INCLUDES THE ANNUAL TREASURY INVESTMENT STRATEGY FOR 2020/21 (AND THE REMAINDER OF 2019/20) BE APPROVED.

2. THAT AUTHORITY BE DELEGATED TO THE SECTION 151 OFFICER TO MANAGE THE COUNCIL'S HIGH YIELDING INVESTMENTS PORTFOLIO AND LONG TERM BORROWING ACCORDING TO THE TREASURY MANAGEMENT STRATEGY STATEMENT AS APPROPRIATE.

3. THAT AUTHORITY BE DELEGATED TO THE SECTION 151 OFFICER, WHO IN TURN DELEGATES TO HAMPSHIRE COUNTY COUNCIL'S DIRECTOR OF CORPORATE RESOURCES, AS AGREED IN THE SERVICE LEVEL AGREEMENT, TO MANAGE ALL COUNCIL INVESTMENTS (OTHER THAN THE HIGH YIELD PORTFOLIO) AND SHORT TERM BORROWING ACCORDING TO THE TREASURY MANAGEMENT STRATEGY STATEMENT AS APPROPRIATE.

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REPORT TITLE: TREASURY MANAGEMENT STRATEGY STATEMENT 2020/21

12 FEBRUARY 2020

REPORT OF CABINET MEMBER: Cllr Neil Cutler - Deputy Leader and Cabinet Member for Finance and Risk

Contact Officer: Neil Aitken Tel No: 01962 848099 Email naitken@winchester.gov.uk

WARD(S): ALL WARDS

PURPOSE

This report sets out the proposed Treasury Management Strategy Statement, including the Annual Investment Strategy for the Council for 2020/21. Following Council's declaration of a Climate Emergency in June 2019 the Investment Strategy (section 17) now includes a commitment not to make equity investments either directly or indirectly (via pooled funds) in companies directly involved in the fossil fuel industry.

That Cabinet recommends to Council:

1. The Treasury Management Strategy Statement which includes the Annual Treasury Investment Strategy for 2020/21 (and the remainder of 2019/20) is approved.
2. Authority is delegated to the Section 151 Officer to manage the Council's high yielding investments portfolio and long term borrowing according to the Treasury Management Strategy Statement as appropriate.
3. Authority is delegated to the Section 151 Officer, who in turn delegates to Hampshire County Council's Director of Corporate Resources, as agreed in the Service Level Agreement, to manage all Council investments (other than the high yield portfolio) and short term borrowing according to the Treasury Management Strategy Statement as appropriate.

IMPLICATIONS:

1 COUNCIL PLAN OUTCOME

- 1.1 Treasury management is an integral part of helping to deliver the Council Plan and all of its outcomes.

2 FINANCIAL IMPLICATIONS

- 2.1 Effective treasury management ensures both the financial security and liquidity of the Council. The overall target return is a 1% yield which, with an average balance of £40m, would yield £400k p.a.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 The Council's Treasury Management Strategy Statement follows the latest codes of practice and the MHCLG and CIPFA guidance.
- 3.2 With effect from September 2014 Hampshire County Council (HCC) and Winchester City Council (WCC) established arrangements for the joint discharge of functions under Section (101)(1) and (5) of the Local Government Act 1972 and Section 9EA and 9EB Local Government Act 2000. Under this arrangement, HCC's Investments and Borrowing Team provide a Treasury Service which includes the management of WCC's cash balances and investment of surplus cash or sourcing of short-term borrowing in accordance with the agreed Treasury Management Strategy Statement.

4 WORKFORCE IMPLICATIONS

- 4.1 Hampshire County Council's Investments and Borrowing Team carry out the day to day management of the Council's cash balances and investments. The Council's in-house finance team undertake the accounting and retain responsibility for long-term borrowing decisions.

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 None

6 CONSULTATION AND COMMUNICATION

- 6.1 This report has been produced in consultation with Hampshire County Council's Investments & Borrowing team.

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 Following the Council's declaration of a Climate Emergency in June 2019, and in line with its ethical stances in its investment policy (see section 17 below), the Council has no direct or indirect equity investments in companies directly involved in the fossil fuel industry.

8 EQUALITY IMPACT ASSESSEMENT

8.1 None

9 DATA PROTECTION IMPACT ASSESSMENT

9.1 None required

10 RISK MANAGEMENT

Risk	Mitigation	Opportunities
<i>Returns from investments are too low</i>	A diversified strategy that attempts to manage the balance between liquidity risk, credit risk and yield within the Council's risk appetite.	Returns above budgeted levels
<i>A counterparty fails</i>	A diversified strategy that has relatively low levels of counter-party risk	
<i>Cash is not available</i>	A balanced portfolio of liquid and long-term funds are held to ensure cash is available to utilise. The Council also mitigates this risk through cashflow forecasting	More accurate and immediate cashflow forecasting can help improve the return on investments through more active treasury management activity
<i>Access to Money Market Funds (MMFs) may be restricted when the UK exits the EU</i>	Invest in suitable alternatives	

11 SUPPORTING INFORMATION:12 Summary

12.1 The Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) requires authorities to determine the Treasury Management Strategy Statement (TMSS) before the start of each financial year.

12.2 As per the requirements of the Prudential Code, the Council adopts the CIPFA Treasury Management Code. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

13 Introduction

13.1 Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has

borrowed and invested sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.

- 13.2 Treasury risk management at the Council is conducted within the framework of the CIPFA Code which requires the Council to approve a TMSS before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.
- 13.3 Investments held for service purposes or for commercial profit are considered in a different report, the Capital Investment Strategy.
- 13.4 Hampshire County Council's Investments & Borrowing Team has been contracted to manage the Council's treasury management balances since September 2014 but overall responsibility for treasury management remains with the Council. No treasury management activity is without risk; the effective identification and management of risk are integral to the Council's treasury management objectives.

14 External Context

Economic background

- 14.1 The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Council's treasury management strategy for 2020/21.
- 14.2 GDP growth rose by 0.4% in the third quarter of 2019 from -0.2% in the previous three months with the annual rate falling further below its trend rate to 1.1% Looking ahead, the Bank of England forecasts economic growth to pick up during 2020 as Brexit-related uncertainties dissipate and provide a boost to business investment helping GDP reach 1.6% in Q4 2020, 1.8% in Q4 2021 and 2.1% in Q4 2022.
- 14.3 The headline rate of UK Consumer Price Inflation remained the same in November 2019 at 1.5% year-on-year, although lower than highs of 2.1% in July and April 2019 and below the Bank of England target of 2%.
- 14.4 Labour market data continues to be positive with unemployment at 3.8%, the lowest level since 1975. The 3-month average annual growth rate for pay excluding bonuses rose to 3.5% in November 2019 providing some evidence that a shortage of labour is supporting wages. However, adjusting for inflation this means real wages were only up by 0.9% in October 2019 and only likely to have a moderate impact on household spending. The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Council's treasury management strategy for 2020/21.

Credit outlook

- 14.5 The recent Bank of England stress tests assessed all seven UK banking groups, with all seven passing the test. Major banks have steadily increased their capital for many years now, however the tests do not cover all banks and the Bank of England will seek to address some of these issues in 2020, when Virgin Money/Clydesdale will be added to the testing group and separate tests will be included of ringfenced banks.
- 14.6 Looking forward, the potential for a “no-deal” Brexit and/or a global recession remain the major risks facing banks and building societies in 2020/21 and a cautious approach to bank deposits continues to be recommended by the Council’s treasury advisors.

Interest rate forecast

- 14.7 The Council’s treasury management adviser Arlingclose is forecasting that Bank Rate will remain at 0.75% until the end of 2022. The risks to this forecast are deemed to be significantly weighted to the downside, particularly given the need for greater clarity on Brexit and continuing global economic slowdown.
- 14.8 The Bank of England, having previously indicated interest rates may need to rise if a Brexit agreement was reached, stated in its November Monetary Policy Report and its Bank Rate decision (7-2 vote to hold rates) that the MPC now believe this is less likely even in the event of a deal.
- 14.9 Gilt yields have risen but remain at low levels and only some very modest upward movement from current levels are expected based on Arlingclose’s interest rate projections. The central case is for 10-year and 20-year gilt yields to rise to around 1.00% and 1.40% respectively over the time horizon, with broadly balanced risks to both the upside and downside. However, short-term volatility arising from both economic and political events over the period is a near certainty.
- 14.10 A more detailed economic and interest rate forecast provided by Arlingclose is attached at Appendix A.

15 Balance Sheet Summary and Forecast

- 15.1 On 30 November 2019, the Council held £156.7m of borrowing and £54.7m of investments. This is set out in further detail at Appendix B. Forecast changes in these sums, subject to delivery of the capital programme, are shown in the balance sheet analysis in Table 1 below.
- 15.2 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Council’s current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

- 15.3 The Council has a forecast increasing CFR due to the planned capital programme over the coming years, and the Council's reserves will gradually reduce over the same period. If the capital programme is delivered as planned and in full, the Council may need to take out new external borrowing from 2020/21.
- 15.4 CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Council expects to comply with this recommendation during 2020/21.

Table 1: Balance sheet summary and forecast

	31/03/19 Actual £m	31/03/20 Estimate £m	31/03/21 Forecast £m	31/03/22 Forecast £m	31/03/23 Forecast £m
General Fund CFR	27.1	43.2	90.9	101.2	102.5
HRA CFR	162.9	168.9	184.4	192.4	199.4
Total CFR	190.0	212.1	275.3	293.6	301.9
Less: Other debt liabilities *	(0.2)	0.0	0.0	0.0	0.0
Borrowing CFR	189.8	212.1	275.3	293.6	301.9
Less: External borrowing **	(156.7)	(156.7)	(156.7)	(156.7)	(151.7)
Internal (over) borrowing	33.1	55.4	118.6	136.9	145.2
Less: GF Usable reserves	(37.7)	(31.4)	(27.9)	(22.4)	(22.5)
Less: HRA Usable reserves	(20.9)	(18.4)	(17.8)	(30.1)	(22.3)
Less: Working capital	(13.7)	(20.5)	(14.0)	(14.0)	(14.0)
Resources for investments	(72.3)	(70.3)	(59.7)	(66.5)	(58.8)
New borrowing or (investments)	(39.2)	(14.9)	58.9	70.4	86.4

* finance leases, PFI liabilities and transferred debt that form part of the Council's total debt

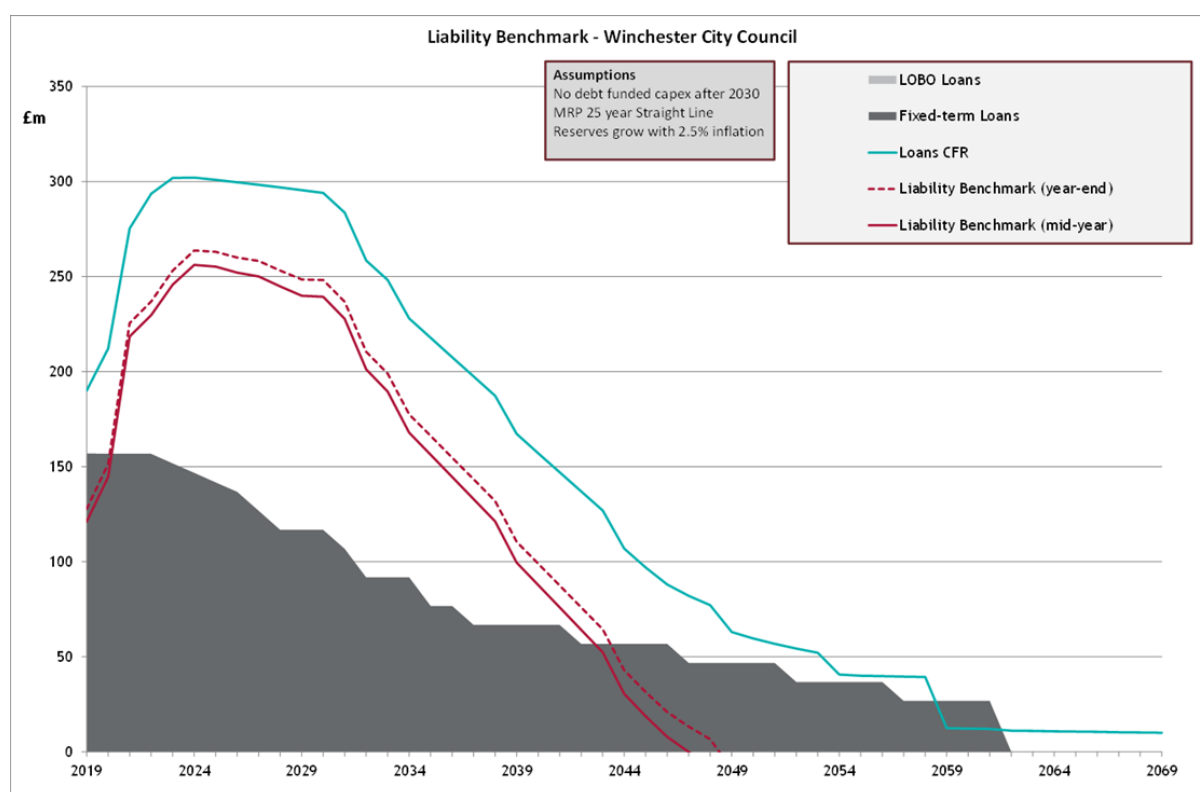
** shows only loans to which the Council is committed and excludes optional refinancing

Liability benchmark

- 15.5 To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as Table 1 above, but that cash and investment balances are kept to a minimum level of £10m at each year-end to maintain sufficient liquidity but minimise credit risk.

Table 2: Liability benchmark

	31/03/19 Actual £m	31/03/20 Estimate £m	31/03/21 Forecast £m	31/03/22 Forecast £m	31/03/23 Forecast £m
Total CFR	189.8	212.1	275.3	293.6	301.9
Less: Total usable reserves	-58.6	-49.8	-45.7	-52.5	-44.7
Less: Working capital	-13.7	-20.5	-14.0	-14.0	-14.0
Plus: Minimum investments	10	10	10	10	10
Liability benchmark	127.5	151.8	225.6	237.1	253.2



- 15.6 At the start of the period, 31st March 2019, the Council had a Loans CFR of £190m, fixed term loans of £157m and a liability benchmark of £128m. The difference of £33m between the CFR and fixed term loans is internal borrowing and is where the Council has used its own resources to fund capital expenditure.
- 15.7 The liability benchmark is the lowest level of debt the Council could hold if it used all of its balances, reserves and cash flow surpluses.
- 15.8 The forward projection using the Council capital programme forecasts suggest that capital expenditure funded by borrowing of around £112.1m will occur over the next three financial years as evidenced by the rising CFR and where the liability benchmark increases above the debt portfolio is where the Council

will need to take on additional external borrowing to fund this expenditure. It is anticipated that to keep debt at a minimum level, a maximum of £96.5m of additional debt would need to be taken out. Any debt should be taken on an amortising basis to match the shape of the liability benchmark.

16 Borrowing Strategy

- 16.1 The Council currently holds £156.7m of loans as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in Table 1 shows that the Council may need to borrow up to £58.9m in 2020/21. The Council may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £309.0m.

Objectives

- 16.2 The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

Strategy

- 16.3 Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, when the Council does borrow, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.
- 16.4 By internally borrowing, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal and short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2020/21 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
- 16.5 The Council has previously raised the majority of its long-term borrowing from the Public Works Loan Board (PWLB) but the government increased the margin on PWLB rates by 100 basis points (1%) in October 2019 making it a more expensive way of borrowing compared to previously.
- 16.6 Alternatively, the Council may arrange forward-starting loans during 2020/21, where the interest rate is fixed in advance, but the cash is received in later

years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

- 16.7 In addition, the Council may borrow (normally for up to one month) short-term loans to cover unplanned cash flow shortages.

Sources of borrowing

- 16.8 The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- Any other UK public sector body
- Any institution approved for investments (see below)
- Any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except Hampshire Pension Fund)
- Capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local Council bond issues

Other sources of debt finance

- 16.9 In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- Leasing
- Hire purchase
- Private Finance Initiative
- Sale and leaseback

- 16.10 The Council has previously raised all of its long-term borrowing from the PWLB, but it continues to investigate other sources of finance, such as local authority loans and bank loans, that may be available at more favourable rates.

Short-term and variable rate loans

- 16.11 These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to the interest rate exposure limits in the treasury management indicators at Section 17 of this TMSS.

Debt rescheduling

- 16.12 The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

17 Investment Strategy

- 17.1 The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's investment balance has ranged between £38.1m and £70.6m.

Objectives

- 17.2 The CIPFA Code requires the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

Ethical investments

- 17.3 The Council declared a Climate Emergency in June 2019 and as a consequence will not make equity investments either directly or indirectly (via pooled funds) in companies directly involved in the fossil fuel industry. It will continuously review its ethical stance as part of the annual Treasury Management Strategy setting process taking into account its other objectives stated above with regard to security, liquidity, and yield.

Negative interest rates

- 17.4 If the UK enters into a recession in 2020/21, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

Strategy

- 17.5 Given the increasing risk and very low returns from short-term unsecured bank investments, the Council aims to continue to hold investments that provide diversification through greater security and/or higher yielding asset classes. This is especially the case for the estimated £15m that is available for longer-term investment.

- 17.6 At 30 November 2019 approximately 60% of the Council's surplus cash was invested so that it is not subject to bail-in risk as it was invested in local authorities, pooled property funds, Treasury Bills, corporate bonds and secured bank bonds.
- 17.7 Of the 40% of cash that was subject to bail-in risk, 55% was held in cash plus funds and overnight money market funds which are subject to a reduced risk of bail in, 20% was held in certificates of deposit which can be sold on the secondary market, 20% was held in notice accounts (once these accounts mature these funds can be placed in more secure/higher yielding investments if suitable option are available) and the remaining 5% of cash subject to bail-in risk was held in overnight bank call accounts for liquidity purposes.
- 17.8 Further detail is provided at Appendix B and this diversification represents a continuation of the strategy adopted in 2015/16.
- 17.9 The Council's investment in a pooled property fund allows the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. The fund, which is operated on a variable net asset value (VNAV) basis, offers diversification of investment risk, coupled with the services of a professional fund manager; also offers enhanced returns over the longer term but is more volatile in the short-term. The Council's pooled fund investment is in the fund's distributing share class which pays out the income generated.
- 17.10 Although money can usually be redeemed from the pooled fund at short notice, the Council's intention is to hold it for at least the medium term. Its performance and suitability in meeting the Council's investment objectives are monitored regularly and discussed with Arlingclose.
- 17.11 The value of the Council's pooled fund investment at 30 November 2019 is shown in the table below.

Table 3: High yield investments capital value	Principal invested £m	Market value 30/11/2019 £m	Capital yield (per annum) %
Pooled Property Funds	5.0	5.5	1.09
Total	5.0	5.5	1.09

- 17.12 As shown in Appendix B, without this allocation the weighted average return of the Council's cash investments based on investments held on 30 November 2019 would have been 0.88%; whereas the allocation to high yielding investments has a weighted average return of 4.24%, bringing the overall return for the portfolio to 1.58%.
- 17.13 The benefit to the revenue budget of these investments targeting higher yields is demonstrated in Table 4 below, using cash balances and average returns at 30 November 2019. It should be noted that balances and returns do not remain constant and the numbers below are therefore indicative. The actual

returns will form part of the outturn report at the conclusion of the financial year.

Table 4: Estimated annual income returns	Cash balance at 30/11/19	Weighted average return	Estimated annual income return
Short-term and long-term cash investments	£49.7m	0.88%	£0.44m
Investments targeting higher yields	£5.0m	4.24%	£0.21m
Total	£54.7m	1.19%	£0.65m

- 17.14 Non-cash pooled investments must be viewed as long-term investments in order that monies are not withdrawn in the event of a fall in capital values to avoid crystallising a capital loss. At the current time, given the medium to long term nature of the investments, it is unlikely that a capital loss would be realised, since the Council would avoid selling investments that realised a capital loss.
- 17.15 Going forward however, changes to International Financial Reporting Standards mean that capital gains and losses on investments need to be reflected in the revenue account on an annual basis. There is currently a statutory override in place for local authorities that exempts them from complying with this requirement for the next four years. The ongoing suitability of the Council's investments in pooled funds is monitored on a regular basis and based on advice from Arlingclose.

Investment limits

- 17.16 The maximum that will be lent to any one organisation (other than the UK Government) will be £7 million, unchanged from the strategy for 2019/20. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, and investments in pooled funds, as they would not count against a limit for any single foreign country, since the risk is diversified over many countries.

Table 5: Investment limits

	Cash limit
Any single organisation, except the UK Central Government	£7m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£7m per group
Any group of pooled funds under the same management	£7m per manager
Registered providers and registered social landlords	£7m in total
Money Market Funds	50% in total
Real Estate Investment Trusts	£7m in total

Approved counterparties

17.17 The Council may invest its surplus funds with any of the counterparty types in Table 6 below, subject to the cash limits (per counterparty) and the time limits shown. Where a counterparty has a credit rating, the Council will only invest in those which are considered high credit quality investment grade (A- or above). Potential counterparties without a credit rating include, for example, local government bodies, building societies, and alternative investments in corporates that would be considered by the Treasury Investment Group (see 17.23 below). As at the end of November, the Council's investment balances totalled £54.7m of which 57% was held with counterparties rated A or above, 32% with local government bodies and UK treasury bills, 9% in the CCLA property fund, and 2% in the Royal London cash plus fund (low risk but higher than cash yield).

Table 6: Approved investment counterparties and limits

This table must be read in conjunction with the notes below

Credit rating	Banks unsecured	Banks secured	Government	Corporates	Registered Providers - secured	Registered Providers - unsecured
UK Govt	n/a	n/a	£ Unlimited 30 years	n/a	n/a	n/a
AAA	£3.5m 5 years	£7m 20 years	£7m 50 years	£3.5m 20 years	£3.5m 20 years	£3.5m 20 years
AA+	£3.5m 5 years	£7m 10 years	£7m 25 years	£3.5m 10 years	£3.5m 10 years	£3.5m 10 years
AA	£3.5m 4 years	£7m 5 years	£7m 15 years	£3.5m 5 years	£3.5m 10 years	£3.5m 10 years
AA-	£3.5m 3 years	£7m 4 years	£7m 10 years	£3.5m 4 years	£3.5m 10 years	£3.5m 10 years
A+	£3.5m 2 years	£7m 3 years	£3.5m 5 years	£3.5m 3 years	£3.5m 5 years	£3.5m 5 years
A	£3.5m 13 months	£7m 2 years	£3.5m 5 years	£3.5m 2 years	£3.5m 5 years	£3.5m 5 years

A-	£3.5m 6 months	£7m 13 months	£3.5m 5 years	£3.5m 13 months	£3.5m 5 years	£3.5m 5 years
None	£1m 6 months	n/a	£7m 25 years	£3.5m 10 years	£3.5m 5 years	£3.5m 5 years
Pooled funds and REITs	£7m per fund					

Credit rating

- 17.18 Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

Banks unsecured

- 17.19 Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

Banks secured

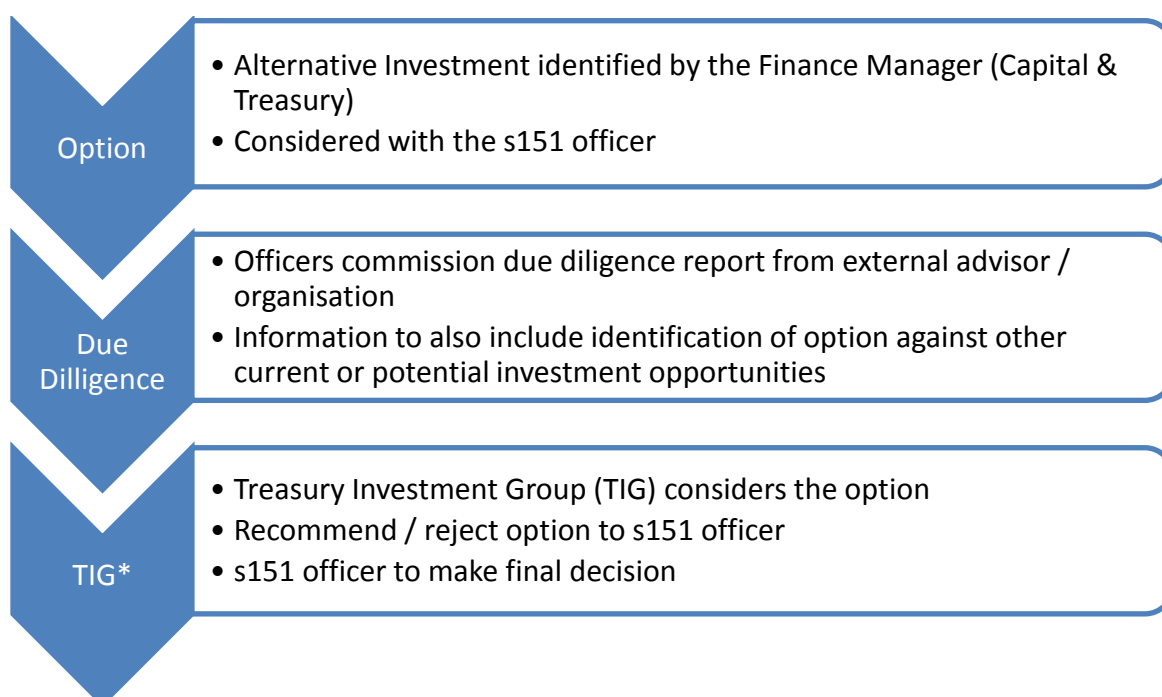
- 17.20 Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government

- 17.21 Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 30 years.

Corporates

- 17.22 Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent.
- 17.23 Where a counterparty does not have a credit rating and to ensure there is a clear process for external scrutiny specifically around these alternative investments, the governance structure detailed below was approved in the Treasury Management Mid-Year Review 2017/18 in order for the Council to consider such investment opportunities in a timely manner and ensure that there has been effective scrutiny over the proposed decisions. The S151 officer will consult with this group on these types of investment prior to making the final decision.



* The Treasury Investment Group (TIG) includes the following officer and member roles:

- Finance Manager (Capital & Treasury)
- Cabinet Member for Finance and Risk
- One other Cabinet member
- Chair of the Audit Committee
- Shadow Cabinet Member for Finance
- S151 officer

Registered Providers

- 17.24 Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are tightly regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

Pooled funds

- 17.25 Shares or units in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.
- 17.26 Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

Real estate investment trusts

- 17.27 Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer terms, but are more volatile especially as the share price reflects changing demands for the shares as well as changes in the value of the underlying properties. Given the increased volatility as a result of supply and demand the Council will not invest in REITs.

Operational bank accounts

- 17.28 The Council may incur operational exposures, for example through current accounts, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept low. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

Risk assessment and credit ratings

- 17.29 Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
- no new investments will be made;
 - any existing investments that can be recalled or sold at no cost will be; and
 - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.
- 17.30 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other information on the security of investments

- 17.31 The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press and analysis and advice from the Council's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the above criteria.
- 17.32 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

Liquidity management

- 17.33 The Council has due regard for its future cash flows when determining the maximum period for which funds may prudently be committed. Historic cash flows are analysed in addition to significant future cash movements, such as payroll, grant income and council tax precept. Limits on long-term investments are set by reference to the Council's medium term financial position (summarised in Table 1) and forecast short-term balances.

18 Treasury Management Indicators

- 18.1 The Council measures and manages its exposures to treasury management risks using the following indicators.

Interest rate exposures

- 18.2 The following indicator shows the sensitivity of the Council's current investments and borrowing to a change in interest rates.

Table 7: Interest rate risk indicator

	30 November 2019	Impact of +/-1% interest rate change
Sums subject to variable interest rates		
Investment	£40.8m	+/-£0.4m
Borrowing	(£0.0m)	+/-£0.0m

Maturity structure of borrowing

- 18.3 This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

Table 8: Refinancing rate risk indicator

	Upper	Lower
Under 12 months	25%	0%
12 months and within 24 months	25%	0%
24 months and within 5 years	25%	0%
5 years and within 10 years	30%	0%
10 years and within 20 years	50%	0%
20 years and within 30 years	50%	0%
30 years and within 40 years	75%	0%
40 years and within 50 years	100%	0%

- 18.4 Time periods start of the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Principal sums invested for periods longer than a year

- 18.5 The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

Table 9: Price risk indicator

	2020/21	2021/22	2022/23
Limit on principal invested beyond year end	£15m	£15m	£10m

19 Prudential Indicators – Borrowing

Gross Debt and the Capital Financing Requirement

- 19.1 In order to ensure that over the medium term debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

Table 10: Debt

	31.03.19 Revised £m	31.03.20 Estimate £m	31.03.21 Estimate £m	31.03.22 Estimate £m
Borrowing	(156.7)	(156.7)	(156.7)	(156.7)
New borrowing	-	-	(68.9)	(80.4)
Finance leases	(0.2)	-	-	-
Total Debt	(156.9)	(156.9)	(225.6)	(237.1)

- 19.2 Total debt is expected to remain below the CFR during the forecast period.

Operational Boundary for External Debt

- 19.3 The operational boundary is based on the Council's estimate of most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the Council's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Council's debt.

Table 11: Operational Boundary				
	2019/20 Revised £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m
Borrowing	229.0	292.2	310.5	318.8
Other long-term liabilities	-	-	-	-
Total Debt	229.0	292.2	310.5	318.8

Authorised Limit for External Debt

- 19.4 The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Table 12: Authorised Limit

	2019/20 Limit £m	2020/21 Limit £m	2021/22 Limit £m	2022/23 Limit £m
Borrowing	245.8	309.0	327.3	335.6
Other long-term liabilities	-	-	-	-
Total Debt	245.8	309.0	327.3	335.6

20 Related Matters

- 20.1 The CIPFA Code requires the Council to include the following in its treasury management strategy.

Financial derivatives

- 20.2 Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).
- 20.3 The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and

forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

- 20.4 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.
- 20.5 In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

Housing Revenue Account

- 20.6 The Council has adopted the “two pool approach” whereby each of its long-term loans are split into General Fund and HRA pools. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA’s underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured each month and interest transferred between the General Fund and HRA applying the following rates:
- The PWLB 3 month variable loan rate is applied to a deficit balance
 - The risk free Debt Management Office rate is applied to a surplus balance.

Investment training

- 20.7 The needs of the Council’s treasury management staff for training in investment management are assessed annually as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.
- 20.8 Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA, and other appropriate organisations.
- 20.9 CIPFA’s Code of Practice requires that the Council ensures that all members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities. All members were invited to a workshop presented by Arlingclose on 22 November 2019, which gave an update of treasury matters. A further Arlingclose workshop has been planned for 2020.

Investment advisers

- 20.10 Hampshire County Council has appointed Arlingclose Limited as treasury management advisers for all Councils under the arrangement, and receives specific advice on investment, debt and capital finance issues. The quality of this service is controlled through quarterly review meetings with Arlingclose.

Investment of money borrowed in advance of need

- 20.11 The Council may, from time to time, borrow in advance of need, where this is expected to provide the best long-term value for money. Since amounts borrowed will be invested until spent, the Council is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Council's overall management of its treasury risks. The total amount borrowed will not exceed the authorised borrowing limit of £309.0m.

Markets in Financial Instruments Directive

- 20.12 The Council has opted up to professional client status with its providers of financial services, including advisers, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the s151 Officer believes this to be the most appropriate status.

21 OTHER OPTIONS CONSIDERED AND REJECTED

- 21.1 The Council could elect to bring all treasury management activity back in-house. This option has been rejected as the arrangement with Hampshire County Council's Investments and Borrowing team provides significant resilience and economies of scale.
- 21.2 The Council could make more risky investments than those proposed in the Strategy to increase its yield. This has been rejected as priority is given to ensuring security and liquidity in line with the key principles of the CIPFA Treasury Management Code.

BACKGROUND DOCUMENTS:-Previous Committee Reports:-

AUD119: Treasury Management Practices, 22 June 2015

CAB3133: Treasury Management Strategy 2018-19, 13 February 2019

CAB3064: Treasury Management Outturn 2017/18, 25 July 2019

AG017: Treasury Management Mid-Year Monitoring Report 2019/20, 9 January 2020

Other Background Documents:-

None

APPENDICES:

Appendix A – Arlingclose Economic & Interest Rate Forecasts January 2020

Appendix B - Existing Investment & Debt Portfolio Position at 30 November 2019

Appendix A – Arlingclose Economic & Interest Rate Forecast January 2020

Underlying assumptions:

- The global economy has entered a period of weaker growth in response to political issues. The UK economy continues to experience slower growth due to both Brexit uncertainty and the downturn in global activity. In response, global and UK interest rate expectations are low.
- Some improvement in global economic data and a more positive outlook for US/China trade negotiations has prompted worst case economic scenarios to be pared back.
- The new Conservative UK government will progress with achieving Brexit on 31st January 2020. The more stable political environment will prompt a partial return in business and household confidence in the short term, but the subsequent limited Brexit transitional period, which the government is seeking to enforce, will create additional economic uncertainty.
- UK economic growth stalled in Q4 2019. Inflation is running below target at 1.5%. The inflationary consequences of the relatively tight labour market have yet to manifest, while slower global growth should reduce the prospect of externally driven pressure, although escalating geopolitical turmoil could continue to push up oil prices.
- The first few months of 2020 will indicate whether the economy benefits from restored confidence. The government will undertake substantial fiscal easing in 2020/21, which should help support growth in the event of a downturn in private sector activity.
- The weak outlook for the UK economy and current low inflation have placed pressure on the MPC to loosen monetary policy. Two MPC members voted for an immediate cut in the last two MPC meetings of 2019. The evolution of the economic data and political moves over the next few months will inform policy, but upside risks to Bank Rate are very limited.
- Central bank actions and escalating geopolitical risks will produce volatility in financial markets, including bond markets.

Forecast:

- We have maintained our Bank Rate forecast at 0.75% for the foreseeable future. Substantial risks to this forecast remain, arising primarily from the government's policy around Brexit and the transitional period.
- Arlingclose judges that the risks are weighted to the downside.

- Gilt yields remain low due to the soft UK and global economic outlooks. US monetary policy and UK government spending will be key influences alongside UK monetary policy.
- We expect gilt yields to remain at relatively low levels for the foreseeable future and judge the risks to be broadly balanced.

	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Official Bank Rate													
Upside risk	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Arlingclose Central Case	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Downside risk	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
3-month money market rate													
Upside risk	0.10	0.10	0.25	0.25	0.25	0.25	0.25	0.25	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Downside risk	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
1yr money market rate													
Upside risk	0.10	0.20	0.20	0.20	0.20	0.20	0.20	0.25	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85
Downside risk	0.30	0.50	0.55	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65
5yr gilt yield													
Upside risk	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.45	0.45	0.45
Arlingclose Central Case	0.50	0.50	0.55	0.55	0.55	0.60	0.60	0.65	0.65	0.70	0.75	0.75	0.75
Downside risk	0.35	0.50	0.55	0.55	0.55	0.60	0.60	0.65	0.65	0.70	0.75	0.75	0.75
10yr gilt yield													
Upside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.45	0.45
Arlingclose Central Case	0.75	0.80	0.80	0.85	0.85	0.90	0.90	0.95	0.95	1.00	1.05	1.10	1.10
Downside risk	0.40	0.40	0.40	0.40	0.45	0.45	0.45	0.45	0.50	0.50	0.50	0.50	0.50
20yr gilt yield													
Upside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.45	0.45
Arlingclose Central Case	1.20	1.25	1.25	1.25	1.30	1.30	1.30	1.35	1.35	1.35	1.40	1.40	1.40
Downside risk	0.40	0.40	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.50	0.50
50yr gilt yield													
Upside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.45	0.45
Arlingclose Central Case	1.20	1.25	1.25	1.25	1.30	1.30	1.30	1.35	1.35	1.35	1.40	1.40	1.40
Downside risk	0.40	0.40	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.50	0.50

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 1.80%
 PWLB Local Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%

Appendix B - Existing Investment & Debt Portfolio Position at 30 November 2019

Investment Position (Treasury Investments)

	31/10/2019 Balance £m	Movement £m	30/11/2019 Balance £m	30/11/2019 Rate %	30/11/2019 WAM* years
Short term investments					
Banks and Building Societies:					
- Unsecured	10.0	(1.0)	9.0	0.85	0.19
- Secured	7.0	-	7.0	0.85	0.37
Treasury Bills	5.0	1.0	6.0	0.70	0.13
Money Market Funds	9.7	-	9.7	0.73	0.00
Local Authorities	10.0	-	10.0	0.93	0.21
Cash Plus Funds	1.0	-	1.0	1.45	n/a
	42.7	-	42.7	0.83	0.17
Long term investments					
Banks and Building Societies:					
- Secured	5.5	-	5.5	1.13	2.01
Local Authorities	1.5	-	1.5	1.33	1.53
	7.0	-	7.0	1.17	1.91
High yield investments					
Pooled Property Funds**	5.0	-	5.0	4.24	n/a
	5.0	-	5.0	4.24	n/a
TOTAL INVESTMENTS	54.7	-	54.7	1.19	0.42

* Weighted average maturity

** The rate provided for pooled property fund investments is reflective of the average dividend return over the last 12 months

Treasury Management position

	30/11/2019 Balance £m	30/11/2019 Rate %
External borrowing:		
PWLB Fixed Rate	(156.7)	(3.30)
Total Gross External Debt	(156.7)	(3.30)
Investments	54.7	1.19
Net (Debt) / Investments	(102.0)	

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EXTRACT OF DRAFT MINUTES

CABINET

12 FEBRUARY 2020

10. **CAPITAL INVESTMENT STRATEGY 2020-2030**
(CAB3209)

Councillor Cutler introduced the report which set out the Council's capital spending programme and highlighted that the principles which underpin this to deliver the Council Strategy were shown at paragraph 11.1.2. The proposals had been considered by The Scrutiny Committee on 5 February who had no comments for Cabinet.

At the invitation of the Leader, Councillor Horrill addressed the meeting as summarised briefly below.

Believed that the Strategy lacked inspiration and aspiration and did not provide for economic growth. Supported proposed investments in the sports pavilions but disappointed regarding lack of provision of additional sports courts in the southern parishes.

Councillor Cutler responded to comments made emphasising that items would not be included in the programme before a proper financial appraisal had been undertaken.

Cabinet agreed to the following recommendations to Council for the reasons set out above and outlined in the report.

RECOMMENDED:

- 1. THE CAPITAL PROGRAMME AND CAPITAL PROGRAMME FINANCING (APPENDICES A AND B TO THE REPORT) BE APPROVED.**
- 2. THE MINIMUM REVENUE PROVISION (MRP) POLICY STATEMENT (APPENDIX E) BE APPROVED.**
- 3. THE PRUDENTIAL INDICATORS DETAILED IN THE REPORT AND ITS APPENDICES BE APPROVED.**
- 4. THAT THE COUNCIL MAY NEED TO INCREASE ITS EXTERNAL BORROWING IN 2020/21 SUBJECT TO DELIVERY OF THE PROPOSED CAPITAL PROGRAMME.**

RESOLVED:

1. That IMT equipment and software expenditure (£125,000 in 2020/21) be approved under Financial Procedure Rule 7.4 as detailed in paragraph 11.8.6 of the report.

2. That the requirement to ensure Members have the right knowledge and skills to undertake their governance role be noted.

REPORT TITLE: CAPITAL INVESTMENT STRATEGY 2020-2030

12 FEBRUARY 2020

REPORT OF CABINET MEMBER: Cllr Neil Cutler - Deputy Leader and Cabinet Member for Finance and Risk

Contact Officer: Neil Aitken Tel No: 01962 848099 Email: naitken@winchester.gov.uk

WARD(S): ALL

PURPOSE

The Capital Investment Strategy sets out the Council's capital spending programme and the principles which underpin this in order to deliver the desired outcomes as set out in the Council Plan.

It details the overall programme for the next 10 years, how this will be financed, and the impact of the programme on the Council's Medium Term Financial Strategy.

It includes several prudential indicators as required by the CIPFA Prudential Code for Capital Finance and the Ministry of Housing, Communities & Local Government (MHCLG) Statutory Investment Guidance and, in addition to outlining how the Council ensures it has access to the right knowledge and skills (internal and external), it details how it ensures elected Members have sufficient knowledge and skills to undertake their governance role.

RECOMMENDATIONS:

That Cabinet recommends to Council:

1. The Capital Programme and Capital Programme Financing (Appendices A and B to the report) be approved.
2. The Minimum Revenue Provision (MRP) Policy Statement (Appendix E) be approved.

3. The Prudential indicators detailed in the report and its appendices be approved.
4. To note that the Council may need to increase its external borrowing in 2020/21 subject to delivery of the proposed capital programme.

That Cabinet:

5. Approves IMT equipment and software expenditure (£125,000 in 2020/21) under Financial Procedure Rule 7.4 as detailed in paragraph 11.8.6.
6. Notes the requirement to ensure Members have the right knowledge and skills to undertake their governance role.

IMPLICATIONS:1. COUNCIL PLAN OUTCOME

- 1.1. The investment of capital resources will contribute to the achievement of the Council's main objectives and priorities in the Council Plan. The Capital Strategy is an integral part of the Medium Term Financial Strategy and impacts directly on the Treasury Management Strategy.

2. FINANCIAL IMPLICATIONS AND COMMENTS OF THE S151 OFFICER

- 2.1. The forecast capital programme over the next 10 years to 2029/30 totals £323 million of which £92 million is General Fund and £231 million is Housing Revenue Account.
- 2.2. The proposed financing is made up of £136 million from revenue including earmarked reserves, £94 million of prudential borrowing, £61 million of capital receipts and £32m of capital grants and contributions.
- 2.3. Further details are provided in the supporting information section below and in the appendices to the strategy.
- 2.4. The Council may need to increase its external borrowing in 2020/21 but this is dependent on the timing of the delivery of the capital programme and on the Council's overall reserve position. Further information, including borrowing limits, is set out in the Treasury Management Strategy (CAB3218).
- 2.5. Included in the Prudential Code is the requirement that "the chief finance officer should report explicitly on the affordability and risks associated with the capital strategy and, where appropriate, have access to specialised advice to enable them to reach their conclusions". The statement below is the Winchester City Council Chief Finance Officer's response
- 2.6. Affordability and risk are key considerations within this capital strategy. The strategy aims to support the financial viability of the organisation. Return on investment/ payback is also a key consideration. The strategy provides an overall positive return to the General Fund as well as supporting the delivery of the key priorities in the Council Plan. The risk section is articulated below and importantly, business cases for new schemes are required to ensure that risks are adequately covered. One of the most significant risks is capacity to deliver the individual projects contained within the strategy and adequately identifying resources required at the commencement of projects is a crucial element of the business case process. The HRA capital programme is a key element of the Housing Revenue Account (HRA) Business Plan which is refreshed annually; individual schemes are assessed for affordability within the overall context of this plan, and it is expected that these schemes will grow in size with the removal of the housing debt cap and the Council Plan commitment to "Homes for All".

- 2.7. From 2020/21 the strategy includes remaining funding for the Strategic Asset Purchase (SAP) scheme of £23.2m including £3.5m for the transfer of garages from the General Fund to the HRA, £1m for the provision of parking at the Dean in Alresford, and £0.7m for the refurbishment of properties already purchased (158-165 High Street). The remaining £18m is currently uncommitted. There is a strong governance programme around the process for these purchases, ensuring investment return as well as a positive contribution to the Council Plan. This programme is being reviewed at present to consider any further improvements. The total funding set aside is reasonable within the overall context of the Council's capital strategy and the scale of the Council's balance sheet.
- 2.8. It should be noted that the recent 1% increase in the Public Works Loans Board borrowing rate will impact on the affordability of schemes subject to borrowing and on investment opportunities considered as part of the SAP scheme. There have been no purchases within the 2019/20 financial year and the rate increase will directly impact on proposals to be considered in 2020/21. However, the scheme remains an important element of the Strategy. Future viability will be considered as part of the review referred to above.
- 2.9. Over the next ten years, the strategy is expected to see over £323m of capital spend. Within this financial context and the Council's balance sheet and historic investment properties (£53.8m as at 31 March 2019) the Council has a long history of managing and acquiring assets to support its objectives. The level of the SAP scheme remains proportionate within the Council's overall activities. The Council also utilises our treasury management advisors, Arlingclose, to consider the implications of the prudential code and the impact on the treasury management strategy.
- 2.10. The strategy articulates a wide range of new and existing activities. This blends some major regeneration ambitions, new infrastructure, and significant investment in housing as well as smaller schemes that are more local.

3. LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1. The Council's Capital Investment Strategy Statement follows the latest codes of practice, and the Ministry of Housing, Communities & Local Government (MHCLG) and the Chartered Institute of Public Finance & Accountancy (CIPFA) guidance.
- 3.2. Individual projects included within the programme will be carefully considered in relation to legal and procurement issues and separate approvals sought as appropriate.

4. WORKFORCE IMPLICATIONS

- 4.1. Project resources for individual projects are identified as part of the business case development.

5. PROPERTY AND ASSET IMPLICATIONS

- 5.1. Many of the projects and schemes within the Capital Programme are related to the Council's properties and assets and therefore aligning the programme with the Asset Management Plan is an important consideration. The Capital Strategy Board plays a key role in ensuring that this process takes place and that funds are identified to improve the Council's assets in line with its Strategies and Plans.

6. CONSULTATION AND COMMUNICATION

- 6.1. The Capital Programme is a mechanism to deliver the Council's Strategy and associated schemes and projects. The formulation of the Council Strategy and other supporting strategies and plans and associated consultation is therefore a key determinate in the formulation of the Capital Strategy and Programme.
- 6.2. Appropriate engagement and consultation is undertaken for all individual projects and schemes.

7. ENVIRONMENTAL CONSIDERATIONS

- 7.1. Tackling the climate emergency and creating a greener district is a key priority for the Council. A number of the schemes in the programme deal specifically with the climate emergency and environmental considerations will be part of the business case supporting all capital projects.

8. EQUALITY IMPACT ASSESSEMENT

- 8.1. Equality Impact assessments will be considered as part of the business case for specific capital projects.

9. DATA PROTECTION IMPACT ASSESSMENT

- 9.1. Data Protection Impact assessments will be considered as part of the business case/approvals for specific capital projects

10. RISK MANAGEMENT

- 10.1. In setting out this strategy, and when considering the programme and the projects within in it, reference is made to the Council's risk appetite as set in section 11.11.

Risk	Mitigation	Opportunities
<i>Property</i> Council Assets not fully utilised	An effective capital strategy and its delivery helps to ensure Council assets are used to achieve the Council's objectives	Investment in the Council's assets can increase income generation Identification of assets suitable for sale can generate capital receipts which can be reinvested in assets or used to reduce the overall borrowing need.
<i>Community Support</i> Projects are unsupported by the community or the community's needs are not met	Engagement is undertaken with for key projects to ascertain community views	Engagement with the Community ensures the Council's capital programme meets the needs of the district's citizens
<i>Timescales</i> Projects not delivered on time resulting in a delay in benefits to the Council	The 10 year strategy and its associated governance structures including monthly review by the Capital Strategy Board and quarterly at by O&S/Cabinet	
<i>Project capacity</i> Failure to deliver major capital schemes due to insufficient staff resources	Ensure robust business cases are taken forward and sufficient resources are available to deliver the Projects.	Consideration of a wide base of potential capital / investment schemes to enable a balanced risk portfolio and other schemes to be chosen should any schemes not progress
<i>Financial / VfM</i>	Detailed elsewhere within the report	None
<i>Legal</i>	Considered as part of the approval process for individual capital schemes	None
<i>Innovation</i>	Considered as part of the approval process for	Strategy includes new schemes to innovate

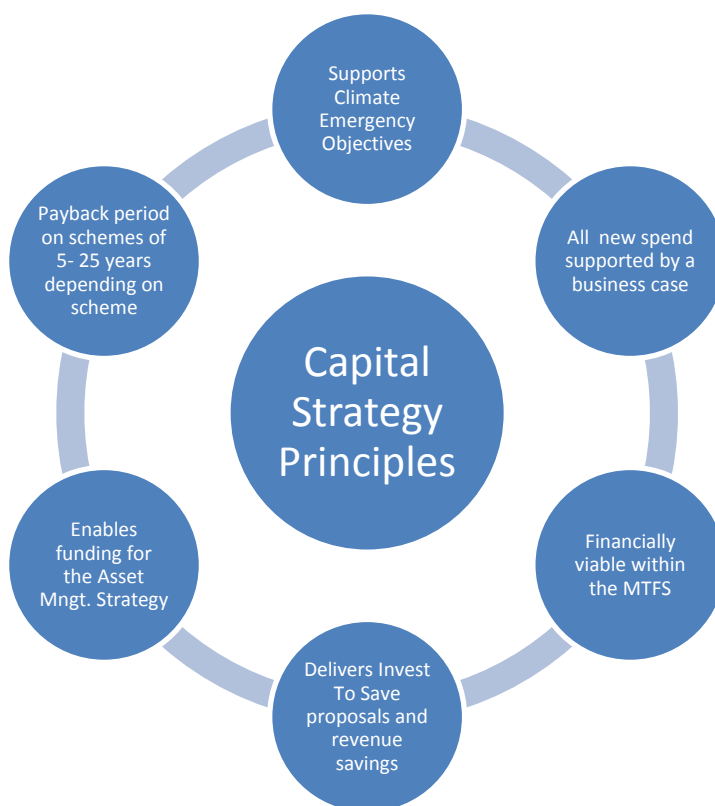
	individual capital schemes	
<i>Reputation</i>	Considered as part of the approval process for individual capital schemes	None
<i>Other</i>		

11. **SUPPORTING INFORMATION:**

11.1. **Purpose**

11.1.1. The primary purpose of this strategy is to identify and progress schemes to help deliver the Council Strategy and to help make the Council self sufficient in order to be able to deliver the level of required services. It outlines how the Council ensures that individual schemes and the programme as a whole are both deliverable and financially viable.

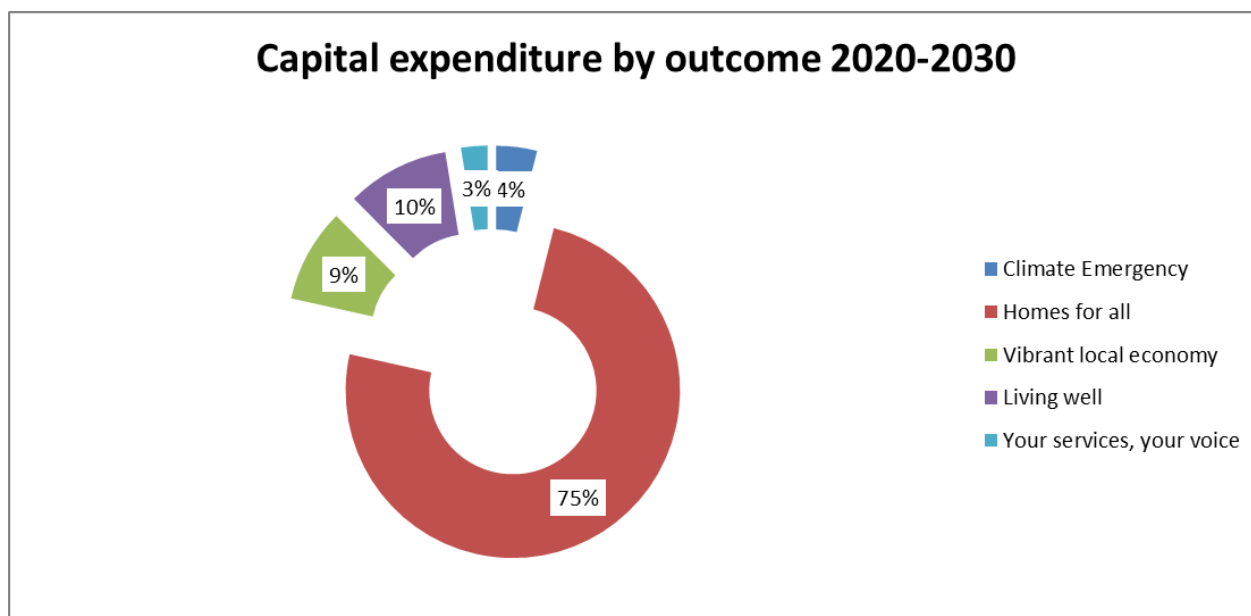
11.1.2. The Strategy sets out the Council's capital spending programme and the principles which underpin this to deliver the Council Strategy:



11.1.3. The City Council's capital programme incorporates both the General Fund (GF) and the Housing Revenue Account (HRA) capital requirements to support service provision and links with the Council Strategy, Housing Business Plan, Asset Management Plan, IMT strategy and Medium Term

Financial Strategy. This strategy provides a framework for the development and implementation of the capital programme.

- 11.1.4. As detailed in the Council's Medium Term Financial Strategy (MTFS), the Council is facing a significant reduction in its anticipated financial resources (further detail is provided in the paper elsewhere on the agenda – CAB3210). It is vital therefore that the Council maximises the use of its capital investment in the district over the next decade. As government grant to the Council reduces, the Council needs to utilise its capital programme to drive the most effective and efficient use of financial resources for the District's residents.
- 11.1.5. The Council Strategy details how the Council will deliver its five strategic outcomes: Tackling the climate emergency and creating a greener district, Homes for all, Vibrant local economy, Living well, and Your services Your Voice. Several of these aims will be delivered through capital spend and associated projects including for example: additional investment in the Council's Housing stock to improve energy efficiency and help tenants reduce their carbon emissions, the provision of new housing and maintenance of existing housing stock; major regeneration schemes; provision of new leisure facilities; and flood prevention schemes.
- 11.1.6. The following chart illustrates the percentage of total capital expenditure forecast for each of the Council's outcomes:



11.2. The Capital Programme

- 11.2.1. Over the period 2020 to 2030, the Council's total estimated capital expenditure is £323m of which £92m is General Fund and £231m is Housing Revenue Account. The following table summarises the capital

programme by year for the period. Further detail by project is included in Appendix A.

Capital Expenditure	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	TOTAL
2020 - 2030	Est.	Est.	Est.	Est.	Est.	Est.	Est.	Est.	Est.	Est.	Est.
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
General Fund	56.6	17.3	4.5	3.7	1.9	1.5	1.6	1.4	1.5	1.6	91.6
HRA	36.0	24.4	28.5	28.4	20.4	17.5	18.0	18.6	18.8	20.6	231.2
Total Expenditure	92.6	41.7	33.0	32.1	22.3	19.0	19.6	20.0	20.3	22.2	322.8

11.2.2. The programme includes the following **key projects** (quoted budget figures are for the period 2020-2030 and do not include prior years):

Outcome: Tackling the Climate Emergency & creating a greener district (£12.7m)

Tackling the Climate Emergency is a theme that is integral to *all* that the Council does. The following projects are those for which it is the main purpose.

- More than £10m additional investment over the next 10 years has been allocated to invest in the **Council's housing stock to improve energy efficiency and reduce emissions**.
- A budget of £250,000 per annum over the next 3 years has been allocated to **energy management projects**. Expenditure will be subject to a business case as individual projects are identified. As well as reducing the Council's carbon emissions it is anticipated that projects will provide additional income and/or savings to the Council.
- Winchester's defences against flooding will be strengthened by the completion of the **Durngate flood relief scheme** which was granted full planning permission in November 2019.
- A budget of £150,000 has been allocated in 2020/21 for the installation of up to 36 **Electric Vehicle (EV) charging points** in car parks across the district.

Outcome: Homes for all (£241m)

- Over the next 10 years, £139m has been allocated to the Council's New Build programme to enable the delivery of **one thousand Council homes** including 77 at The Valley, 75 at Winnall Flats, and 35 in Hookpit Kings Worthy.
- A total of £69m has been allocated to major repairs and maintenance of our existing housing stock.

- £10m for the establishment of a **Housing Company** to support the delivery of sub-market rented housing and alternative tenures.
- An estimated £10m of Disabled Facilities Grant to provide necessary adaptations to private homes in addition to £7.7m for adaptations to the Council's own stock.
- The budget includes no further provision for the **Partnered Home Purchase (PHP) scheme** after the current financial year. The scheme will be discontinued in order to release £1.45m of capital receipts to invest in other Council priorities. Whilst the scheme has attracted significant interest and assisted 11 households to access housing in the district, the overall risks to the Council are considered too high to support its continuation. It was introduced as an investment scheme although does not support the cost of borrowing. The Council has had to meet increased stamp duty costs (technically as a "second home owner") and there remains a risk of capital loss should the market value fall and the tenants increase their share. The scheme did make a positive contribution to the Housing Strategy aims by assisting access to housing. However, this will continue to be delivered through the Council's own shared ownership offer and alternative tenures offered through the housing company.

Outcome: Vibrant local economy (£29.2m)

- The **Strategic Asset Purchase Scheme (SAPS)** seeks to identify assets for the Council to acquire which will assist it in meeting its strategic objectives whilst also generating ongoing revenue streams. Following a number of successful acquisitions a budget of £18m remains in order to continue the acquisition of property to support the Council's ambitions, and in line with the principles of the 'double win' that have been established to date.
- A provisional budget of £3m has been included to refurbish **Coitbury House**, a currently unused building in the central Winchester area, to provide much-needed office accommodation, provide a source of income to the Council, and revitalise the area. The progress of this project is subject to decisions to be made as part of the overall Central Winchester Regeneration scheme.
- The **former Depot at Bishops Waltham** is suitable for redevelopment. Interest has been expressed by a number of local businesses in leasing new business accommodation. The project involves the demolition of the existing buildings and the construction of three new terraced industrial units, including hard and soft landscaping, and will provide much needed entry level accommodation for small businesses.
- The demolition and provision of a car park at **Coventry House (Vaultex)** following its acquisition. The demolition of the existing building has been

completed and there is an existing budget to provide a surface car park in the programme; however, in line with the emerging Movement Strategy, the business case for a multi storey facility including securing external funding is being explored.

- In addition to Coventry House, a total of £4m has been identified for various car park improvements throughout the district including significant refurbishment works at **Chesil car park**, a **new coach park** at St Catherine's Park & Ride to replace the existing facility at Worthy Lane, and provision of a new **car park at the Dean in Alresford**.
- Following the properties becoming vacant, refurbishment works will be carried out to **68 St George St** and **59 Colebrook St** in preparation for re-letting.

Outcome: Living Well (£32m)

- The construction of a state of the art **Sports & Leisure Centre** in the Bar End area is well underway with a planned opening date in early 2021. Up to £1.2m has also been provisionally allocated for the decommissioning of the existing leisure centre as well as the provision of alternative facilities for the users of North Walls park.
- A budget of £1.2m has been allocated to replace the **King George V Pavilion** and £0.75m to replace **North Walls pavilion**. The Council is working closely with key stakeholders and is exploring funding sources such as external grants.
- £4.2m for the **provision of a surgery** in the city centre to replace the existing St Clement's surgery.
- Over the next 5 years, £830,000 has been allocated for the **replacement or refurbishment of several play areas and a skate park**.
- **Community Infrastructure Levy (CIL) – Community projects**. A £1m allocation was approved in September 2018 allowing community groups to apply for a share of between £10,000 and £200,000 for their essential infrastructure projects. £635,000 has now been allocated.

Outcome: Your services Your voice (£7.8m)

- A budget of £400,000 has been allocated for the purchase of **garden waste bins** should the Council proceed with a charged garden waste service.
- The **transfer of HRA Garages to the General Fund** will provide the HRA with capital resources to enable it to finance its new build schemes and will provide the General Fund with additional ongoing income to protect existing services.

- The **replacement of printers** will provide savings on existing lease costs and, by using more efficient models, will provide ongoing savings as well as reduce energy consumption.
- A budget of £130,000 has been allocated to convert **eighteen71 café** to a self contained unit for lease to a food and beverage tenant. This will generate significant savings on existing costs and provide a new rental income for the Council.
- The Council continues to invest in keeping its **IMT** up to date including the provision of appropriate equipment to reduce cost and the consumption of paper and investing in remote working solutions to reduce the need for staff to travel and therefore the Council's carbon footprint.

11.2.3. The following are **key considerations for future years**:

- Following the adoption of a **Carbon Neutrality Action Plan** in December 2019, several new projects will emerge in order to support the Council's ambitious aim to be carbon neutral by 2024 and for the district to be carbon neutral by 2030.
- **Central Winchester Regeneration (CWR)** – the Council continues to consider options to regenerate the city centre to create a new heart and additional life and vitality in the area, support business and the city centre economy, and make it a more attractive place for residents and visitors alike.
- **River Park Leisure Centre area** – the Council is keen to explore alternative uses for the land where the existing leisure centre is located once the new Winchester Sports and Leisure Park is open.
- **Goods Shed, Bar End** – various options are being explored including the provision of small business units and the potential for a mixed housing and office development.
- **Movement Strategy** – explore the options available, and financing of these, to support the Movement Strategy for Winchester

11.3. Financing the Capital Programme

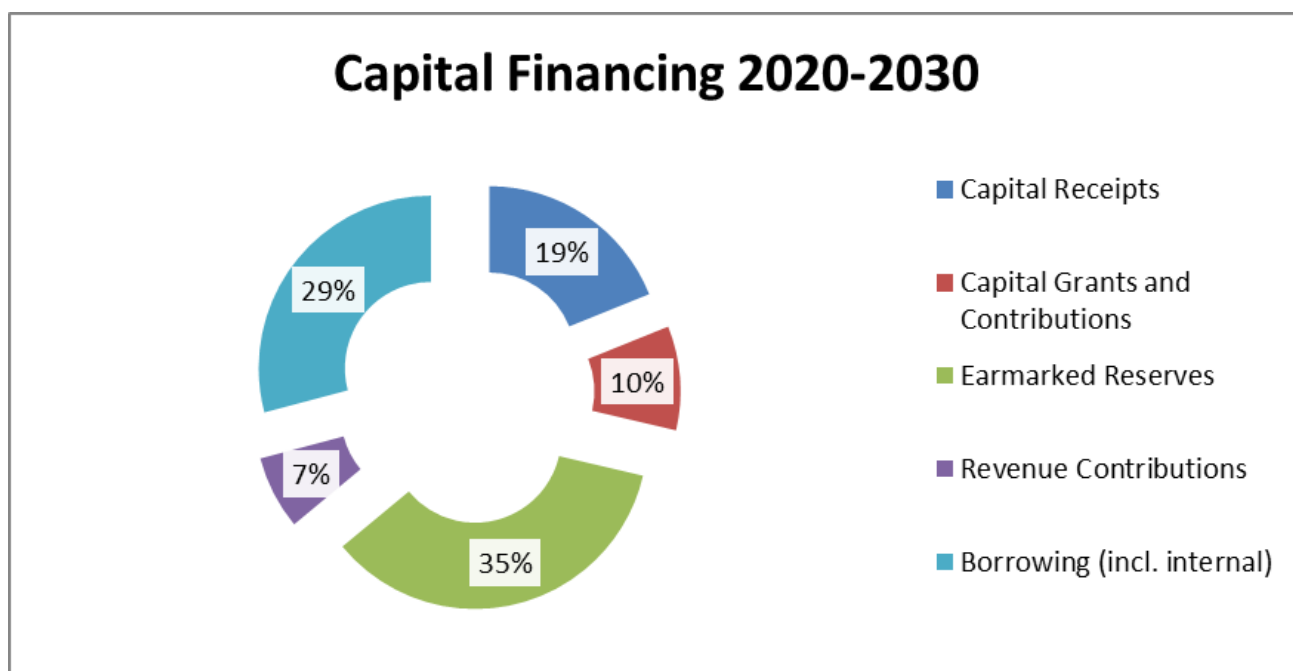
11.3.1. The Council can invest in a capital programme so long as its capital spending plans are “affordable, prudent and sustainable”.

11.3.2. The main sources of finance for capital projects are as follows:

- Capital receipts (from asset sales);
- Capital grants (e.g. Disabled Facilities Grant);

- External contributions (e.g. Section 106 developers' contributions and Community Infrastructure Levy (CIL));
- Earmarked Reserves (e.g. the Major Investment Reserve, the Property Reserve, the Car Parks Property Reserve, and the IMT Reserve);
- Revenue contributions; and
- Borrowing including internal (also known as the "Capital Financing Requirement").

11.3.3. Full details of the proposed financing for the 2020-2030 capital programme are provided in Appendix B and is summarised in the following graph:



11.3.4. Borrowing (or Capital Financing Requirement) makes up a significant element of the Council's proposed financing over the next 10 years. While the Council has sufficient cash and investment balances in the near term it is able to internally borrow but, if the proposed capital programme is delivered on time and in full, it is likely it will need to borrow externally in 2020/21 in addition to the £156.7m the Council has already borrowed as a result of the HRA self-financing settlement. The impact of this borrowing is estimated as part of the revenue consequences of the capital programme (see Appendix C) and is incorporated into the Medium Term Financial Strategy (CAB 3210), the General Fund budget (CAB 3211) and the Housing Revenue Account budget (CAB 3214).

- 11.3.5. Before committing the Council to borrowing, consideration is given to the forecast savings and/or income a new project may generate and how this will contribute to the financing costs as part of its respective business case. The Capital Financing Requirement is reduced over the life of individual assets in the General Fund by a statutory annual contribution from revenue referred to as the Minimum Revenue Provision (MRP). In addition, the Council can elect to reduce its borrowing need by making contributions from revenue or from the sale of assets (capital receipts). Planned MRP is as follows:

Replacement of debt finance in £ millions

	2018/19 actual	2019/20 forecast	2020/21 budget	2021/22 budget	2022/23 budget
Minimum Revenue Provision (GF)	0.5	0.5	0.4	1.0	1.2
Reserves (HRA)	0.0	0.0	0.0	0.0	0.0
Total	0.5	0.5	0.4	1.0	1.2

The Council's full MRP statement is available at Appendix E.

- 11.3.6. The Council's cumulative outstanding amount of debt finance (borrowing need) is measured by the Capital Financing Requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and voluntary contributions from revenue or capital receipts. CFR is estimated to increase by £63.2m during 2020/21 subject to full delivery of the Capital Programme.

Estimates of Capital Financing Requirement (CFR) in £ millions

	31.3.2019 actual	31.3.2020 forecast	31.3.2021 budget	31.3.2022 budget	31.3.2023 budget
General Fund	27.1	43.2	90.9	101.2	102.5
Housing Revenue Account	162.9	168.9	184.4	192.4	199.4
TOTAL CFR	190.0	212.1	275.3	293.6	301.9

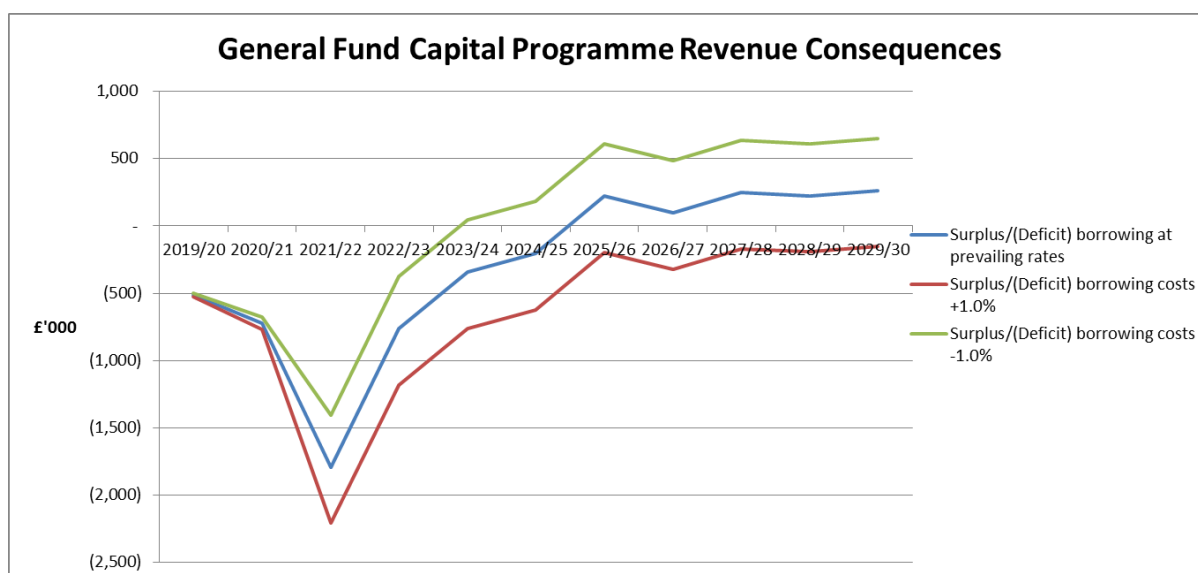
- 11.3.7. Further information including borrowing forecasts and borrowing limits are set out in the Treasury Management Strategy (CAB 3218).

11.4. Revenue Consequences of the Capital Programme on the General Fund

- 11.4.1. Appendix C details the impact of the Capital Programme on the Council's General Fund. Not all projects provide savings or generate income but, in aggregate, the capital programme is forecast to have a positive net benefit to the General Fund from 2025/26. There is an overall negative impact on

the General Fund prior to this year which reflects significant expenditure on preliminaries and costs associated with major projects early in their lifecycle.

- 11.4.2. A significant proportion of the Council’s programme is likely to be financed by borrowing and this exposes the Council to the risk of changing interest rates. The Council can mitigate against this by borrowing ahead of need where it is advantageous to do so and by taking longer-term fixed rate loans. The graph below illustrates the impact on the General Fund at prevailing long-term rates available to the Council as well as the impact of a change in those rates by 1.0%:



- 11.4.3. Although capital expenditure is not charged directly to the revenue budget, interest payable on loans, MRP, and any revenue funded reductions in the borrowing need are charged to the General Fund (GF) or Housing Revenue Account (HRA) income and expenditure statements as appropriate, offset by investment income receivable. The net annual charge is known as financing costs - this is compared to the net revenue stream: Council Tax, Business rates, and general government grants in the case of the GF; and rents and other charges in the case of the HRA.

Prudential Indicator: Proportion of financing costs to net revenue stream

	2018/19 actual	2019/20 forecast	2020/21 budget	2021/22 budget	2022/23 budget
GF financing costs (£m)	(0.1)	(0.1)	0.6	2.7	3.0
GF proportion of net revenue stream	-0.8%*	-0.8%*	3.5%	18.5%	21.3%
HRA financing costs (£m)	5.2	5.2	6.0	6.4	6.7

HRA proportion of net revenue stream	17.9%	17.9%	20.3%	20.8%	21.2%
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*in 2018/19 investment income exceeded interest payable and MRP and is forecast to in 2019/20

11.4.4. **Sustainability** – due to the long-term nature of capital expenditure and financing, the revenue implications of the expenditure in the next few years will extend up to 50 years in the future. It is imperative therefore that the Council ensures that the proposed programme is prudent, affordable, and sustainable. This is achieved by ensuring that the governance and procedures outlined in this strategy are followed, by incorporating and considering the revenue impact in the context of the 10 year medium term financial strategy (MTFS), by undertaking financial appraisals of individual projects as part of their business cases on a whole life basis, and for HRA expenditure incorporating the impact in the 30 year business plan.

11.5. Capital Receipts

11.5.1. When a capital asset is sold the proceeds, known as capital receipts, can be spent on new assets or to reduce debt from prior year capital expenditure. Repayments of capital grants, loans, and investments also generate capital receipts. Forecast capital receipts and their use in funding capital expenditure is detailed in Appendix D.

11.5.2. In order to effectively manage its estate the council commenced an asset challenge programme in 2018/19. This process is reviewing all of the council's assets on a rolling basis to establish why the council holds assets, what options the council has to, for example, increase income, dispose, hold or develop, and when these can be realised.

11.6. The approval process and Project and Programme management

11.6.1. For effective delivery of the Capital Programme it is important that the programme is realistic in terms of projects which can be delivered on time, within budget, and whilst achieving the desired outcomes. The Council has a number of programme and project management procedures in place to help to ensure successful delivery of the capital programme, from the initiation and approval of projects to effective performance monitoring and post-implementation review.

11.6.2. The resource requirements for each corporate project are assessed as part of the development of the outline business case and associated project plan and initially identified in the Business Justification Case which is considered by the Capital Strategy Board. This is then looked at in relation to the whole programme of projects to determine the cumulative impact of delivery on staff resources. This can have impacts on key service areas such as the Council's Project Office in terms of providing project managers, and other key areas such as Legal, Finance and Estates teams depending upon the nature of the projects. Where required, external support is

commissioned to provide resources which cannot be met from within the Council's own resources.

- 11.6.3. The Council's Programme Management Group, the role of which is to monitor the programme and projects delivery together with identifying and addressing resource issues, meets on a monthly basis to consider such issues and to report concerns and to refer key decisions to the Senior Leadership Team.
- 11.6.4. Cabinet receives quarterly updates on financial performance as well as key projects many of which are in the capital programme.
- 11.7. Asset Management Plan (AMP)
- 11.7.1. The AMP seeks to address both the spending priorities for the maintenance of operational property and the development of the non operational estate to assist economic development and provide both capital receipts and revenue income streams. The most recent AMP covering the period to 2021 was approved in December 2016 (CAB2870 refers).
- 11.7.2. The Council owns a well located portfolio of property which has the potential to provide an increasing level of income for the Council, whilst other sources of income may be restricted in growth. The value of the Council's portfolio can be unlocked by undertaking prudent development or refurbishment schemes on existing property to be let to well secured tenants as well as identifying potential asset sales as detailed in 11.5 above.
- 11.7.3. The Capital Programme (Appendix A) includes specific projects in line with the AMP. In addition, a £200,000 annual budget, funded by the Property Reserve, has been allocated to support reactive maintenance and smaller scale refurbishments as they arise.
- 11.8. IMT Asset Management Plan
- 11.8.1. The purpose of the IMT Service is to deliver cost effective robust data processing and voice services to support the productivity and ambitions of the Council. The IMT Service uses good practice methodologies (ITIL3) to ensure the quality control of supportable, sustainable and secure services.
- 11.8.2. The Council has formulated a digital transformation strategy which has been a key focus since 2018 and aims to enhance how the Council engages and transacts with its customers whilst seeking efficiencies, savings and improvements. The Council is also keen to build on Smart City initiatives particularly in relation to Transport/ Parking and Tourism applications which will help to meet wider objectives.
- 11.8.3. The Council formed an IT delivery partnership with Test Valley Borough Council (TVBC) over nine years ago that shares an infrastructure platform that continues to produce both capital avoidance and revenue financial

savings. The assets which constitute the shared platform are jointly procured and owned. Other capital assets which are required solely for the use of either party will continue to be funded independently. This will be reflected in setting out investment requirements.

- 11.8.4. It is paramount that a funding provision be made available to ensure that the IT infrastructure remains fit for purpose and capable of delivering sustainable and supportable services. Equipment must be maintained in a condition which supports the needs of the business.
- 11.8.5. The Capital Asset Management Plan (AMP) for IT infrastructure recognises this requirement for fit-for-purpose equipment through a programme of continuous investment. Generally, equipment will require refreshment after 4-5 years, at intermittent intervals due to the practical constraint of delivery and implementation. The Capital Asset Management Plan (AMP) for IT assumes the need to refresh infrastructure items on a like-for-like basis, and proposed costs reflect this. In reality, after five years the technology will have “moved on” and new developments which offer further advances will be considered which may give greater benefits for the same investment.
- 11.8.6. The following table sets out the proposed IMT capital expenditure for 2019/20 to be financed from the IMT reserve:

IMT Capital 2020/21	£'000
Server Equipment	60
Corporate Network & Wi-Fi	25
Remote working investments	30
Software	10
Total	125

11.9. Housing Revenue Account (HRA)

11.9.1. The Housing Portfolio Plan takes full account of priorities detailed in the Council’s Housing Strategy, its 30 year HRA Business Plan and the Housing Asset Management Strategy.

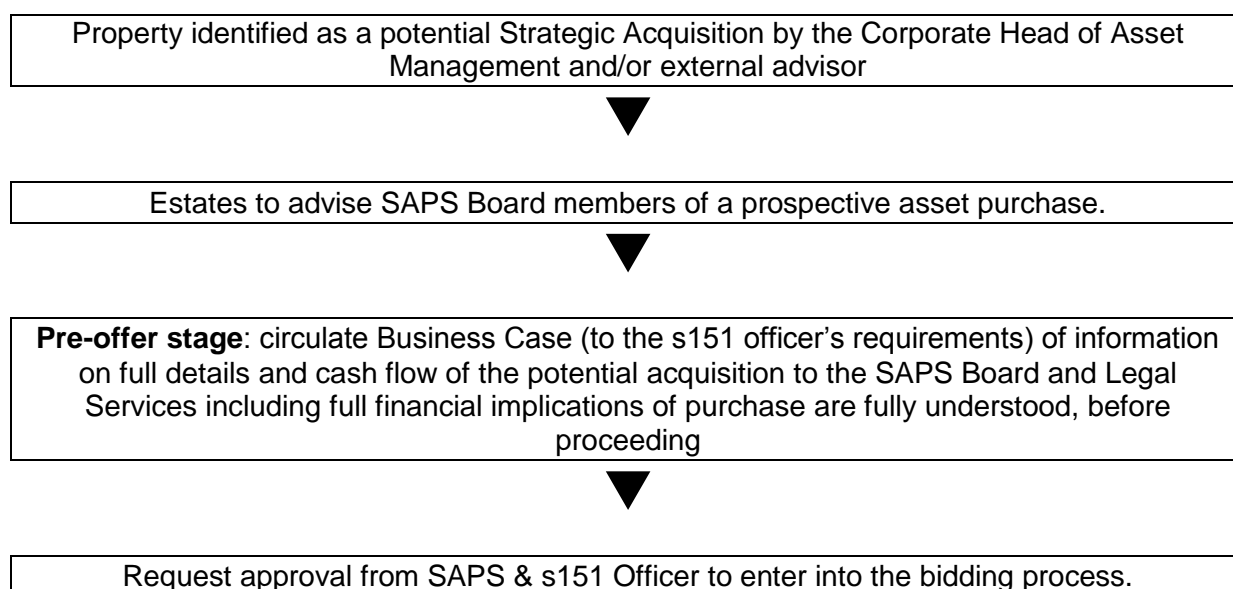
11.9.2. Appendix A provides summary detail on the HRA capital programme for 2020/21 and forecasts to 2029/30. Further detailed information can be found in the Housing budget paper (CAB3214).


11.10. Commercial and non-Treasury Investment Activities

11.10.1. The Council invests for three broad purposes:


- because it has surplus cash as a result of the reserves it holds and its day to day activities such as when income is received in advance of expenditure (known as **treasury management investments**);

- to support local public services by undertaking regeneration projects, by lending to, and by buying shares in other organisations (**service investments**); and
 - to earn investment income (**commercial investments**)
- 11.10.2. The Council's Treasury Management Strategy, and associated limits and indicators, is reported in CAB3218. Further detail on service and commercial investments including total investment indicators is provided in Appendix F.
- 11.10.3. As noted elsewhere in this report, the Council's Asset Management Plan seeks to develop the estate to assist economic development and provide both capital receipts and revenue income streams.
- 11.10.4. Individual projects are supported by appropriate business cases and the programme as a whole is monitored to ensure that sufficient resources are available both financial and in respect of staff. Where appropriate, the Council will procure additional external resource when either there is insufficient officer availability or when specialist advice and support is required.
- 11.10.5. In addition to this, Council approved a Strategic Asset Purchase Scheme (SAPS) in January 2017 (CAB 2872 refers). As part of this a SAPS Board was created which includes Members and officers; the Board receives recommendations of potential purchases and the S151 has delegated authority to make acquisitions up to £4m following discussions with the Board subject to due diligence, or recommend to Cabinet and Council to approve for acquisitions above £4m.
- 11.10.6. The following flowchart details the process:






To update SAPS Board as necessary and thereafter agree Heads of Terms where bid is successful and commission independent surveys, purchase report and valuation



Subject to any final observations from SAPS Board request their authority to accept the offer subject to contract.



Once the bid is confirmed by SAPS Board, Asset Management to instruct solicitors and when contracts are agreed, seek final approval from SAPS to exchange.

11.11. Risk Appetite

- 11.11.1. The Council's Risk Appetite Statement is an integral part of the Council's Risk Management Policy and ensures that the opportunities the Council is willing to take to achieve its strategic outcomes and objectives are measured, consistent and compatible with the Council's capacity to accept and manage risk and do not expose the Council to unknown, unmanaged or unacceptable risks. The Policy was most recently updated and approved in September 2019 (CAB3176).
- 11.11.2. The Council during the course of the year will take fair, measured and targeted levels of risk to achieve the priority objectives included in the Council Strategy. There will be opportunities for the Council to be innovative or work differently and any identified risks will need to be considered against the anticipated cost or efficiency benefits.
- 11.11.3. The Council's Risk Appetite has four key elements and against each is the level of risk that the Cabinet is prepared to accept. These are set out below and will be used to assess projects as they are initially assessed and thereafter progressed.

Risk levels and description Key elements	Minimal As little risk as reasonably possible	Cautious Prefer limited delivery options	Open Consider all potential options	Seek Eager to be innovative options
Financial/VFM	Very limited financial loss if essential (up to £100,000) VfM (focusing on economy) is primary concern	Some limited financial loss (from £100,000 to £500,000) Consider benefits and constraints beyond price	Will invest and risk losing (from £500,000 up to £2m or 10% of value – which ever is the lower of the two) for larger potential financial return Value and benefits considered, not just cheapest price	Invest and risk losing (from £2m up to £5m) for best possible return Resources allocated without firm guarantee of return
Exposure to Challenge	Be very sure we would win challenges	Limited tolerance for sticking neck out Reasonably sure we would win challenges	Challenge is problematic, but takes the necessary steps to manage and win this. Gain outweighs adverse consequences	Chances of losing challenge are real with significant consequences
Innovation, Quality, Outcomes	Innovations avoided unless essential or commonplace Essential systems or technology development only	Prefer status quo and avoid innovation Limited systems or technology development	Innovation supported New ways of working or using technology explored.	Innovation pursued Actively seek new ways of working or using new technology
Reputation	No chance for significant repercussions Avoid exposure to attention	Little chance of significant repercussions Mitigation in place for undue interest	Will expose to scrutiny and interest Management of reputation through actively listening and talking	New ideas experimented at the risk of damage to reputation
Appetite	Low	Moderate	High	Significant

11.12. Knowledge, capacity, and skills

- 11.12.1. In order to deliver the Capital Programme it is essential that the Council has access to the right knowledge and skills.
- 11.12.2. Internally the Council employs fully qualified and experienced staff such as accountants, solicitors and surveyors. It is fully supportive in providing access to courses both internal and external to enable those staff to complete their Continuing Professional Development (CPD) requirements.
- 11.12.3. Where the Council does not have the knowledge, capacity, or skills required, use is made of external advisors and specialists in their field. The Council currently employs Arlingclose Ltd as their Treasury advisers, Wilks Head & Eve to undertake its year end valuations, and other specialists as required to support, for example, its major projects.
- 11.12.4. In addition, the Council ensures that its Members are suitably experienced to undertake the governance responsibilities commensurate to their roles by providing training opportunities (internally and externally provided) and access to workshops either within the Council or with its Local Government partners. There are a number of mandatory training sessions for Members throughout the year including, for example, Code of Conduct training and training for the Audit & Governance Committee. In June 2019 training for the Audit & Governance Committee included: the role of the committee and its members; governance, risk, and control; treasury management; the role

of internal and external audit; and challenges to governance. In November 2019 several Members attended a briefing session provided by the Council's treasury advisors Arlingclose and an event on risk is planned in March of this year facilitated by the Council's insurance broker, Gallagher Bassett.

- 11.12.5. The Council also procures, when required, expert advice and assistance externally such as financial and legal advice.

12. OTHER OPTIONS CONSIDERED AND REJECTED

- 12.1. None

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

The Capital Strategy and Programme are approved annually.

Other Background Documents:-

None

APPENDICES:

Appendix A – Capital Programme 2020-2030

Appendix B – Capital Programme Financing 2020-2030

Appendix C – Revenue Consequences of General Fund Capital Programme 2020 to 2030

Appendix D – Capital Receipts Reserve Forecast

Appendix E – Minimum Revenue Provision Statement 2020/21

Appendix F – Investment activities

Capital Programme 2020 to 2030

2019/20			2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	TOTAL
Revised Estimate		Comments	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	2020-2030 Forecast
£000			£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
	General Fund												
	Approved*												
17,050	Winchester Sports & Leisure Centre	Living well	23,208	-	-	-	-	-	-	-	-	-	23,208
1,468	Disabled Facility Grants	Help towards cost of home modifications	1,085	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	10,085
135	Replacement surgery	Replacement surgery in City Centre	2,040	2,207	-	-	-	-	-	-	-	-	4,247
248	Car Parks	Various	190	200	180	180	180	180	180	180	180	180	1,830
208	IMT Assets	Various	125	416	68	195	205	107	200	70	110	210	1,706
140	Bishop's Waltham Depot	Industrial Units	1,171	-	-	-	-	-	-	-	-	-	1,171
330	Flood Prevention Works	Durngate flood prevention scheme	1,165	-	-	-	-	-	-	-	-	-	1,165
-	SAPS - Car Park at the Dean, Alresford	Acquisition of land and car park development	-	1,005	-	-	-	-	-	-	-	-	1,005
150	SAPS - Central Winchester	158-165 High St - refurbishment following acquisition	733	-	-	-	-	-	-	-	-	-	733
-	The Weirs - Essential Repairs	Essential infrastructure repairs to the river bank	175	215	335	-	-	-	-	-	-	-	725
120	West Wing Refurbishment	Refurbishment	380	-	-	-	-	-	-	-	-	-	380
124	Coventry House (Vaultex)	Acquisition and car park development	290	-	-	-	-	-	-	-	-	-	290
60	Chesil Multi Storey car park	Essential capital works	290	-	-	-	-	-	-	-	-	-	290
-	SAPS - Friarsgate Medical Centre	Acquisition in Central Winchester Regeneration (CWR) area	215	-	-	-	-	-	-	-	-	-	215
-	Guildhall café	Conversion to self-contained unit to let	130	-	-	-	-	-	-	-	-	-	130
93	Replacement printers	Replacement of large and wide format printers	-	-	-	-	93	-	-	-	-	-	93
63	Hampshire Community Bank	Direct share purchase	62	-	-	-	-	-	-	-	-	-	62
85	River Park Leisure Centre	Essential capital repairs	50	-	-	-	-	-	-	-	-	-	50
-	Meadowside Leisure centre	Strengthening upper floor	40	-	-	-	-	-	-	-	-	-	40
1,350	Partnered Home Purchase scheme	Investment in open market shared ownership properties	-	-	-	-	-	-	-	-	-	-	0
635	CIL funded community projects	Community infrastructure projects - allocation approved	-	-	-	-	-	-	-	-	-	-	0
170	Recycling Bins	Glass collection	-	-	-	-	-	-	-	-	-	-	0
145	Abbey House	External and internal remedial works	-	-	-	-	-	-	-	-	-	-	0
135	Chilcomb Pavilion improvements	Improvements at Chilcomb Sports Ground	-	-	-	-	-	-	-	-	-	-	0
124	Main Reception & office reconfiguration	Refurbishment	-	-	-	-	-	-	-	-	-	-	0
105	Open Spaces & Recreational Facilities	Approved play area refurbishments and replacements	-	-	-	-	-	-	-	-	-	-	0
103	IMT Smart District - Wi-Fi	Wi-Fi Infrastructure	-	-	-	-	-	-	-	-	-	-	0
82	Garrison Ground Pitch & Boxing Club	Works to temporarily re-house boxing club	-	-	-	-	-	-	-	-	-	-	0
75	Hyde HA Waltham Chase Grant	Grant to Housing Association	-	-	-	-	-	-	-	-	-	-	0
61	Depot	Replace electricity supply to depot	-	-	-	-	-	-	-	-	-	-	0
50	Winchester Hospice grant	Capital Grant	-	-	-	-	-	-	-	-	-	-	0
40	Guildhall microphones	Replacement committee microphones	-	-	-	-	-	-	-	-	-	-	0
35	Digital Signage Pilot	Installation of digital signs at Tourist Information Centre & Guildh	-	-	-	-	-	-	-	-	-	-	0
25	Handlebar Café	Capital Grant	-	-	-	-	-	-	-	-	-	-	0
25	Winchester Science Centre grant	Capital Grant	-	-	-	-	-	-	-	-	-	-	0
10	Enveloping Machine	Replacement - current machine at end of life	-	-	-	-	-	-	-	-	-	-	0
23,444	Total Approved*		31,349	5,043	1,583	1,375	1,478	1,287	1,380	1,250	1,290	1,390	47,425

* Under the Council's Financial Procedure Rule 7.4, the inclusion of a scheme in the capital programme does not constitute authority to incur the expenditure. Such authority is obtained subject to the various conditions and limits as set out in the Constitution.

Capital Programme 2020 to 2030

2019/20				2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	TOTAL
Revised Estimate		Comments	Outcome	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	2020-2030 Forecast
£000				£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
		Subject to Appraisal*												
	- Strategic Asset Purchase Scheme (SAPS)		Vibrant local economy	18,009	-	-	-	-	-	-	-	-	-	18,009
	- Housing Company	Provision of housing at sub-market level rents	Homes for all	500	5,000	2,500	2,000	-	-	-	-	-	-	10,000
2,764	SAPS - Transfer of HRA Garages to GF	Transfer of Garages from HRA to GF	Your services, your voice	1,977	1,510	-	-	-	-	-	-	-	-	3,487
	- Coitbury House	Major refurbishment	Vibrant local economy	-	3,000	-	-	-	-	-	-	-	-	3,000
	- Asset Management Plan	Reactive capital works to Estate	Your services, your voice	200	200	200	200	200	200	200	200	200	200	2,000
	- King George V Pavilion	Replacement pavilion	Living well	1,200	-	-	-	-	-	-	-	-	-	1,200
	- River Park Leisure Centre site	Potential demolition & alternative facilities provision	Living well	-	1,200	-	-	-	-	-	-	-	-	1,200
	- Open Spaces & Recreational Facilities	Play area refurbishments and replacements	Living well	160	350	40	80	200	-	-	-	-	-	830
	- North Walls Pavilion	Replacement at North Walls	Living well	800	-	-	-	-	-	-	-	-	-	800
45	Energy Management Projects	Energy efficiency and generation projects	Climate Emergency	250	250	250	-	-	-	-	-	-	-	750
	- Chesil Multi Storey car park	Essential capital works	Vibrant local economy	-	511	-	-	-	-	-	-	-	-	511
	- Public Realm - Station Approach CIL funded	Public realm linking station and city centre	Vibrant local economy	500	-	-	-	-	-	-	-	-	-	500
	- Coach Park	Replacement coach park	Vibrant local economy	400	-	-	-	-	-	-	-	-	-	400
	- Garden waste bins	Provision of bins for garden waste collection	Your services, your voice	400	-	-	-	-	-	-	-	-	-	400
	- CIL funded community projects	Community infrastructure projects	Living well	115	250	-	-	-	-	-	-	-	-	365
	- 59 Colebrook Street	Refurbishment	Vibrant local economy	200	-	-	-	-	-	-	-	-	-	200
	- 68 St Georges Street	Refurbishment	Vibrant local economy	125	-	-	-	-	-	-	-	-	-	125
	- EV charging points	Installation of electric vehicle charging points around district	Climate Emergency	150	-	-	-	-	-	-	-	-	-	150
	- 2-3 Bridge St	Remedial works to listed building	Vibrant local economy	100	-	-	-	-	-	-	-	-	-	100
	- Goods Shed, Barfield Close	Small business units - options being explored	Vibrant local economy	50	-	-	-	-	-	-	-	-	-	50
	- Abbey House	External and internal remedial works	Your services, your voice	49	-	-	-	-	-	-	-	-	-	49
	- South Downs Way & Blackpath Access	Pedestrian links from Winnall and Highcliffe to new leisure centre	Living well	35	-	-	-	-	-	-	-	-	-	35
37	IMT Smart District - Wi-Fi	Wi-Fi Infrastructure	Vibrant local economy	-	-	-	-	-	-	-	-	-	-	0
2,846	Subject to Appraisal*			25,220	12,271	2,990	2,280	400	200	200	200	200	200	44,161
26,290	Total General Fund			56,569	17,314	4,573	3,655	1,878	1,487	1,580	1,450	1,490	1,590	91,586

* Under the Council's Financial Procedure Rule 7.4, the inclusion of a scheme in the capital programme does not constitute authority to incur the expenditure. Such authority is obtained subject to the various conditions and limits as set out in the Constitution.

	Housing Revenue Account													
21,576	New Build		Homes for all	26,909	16,180	20,057	19,785	11,481	8,328	8,578	8,835	9,100	9,373	138,626
5,960	Major repairs		Homes for all	5,669	5,816	5,968	6,123	6,391	6,625	6,849	7,062	6,974	10,329	67,806
470	Improvements & Loft Conversions		Homes for all	500	500	450	450	450	450	450	450	400	-	4,100
770	Disabled Adaptations		Homes for all	770	770	770	770	770	770	770	770	770	770	7,700
1,000	Fire Safety provision		Homes for all	1,030	-	-	-	-	-	-	-	-	-	1,030
	- Climate Change Emergency		Climate Emergency	1,030	1,067	1,105	1,145	1,187	1,229	1,273	1,319	1,367	-	10,722
118	Other Capital Spend		Homes for all	106	109	111	114	117	121	124	127	130	133	1,192
29,894	Total Housing Revenue Account			36,014	24,442	28,461	28,387	20,397	17,523	18,044	18,563	18,741	20,605	231,177
56,184	Grand Total			92,583	41,756	33,034	32,042	22,275	19,010	19,624	20,013	20,231	22,195	322,763

Capital Programme Financing 2020 to 2030

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
General Fund												
<i>Externally Funded</i>												
Government Grants	1,468	1,085	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	10,085
External Contributions												0
Non governmental grants	2,327	1,680	0	0	0	0	0	0	0	0	0	1,680
Open Space Fund	0	484	0	0	0	0	0	0	0	0	0	484
Developer's Contributions	75	0	349	0	0	0	0	0	0	0	0	349
Total Externally Funded	3,870	3,249	1,349	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,598
<i>Earmarked Reserves</i>												
Car Parks Property	308	930	711	180	180	180	180	180	180	180	180	3,081
Community Infrastructure Levy (CIL)	2,600	1,884	500	0	0	0	0	0	0	0	0	2,384
Town CIL	0	320	0	0	0	0	0	0	0	0	0	320
Information, Management, and Technology	208	125	416	68	195	205	107	200	70	110	210	1,706
Landscape Mitigation	0	0	0	0	0	0	0	0	0	0	0	0
Major Investment Reserve	115	0	0	0	0	0	0	0	0	0	0	0
Property - Asset Management Reserve	145	289	200	200	200	200	200	200	200	200	200	2,089
Winchester Town	105	84	350	40	80	200	0	0	0	0	0	754
Total Earmarked Reserves	3,481	3,632	2,177	488	655	785	487	580	450	490	590	10,334
<i>Capital Receipts</i>	2,324	1,640	2,450	625	500	0	0	0	0	0	0	5,215
<i>Revenue Contribution to Capital</i>	20	0	0	0	0	0	0	0	0	0	0	0
<i>Capital Financing Requirement</i>	16,596	48,048	11,338	2,460	1,500	93	0	0	0	0	0	63,439
Total General Fund	26,290	56,569	17,314	4,573	3,655	1,878	1,487	1,580	1,450	1,490	1,590	91,586
Housing												
Capital Grants and Contributions	5,232	1,861	250	250	1,600	3,500	2,600	1,400	4,400	3,000	0	18,861
Major Repairs Reserve	8,945	8,357	9,253	9,371	9,713	10,196	10,587	10,945	11,016	11,994	12,091	103,523
Capital Receipts	7,037	10,296	6,939	11,840	8,554	2,704	2,847	2,994	3,147	3,305	3,466	56,092
Revenue Contribution to Capital	2,680	0	0	0	8,520	3,997	1,489	2,705	0	442	5,048	22,201
<i>Capital Financing Requirement</i>	6,000	15,500	8,000	7,000	0	0	0	0	0	0	0	30,500
Total Housing Revenue Account	29,894	36,014	24,442	28,461	28,387	20,397	17,523	18,044	18,563	18,741	20,605	231,177
Total Financing of Capital Programme	56,184	92,583	41,756	33,034	32,042	22,275	19,010	19,624	20,013	20,231	22,195	322,763

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Revenue Consequences of General Fund Capital Programme 2020 to 2030

Notes:

Revenue consequences are estimates and are subject to change. More detailed analysis is carried out prior to actual expenditure being approved.

* Under the Council's Financial Procedure Rule 7.4, the inclusion of a scheme in the capital programme does not constitute authority to incur the expenditure. Such authority is obtained subject to the various conditions and limits as set out in the Constitution.

GENERAL FUND	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Surplus/(Deficit) - approved*	(513)	(744)	(1,758)	(824)	(456)	(320)	102	(24)	123	99	138
Surplus/(Deficit) - subject to appraisal*	-	24	(39)	58	110	112	115	118	121	121	121
TOTAL SURPLUS/(DEFICIT)	(513)	(720)	(1,797)	(766)	(345)	(208)	217	93	244	220	259

Forecast interest payable and Minimum Revenue Provision are affected by borrowing rates available to the Council.

The figures above are based on prevailing rates. An increase or decrease of 1.0% (100 basis points) to long-term borrowing rates would have the following impact:

Difference to TOTAL SURPLUS/(DEFICIT) (+1.0%)	(14)	(46)	(409)	(414)	(414)	(414)	(413)	(413)	(413)	(413)	(413)
Difference to TOTAL SURPLUS/(DEFICIT) (-1.0%)	13	45	393	392	392	392	391	391	391	391	391

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Capital Receipts Reserve Forecast

CAPITAL RECEIPTS RESERVE	2019/20 Forecast £000	2020/21 Forecast £000	2021/22 Forecast £000	2022/23 Forecast £000	2023/24 Forecast £000	2024/25 Forecast £000	2025/26 Forecast £000	2026/27 Forecast £000	2027/28 Forecast £000	2028/29 Forecast £000	2029/30 Forecast £000
Consolidated Opening Balance	(14,526)	(11,157)	(8,715)	(17,623)	(8,603)	(4,776)	(5,090)	(5,407)	(5,728)	(6,052)	(6,380)
GENERAL FUND											
Opening Balance	(5,953)	(3,949)	(3,511)	(1,386)	(1,089)	(921)	(1,256)	(1,594)	(1,936)	(2,281)	(2,630)
Forecast receipts	(319)	(1,202)	(325)	(328)	(332)	(335)	(338)	(342)	(345)	(349)	(352)
Forecast utilisation	2,324	1,640	2,450	625	500	0	0	0	0	0	0
Closing Balance	(3,949)	(3,511)	(1,386)	(1,089)	(921)	(1,256)	(1,594)	(1,936)	(2,281)	(2,630)	(2,982)
HOUSING REVENUE ACCOUNT											
Opening Balance	(8,573)	(7,208)	(5,204)	(16,237)	(7,514)	(3,855)	(3,834)	(3,813)	(3,792)	(3,771)	(3,750)
Forecast receipts	(5,672)	(8,292)	(17,972)	(3,117)	(4,895)	(2,683)	(2,826)	(2,973)	(3,126)	(3,284)	(3,445)
Forecast utilisation	7,037	10,296	6,939	11,840	8,554	2,704	2,847	2,994	3,147	3,305	3,466
Closing Balance	(7,208)	(5,204)	(16,237)	(7,514)	(3,855)	(3,834)	(3,813)	(3,792)	(3,771)	(3,750)	(3,729)
Consolidated Closing Balance	(11,157)	(8,715)	(17,623)	(8,603)	(4,776)	(5,090)	(5,407)	(5,728)	(6,052)	(6,380)	(6,711)

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Annual Minimum Revenue Provision Statement 2020/21

Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Council to have regard to the Ministry for Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the CLG Guidance) most recently issued in 2018.

The broad aim of the CLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The CLG Guidance requires the Council to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance as well as locally determined prudent methods.

For unsupported capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset as the equivalent principal repayment on an annuity with an annual interest rate equal to the relevant PWLB rate as at 31 March for the year of expenditure, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.

For assets acquired by finance leases or the Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

For capital expenditure loans to subsidiaries that are repaid in instalments of principal, the Council will make nil MRP and will instead apply the capital receipts arising from principal repayments to reduce the associated capital financing requirement.

No MRP will be charged in respect of assets held within the Housing Revenue Account.

Capital expenditure incurred during 2020/21 will not be subject to an MRP charge until at least 2021/22 or the year following which an asset becomes operational.

Based on the Council's latest estimate of its Capital Financing Requirement on 31st March 2020, the budget for MRP has been set as follows:

	31.03.2020 Estimated CFR £m	2020/21 Estimated MRP £
Unsupported capital expenditure after 31.03.2008	43.2	435,000
Finance leases and Private Finance Initiative	0.0	Nil
Total General Fund	43.2	435,000
Assets in the Housing Revenue Account	168.9	Nil
Total Housing Revenue Account	168.9	Nil
Total	212.1	435,000

Investment Activities

The Council invests for three broad purposes:

- because it has surplus cash as a result of the reserves it holds and its day to day activities such is when income is received in advance of expenditure (known as **treasury management investments** – further detail including associated limits and indicators is reported in CAB3218);
- to support local public services by undertaking regeneration projects, by lending to, and by buying shares in other organisations (**service investments**); and
- to earn investment income (**commercial investments**)

Service Investments: Loans

Contribution: The Council considers lending money to its subsidiaries, housing associations, and other entities to support local public services and stimulate local economic growth. The Council currently has outstanding loans with Housing Associations which help to meet its objective of providing affordable housing and preventing homelessness. It has no subsidiaries currently but is setting up a wholly owned Housing Company.

Security: The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Authority, upper limits on the outstanding loans to each category of borrower have been set as follows:

Table 1: Loans for service purposes in £ millions

Category of borrower	31.3.2019 actual			2020/21
	Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Subsidiaries	0m	0m	0m	10m
Housing associations	0.14m	0.1m	0.04m	1m
Other entities*	-	-	-	1m
TOTAL	0.14m	0.1m	0.04m	12m

**loans to other entities will be considered on a case by case basis by the Treasury Investment Group (TIG). Further information on TIG is provided in CAB3218*

Accounting standards require the Authority to set aside a loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Authority's statement of accounts from 2019/20 onwards will be shown net of this loss allowance. However, the Authority makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments. Included in loans to housing associations are 0.87m of loans which have an allowance of the full amount; these loans are in respect of asset purchases for the provision of temporary accommodation to prevent homelessness and are only repayable in the event the asset is sold or its use changes.

Risk assessment: The Authority assesses the risk of loss before entering into and whilst holding service loans by considering any loans on a case by case basis. This includes, where appropriate, completion of a business case, assessing the purpose of the loan, the entity to which the loan is made, the use of credit ratings, and the procurement of external advice.

Service Investments: Shares

The Council does not actively consider the purchase of direct shares. It has, however, purchased one hundred and eighty eight ordinary shares at a cost of £188,000 in Hampshire Community Bank for the purpose of assisting the local economy. The Council is committed to purchase an additional 62 shares which will take its total investment to £250,000. It is expected this additional investment will become payable in 2020/21.

Commercial Investments: Property

Contribution: The Council owns an investment property portfolio (assets held solely for rental income or capital appreciation) which was valued at £53.8m as at 31 March 2019 and generated gross income of £2.9m and net income after costs of £2.4m in 2018/19. This income helps contribute to the Council Strategy outcomes.

In 2019/20 £1.4m is budgeted for acquisitions in respect of the Partnered Home Purchase scheme (open-market shared ownership), £2.8m for the phased transfer of garages from the HRA, and £0.1m for enhancements.

Table 3: Property held for investment purposes in £ millions

1 April 2018	47.7
Acquisitions	0.5
Garage transfer from HRA	2.3
Enhancements	0.0
Gains/(losses) in fair value	3.3
Transfers (to)/from PPE (operational assets)*	0.0
31 March 2019	53.8
Budgeted	
Acquisitions	1.4
Garage transfer from HRA	2.8
Enhancements	0.1
Gains/(losses) in fair value**	-
Transfers (to)/from PPE (operational assets)*	0.0
31 March 2020	58.1

*an investment property is held for rental income and/or capital appreciation; when the continued purpose of holding the asset changes to meeting a service objective it is transferred to Property Plant & Equipment or vice versa

**valuations are carried out at the balance sheet date and so it is not possible to forecast future changes in fair value

The Council has a mixed investment property portfolio with the largest single element being in the retail sector. This is primarily due to historic holdings on Winchester's High Street with some assets being held by the Council and its predecessor organisations for over a hundred years.

Table 4: Investment properties by type

As at 31 March 2019	Retail	Offices	Industrial	Residential / Garages	Other	Total
Value £000s	31,482	9,181	3,667	7,622	1,842	53,794

Security: Investment property values are subject to fluctuation and so, in some years, the Council may make a loss in fair value. However, the Council is not reliant on capital receipts from the sale of its investment property assets and so any short or medium term loss is unrealised.

Risk assessment: The Council generates significant income from its portfolio and, in order to ensure continued revenue streams, the portfolio is kept under rolling review as part of the Asset Challenge programme and, where appropriate, assets are identified for sale. The Council does not plan to undertake borrowing to purchase new investment properties. It has, however, used prudential borrowing (also known as Capital Financing Requirement (CFR)) to undertake the refurbishment of property in its existing portfolio to enable it to continue to generate rental income. When any such refurbishment is planned, it is subject to a business case and approval in accordance with the governance arrangements outlined in the Capital Strategy. As at 31 March 2019, the Council had £4.5m of CFR in relation to investment properties.

Liquidity: Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice, and can take a considerable period to sell in certain market conditions. The Council is not reliant on the sale of investment property for short-term liquidity purposes.

Proportionality

The income the Council generates from its investment activities helps it deliver its objectives. The table below details the proportion of investment income as a proportion of gross service expenditure. In order to set the budget and include realistic forecasts in the Medium Term Financial Plan, prudent estimates of Treasury Management income are included which reflect forecast capital expenditure and reserve balances, and the Council's investment property portfolio is actively managed as detailed elsewhere in the Capital Strategy.

Table 5: Proportionality of Investments

	2018/19 Actual £000	2019/20 Forecast £000	2020/21 Budget £000	2021/22 Budget £000	2022/23 Budget £000
Gross service expenditure	30,829	34,753	33,483	32,103	31,407
Investment income*	3,193	3,014	3,020	3,151	3,266
Proportion	10.4%	8.7%	9.0%	9.8%	10.4%

**Investment income includes income from treasury investments and investment properties*

Investment Indicators

The Authority has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure as a result of its investment decisions.

Total risk exposure: The first indicator shows the Authority’s total investments and therefore its exposure to potential investment losses. The Council seeks to minimise its risk of loss and how it achieves this is detailed in the Capital Investment Strategy and the Treasury Management Strategy (CAB3218).

Table 6: Total investment exposure in £millions

Total investment exposure	31.03.2019 Actual	31.03.2020 Forecast	31.03.2021 Forecast
Treasury management investments	39.2m	15.0m	15.0m
Service investments: Loans	0.1m	0.1m	0.5m
Service investments: Shares	0.1m	0.2m	0.3m
Commercial investments: Property	53.8m	58.1m	62.6m
TOTAL EXPOSURE	93.2m	73.4m	78.4m

How investments are funded: The following table details which investments are funded by external borrowing. The Council’s borrowing need (known as its Capital Financing Requirement or CFR) reflects capital expenditure that hasn’t been financed from other sources – CFR increases with additional unfinanced capital expenditure and reduces with annual provisions from revenue (known as Minimum Revenue Provision or MRP) over the life of each asset. The Council is able to internally borrow a proportion of its borrowing need due, for example, to the usable reserves it holds and income received in advance, but will borrow externally when its need exceeds cash balances available.

Table 7: Investments funded by external borrowing in £millions

Investments funded by external borrowing	31.03.2019 Actual	31.03.2020 Forecast	31.03.2021 Forecast
Treasury management investments	0.0m	0.0m	0.0m
Service investments: Loans	0.0m	0.0m	0.4m
Service investments: Shares	0.0m	0.0m	0.0m
Commercial investments: Property	0.0m	0.0m	8.7m
TOTAL FUNDED BY EXTERNAL BORROWING	0.0m	0.0m	9.1m

Rate of return received (%): This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Table 8: Investment rate of return (net of costs) %

Investments net rate of return	2018/19 Actual	2019/20 Forecast	2020/21 Forecast
Treasury management investments	1.2%	1.3%	1.0%
Service investments: Loans	0.0%	0.0%	0.0%
Service investments: Shares	0.0%	0.0%	0.0%
Commercial investments: Property	4.7%	3.7%	3.8%
ALL INVESTMENTS*	3.2%	2.9%	3.2%

**weighted average return*

Capital financing requirement (CFR) to total fixed assets value: Capital Financing requirement represents the total borrowing need of the Council. This indicator shows the CFR as a percentage of total fixed assets and forecasts assume the full delivery of the capital programme. The Council is able to internally borrow an element of its need and actual external borrowing stood at £156.7m at 31 March 2019. Further detail on borrowing is included in the Treasury Management Strategy (CAB3218)

Table 9: Capital Financing Requirement to total fixed assets value

Capital Financing Requirement to total fixed assets value	2018/19 Actual	2019/20 Forecast*	2020/21 Forecast*
General Fund - total fixed assets (£m)	129.8	156.1	211.8
Outstanding CFR (%)	20.9%	27.7%	42.9%
Housing Revenue Account - total fixed assets (£m)	422.1	446.3	494.3
Outstanding CFR (%)	38.6%	37.8%	37.3%

**excludes future changes in valuation*

EXTRACT OF DRAFT MINUTES

CABINET

12 FEBRUARY 2020

8. **MEDIUM TERM FINANCIAL STRATEGY, BUDGET AND COUNCIL TAX
2020/21**
(CAB3211)

Councillor Cutler introduced the report which set out a balanced budget for the following two financial years. He outlined the key proposals in the report which had been amended to take account of consultation responses.

At the invitation of the Leader, Councillors Brook and Horrill addressed the meeting as summarised briefly below.

Councillor Brook

Highlighted the actions and feedback on the proposals by the Scrutiny Committee held 5 February, including closure of public conveniences. Believed that the Council was unduly relying on proposed increases to both council tax and other charges to balance the budget.

Councillor Horrill

Concurred with comments made by Councillor Brook regarding increases in council tax and charges and believed that there were better alternative proposals available. Disappointed regarding perceived lack of progress on various council projects, including central Winchester regeneration and the Movement Strategy.

Cabinet Members responded to the comments made. The actions and feedback from The Scrutiny Committee held 5 February, as outlined in Appendix 1 of report CAB3228, were also noted. This included support for the proposal that the provision of 24 hour public conveniences facilities be investigated further.

Cabinet agreed the following recommendations to Council for the reasons set out above and outlined in the report.

RECOMMENDED:

- 1. THAT THE MEDIUM TERM FINANCIAL STRATEGY BE APPROVED AS SET OUT IN THE REPORT.**
- 2. THAT THE GENERAL FUND BUDGET FOR 2020/21, UPDATED FORECAST FOR 2019/20, AND THE SUMMARY BE AGREED AS SHOWN IN APPENDIX A TO THE REPORT.**

3. THAT THE INVESTMENT PROPOSALS SET OUT IN SECTION 17 OF THIS REPORT BE SUPPORTED, INCLUDING:

- a. £50,000 PER ANNUM TO FUND ADDITIONAL PARKING ENFORCEMENT OFFICERS;**
- b. AN ANNUAL PROVISION OF £350,000 TO THE PARKING RESERVE TO FUND ADDITIONAL PARK AND RIDE INITIATIVES AND SUPPORT INVESTMENT IN OTHER TRANSPORT AND PUBLIC TRANSPORT RELATED SERVICES;**
- c. £247,000 TO IMPLEMENT A FULL SURVEY OF ALL COUNCIL TREES AND FUND ASSOCIATED REMEDIAL WORKS (NET IMPACT OF £84,000 ON THE GENERAL FUND, WITH THE REMAINING COSTS MET FROM WINCHESTER TOWN ACCOUNT AND THE HOUSING REVENUE ACCOUNT FOR TREES WITHIN THE CONTROL OF THOSE BUDGETS);**
- d. ONE OFF PROVISION OF £105,000 TO SUPPORT FEASIBILITY STUDIES AND BUILDING SURVEY WORK FOR THE CENTRAL WINCHESTER REGENERATION PROJECT;**
- e. THAT £750,000, FUNDED FROM THE TRANSITIONAL RESERVE, BE APPROVED TO FUND THE IMPLEMENTATION OF THE CARBON NEUTRALITY ACTION PLAN WITH FURTHER DETAILS OF SPECIFIC PROPOSALS TO BE REPORTED TO CABINET IN JUNE 2020;**
- f. THAT ONE-OFF PROVISION OF £500,000, FUNDED FROM THE TRANSITIONAL RESERVE BE MADE TO SUPPORT THE TRANSFORMATION PROPOSALS SET OUT IN THE MEDIUM TERM FINANCIAL STRATEGY, WITH SPECIFIC PROPOSALS TO BE REPORTED TO CABINET LATER IN 2020.**

4. THAT THE SAVINGS PROPOSALS SET OUT IN SECTION 18 OF THE REPORT BE APPROVED, INCLUDING:

- a. THE IMPLEMENTATION OF AN ENHANCED GARDEN WASTE SERVICE FROM FEBRUARY 2021, WITH FURTHER DETAILS ON THE PROPOSAL INCLUDING THE CHARGING ARRANGEMENTS BEING REPORTED TO CABINET IN JUNE 2020;**
- b. THE CLOSURE OF PUBLIC CONVENIENCES AT MIDDLEBROOK ST AND WORTHY LANE, WINCHESTER.**

5. THAT THE PROPOSALS FOR CHANGES TO PARKING CHARGES BE APPROVED, AS SET OUT IN SECTION 19 OF THE REPORT:

- a. PARKING CHARGES (WITH THE EXCEPTION OF (PARK AND RIDE CHARGES) BE INCREASED BY 3% (ROUNDED TO THE NEAREST 10P);**
- b. THAT A “FLAT RATE” CHARGE OF £2 BE INTRODUCED ON SUNDAYS IN ALL “CENTRAL” CAR PARKS, THE ACCESS TO WHICH ALL FALL WITHIN THE CITY’S AIR QUALITY MANAGEMENT AREA. THESE INCLUDE:**
 - THE BROOKS**
 - MIDDLEBROOK ST**
 - COLEBROOK ST**
 - FRIARSGATE**
 - GUILDHALL YARD**
 - JEWRY ST**
 - COSSACK LANE**
 - UPPER BROOK ST**
 - ST PETERS ST**
 - TOWER ST**
 - GLADSTONE ST**
- c. THAT WEEKDAY CHARGING PERIOD FOR THE “CENTRAL” AIR QUALITY MANAGEMENT AREA CAR PARKS BE EXTENDED TO 7PM FOR A PILOT 6 MONTH PERIOD;**
- d. THAT DAILY PARK AND RIDE CHARGES BE INCREASED BY 50P;**
- e. THAT DISCOUNTED PARKING CHARGES FOR WEEKLY AND MONTHLY SEASON TICKETS AT CATTLE MARKET AND WORTHY LANE CAR PARKS BE REMOVED;**
- f. THAT A REVISED PARKING INVESTMENT PROGRAMME BE BROUGHT BACK TO CABINET BY SEPTEMBER 2020 WITH DETAILED PROPOSALS FOR ADDITIONAL INVESTMENT IN TRANSPORT RELATED SERVICES;**
- g. THAT ALL PARKING RELATED CHANGES SET OUT ABOVE, BE IMPLEMENTED WITH EFFECT FROM JULY OR AS SOON AS PRACTICABLE THEREAFTER;**

h. THAT, SUBJECT TO CONTRACT, PARK AND RIDE BUS SERVICES BE EXTENDED IN THE EVENINGS AND INTRODUCED ON SUNDAYS FROM THE ST CATHERINES PARK AND RIDE SITE.

6. THAT THE POLICY AS PREVIOUSLY AGREED BY THE COUNCIL ON 14 JULY 1999 (MIN 186 REFERS) TO TREAT ALL EXPENSES OF THE COUNCIL AS GENERAL EXPENSES OTHER THAN THOSE SPECIFICALLY IDENTIFIED AND ITEMISED IN THE WINCHESTER TOWN ACCOUNT BE CONFIRMED. IN CONSEQUENCE OF WHICH THE SUM OF £1,006,776 BE TREATED AS SPECIAL EXPENSES UNDER SECTION 35 OF THE LOCAL GOVERNMENT FINANCE ACT 1992 IN RESPECT OF THE WINCHESTER TOWN AREA, APPENDIX D.

7. THAT THE COUNCIL TAX FOR THE SPECIAL EXPENSES IN THE WINCHESTER TOWN AREA AT BAND D FOR 2020/21 BE INCREASED IN LINE WITH THE TOWN FORUM RECOMMENDATION.

8. THAT THE TOTAL DEFICIT BALANCE ON THE COUNCIL TAX COLLECTION FUND CALCULATED IN JANUARY 2020 OF £144,278, £18,676 FOR THIS COUNCIL BE APPROVED.

9. THAT THE LEVEL OF COUNCIL TAX AT BAND D FOR CITY COUNCIL SERVICES FOR 2020/21 BE INCREASED BY 3% TO £143.09.

RESOLVED:

That the actions and feedback from The Scrutiny Committee as set out in Appendix 1 to report CAB3228 be noted.

COUNCIL TAX RESOLUTION	EXPLANATORY NOTES
<p>1. That any expenses incurred by the Council in performing in a part of its area a function performed elsewhere in its area by a Parish Council/Town Council/Parish Meeting shall not be treated as special expenses for the purposes of Section 35 of the Local Government Finance Act 1992, except in the case of the following special items relating to the non-parished area the aggregate amount of which is £1,006,776 (Appendix D to report CAB3211 refers) and which is shown within the total of special items at paragraph 4(e) below:-</p> <ul style="list-style-type: none"> (a) Magdalen Hill and West Hill Cemeteries; (b) Allotments; (c) Town centre Christmas lighting; (d) Footway lighting; (e) Bus shelter maintenance; (f) Grants for community facilities in the Town (“parish” element); (g) Recreation Grounds & Open Spaces (except Abbey Gardens, Riverside Walks, the Weirs and St Giles Hill); (h) Neighbourhood Services; (i) Public Conveniences (j) Theatre Royal (k) Maintenance work to Council Owned Bridges (l) Grit Bins (m) Community Speed Watch (n) Night Bus Contribution (o) St Maurice’s Covert (p) Historic Environment Projects Officer (q) Neighbourhood Plans (r) Community Infrastructure (s) Administration of the Town Forum 	<p><i>1. Expenditure on special items carried out in the Winchester Town non-parished area.</i></p> <p><i>Details of the Winchester Town budget were considered by the Winchester Town Forum on 23 January and Cabinet at a meeting on 12 February 2020 and recommended for approval to Council.</i></p>

COUNCIL TAX RESOLUTION	EXPLANATORY NOTES
<p>2. That it be noted that the Head of Revenues, in consultation with the Strategic Director (Resources) calculated the Council Tax Base for 2020/21 at</p> <p>(a) 49,960.28</p> <p>being the amount calculated by the Council for the whole Council area, in accordance with Section 31B(1) (Item T) of the Local Government Act 1992, as amended (the “Act”), as its Council Tax base for the year.</p> <p>(b) for dwellings in those parts of its area to which a Parish/Town precept relates as in the attached Annex 1.</p> <p>3. Calculate that the Council Tax requirement for the Council’s own purposes for 2020/21 (excluding Parish Precepts) is £8,155,592.</p> <p>4. That the following amounts be now calculated by the Council for the year 2020/21 in accordance with Sections 31 to 36 of the Act:</p> <p>(a) £119,511,616</p> <p>being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils.</p> <p>(b) £107,972,635</p> <p>being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.</p> <p>(c) £11,538,981</p> <p>being the amount by which the aggregate at 4(a) above exceeds the aggregate at 4(b) above, calculated by the Council in accordance with Section 31A(4) of the Act, as its Council Tax requirement for the year. (Item R in the formula in Section 31B of the Act).</p>	<p><i>2(a) The tax base (number of properties expressed as Band D equivalent) for the whole District.</i></p> <p><i>3. The Council Tax Requirement for the City Council, including Special Expenses (the Winchester Town non parished area) but excluding Parish Precepts.</i></p> <p><i>4(a) Gross expenditure for the Council (including the Housing Revenue Account – HRA – the contribution from the Major Investment Reserve), the parish precepts, and transfers from the General Fund to the Collection Fund.</i></p> <p><i>4(b) Gross income for the Council (including the HRA), plus Non-ringfenced Government Grants, and any collection fund surplus</i></p> <p><i>4(c) The Council Tax requirement including the parish precepts ie. 4(a) less 4(b).</i></p>

COUNCIL TAX RESOLUTION	EXPLANATORY NOTES								
<p>(d) £230.96</p> <p>being the amount at 4(c) above (Item R), all divided by Item T (2(a) above), calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its Council Tax for the year (including Parish Precepts).</p> <p>(e) £4,390,165</p> <p>being the aggregate amount of all special items referred to in Section 34(1) of the Act (as per the attached Annex 2)</p> <p>(f) £143.09</p> <p>being the amount at 4(d) above less the result given by dividing the amount at 4(e) above by Item T (2(a) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no special item relates.</p> <p>5. That it be noted for the year 2020/21, Hampshire County Council and the Police and Crime Commissioner - Hampshire have stated, and the Hampshire Fire and Rescue Authority has recommended the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:</p> <table data-bbox="207 1352 873 1833"> <thead> <tr> <th><u>Precepting Authority</u></th> <th><u>Precept Amount</u></th> </tr> </thead> <tbody> <tr> <td>Hampshire County Council (HCC)</td> <td>£64,262,909</td> </tr> <tr> <td>Police and Crime Commissioner – Hampshire (PCCH)</td> <td>£10,564,601</td> </tr> <tr> <td>Hampshire Fire and Rescue Authority (HFRA)</td> <td>£3,450,257</td> </tr> </tbody> </table>	<u>Precepting Authority</u>	<u>Precept Amount</u>	Hampshire County Council (HCC)	£64,262,909	Police and Crime Commissioner – Hampshire (PCCH)	£10,564,601	Hampshire Fire and Rescue Authority (HFRA)	£3,450,257	<p><i>4(e) The Total of the Parish Council budgets and the Winchester Town part of the budget.</i></p> <p><i>4(f) The City Council element of the tax at Band D excluding the Winchester Town tax.</i></p> <p><i>5. The tax applicable in the different bands for the County, Police Authority and Fire and Rescue Authority elements.</i></p>
<u>Precepting Authority</u>	<u>Precept Amount</u>								
Hampshire County Council (HCC)	£64,262,909								
Police and Crime Commissioner – Hampshire (PCCH)	£10,564,601								
Hampshire Fire and Rescue Authority (HFRA)	£3,450,257								
<p>Page 91</p>									

COUNCIL TAX RESOLUTION				EXPLANATORY NOTES
<u>Valuation</u> <u>Bands</u>	<u>HCC</u>	<u>PCCH</u>	<u>HFRA</u>	<p>5. The total tax applicable in the different bands (ie. the County tax, the Police Authority tax and the Fire and Rescue Authority tax).</p>
A	857.52	140.97	46.04	
B	1,000.44	164.47	53.71	
C	1,143.36	187.96	61.39	
D	1,286.28	211.46	69.06	
E	1,572.12	258.45	84.41	
F	1,857.96	305.44	99.75	
G	2,143.80	352.43	115.10	
H	2,572.56	422.92	138.12	
<p>6. That the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts shown in columns 2-9 of Annex 2 as the amounts of Council Tax for 2020/21 for each part of its area and for each of the categories of dwellings shown.</p>				
<p>7. That the Council determines that the Council's basic amount of Council Tax for 2020/21 is not excessive in accordance with principles approved under Section 52ZB of the Local Government Finance Act 1992.</p>				

DISTRICT, TOWN & PARISH COUNCIL PRECEPTS

	2019/20			2020/21			Council Tax Increase
	Tax Base	Precepts £	Council Tax Band D (£)	Tax Base	Precepts £	Council Tax Band D (£)	
BILLING AUTHORITY							
WINCHESTER	49,307.47	6,849,794	138.92	49,960.28	7,148,816	143.09	3.0%
SPECIAL AREAS							
(BILLING AUTHORITY)							
WINCHESTER TOWN	13,980.82	967,335	69.19	14,126.22	1,006,776	71.27	3.0%
PARISHES/TOWN							
BADGER FARM	963.01	60,405	62.73	968.58	60,405	62.36	(0.6%)
BEAUWORTH	57.14	0	0.00	58.79	0	0.00	0.0%
BIGHTON	176.71	3,850	21.79	176.00	4,000	22.73	4.3%
BISHOPS SUTTON	205.68	6,500	31.60	205.68	6,500	31.60	0.0%
BISHOPS WALTHAM	2,666.79	446,475	167.42	2,695.77	459,171	170.33	1.7%
BOARHUNT	316.46	24,150	76.31	331.43	25,360	76.52	0.3%
BRAMDEAN & HINTON AMPNER	214.86	7,500	34.91	222.70	7,500	33.68	(3.5%)
CHERITON	325.01	25,260	77.72	327.31	25,765	78.72	1.3%
CHILCOMB	61.65	0	0.00	60.96	0	0.00	0.0%
COLDEN COMMON	1,579.57	185,675	117.55	1,593.30	191,064	119.92	2.0%
COMPTON & SHAWFORD	867.74	27,823	32.06	870.77	28,108	32.28	0.7%
CORHAMPTON & MEONSTOKE	416.29	17,779	42.71	424.46	17,320	40.80	(4.5%)
CRAWLEY	224.41	15,000	66.84	223.32	17,500	78.36	17.2%
CURDRIDGE	646.09	49,118	76.02	662.48	53,969	81.47	7.2%
DENMEAD	2,659.27	413,374	155.45	2,695.98	429,624	159.36	2.5%
DROXFORD	342.14	32,392	94.67	344.36	37,665	109.38	15.5%
DURLEY	467.17	26,000	55.65	471.15	28,000	59.43	6.8%
EXTON	136.89	675	4.93	137.79	675	4.90	(0.61%)
HAMBLEDON	518.47	22,000	42.43	514.76	22,440	43.59	2.7%
HEADBOURNE WORTHY	489.88	8,805	17.97	550.99	22,180	40.25	124.0%
HURSLEY	435.72	20,000	45.90	439.80	21,000	47.75	4.0%
ITCHEN STOKE & OVINGTON	131.13	5,725	43.66	127.44	6,225	48.85	11.9%
ITCHEN VALLEY	734.95	32,566	44.31	746.19	33,706	45.17	1.9%
KILMESTON	141.36	4,564	32.29	140.69	4,564	32.44	0.5%
KINGS WORTHY	1,904.18	154,315	81.04	1,900.48	164,579	86.60	6.9%
LITTLETON & HARESTOCK	1,513.65	109,214	72.15	1,512.40	109,120	72.15	0.0%
MICHELDEVER	674.29	49,000	72.67	680.69	49,000	71.99	(0.9%)
NEW ALRESFORD	2,287.02	309,701	135.42	2,326.83	322,969	138.80	2.5%
NEWLANDS	641.39	33,052	51.53	757.89	32,084	42.33	(17.9%)
NORTHINGTON	125.77	3,900	31.01	130.56	4,500	34.47	11.2%
OLD ALRESFORD	255.63	15,544	60.81	256.88	36,544	142.26	133.9%
OLIVERS BATTERY	761.58	27,000	35.45	767.04	28,000	36.50	3.0%
OTTERBOURNE	702.79	38,255	54.43	714.15	40,084	56.13	3.1%
OWSLEBURY	389.71	22,316	57.26	392.22	23,816	60.72	6.0%
SHEDFIELD	1,790.32	101,788	56.85	1,853.29	101,851	54.96	(3.3%)
SOBERTON	843.48	32,626	38.68	844.39	34,444	40.79	5.5%
SOUTH WONSTON	1,266.48	104,175	82.26	1,258.23	106,260	84.45	2.7%
SOUTHWICK & WIDLEY	252.76	15,000	59.34	258.43	22,000	85.13	43.5%
SPARSHOLT	305.98	18,294	59.79	304.54	19,209	63.08	5.5%
SWANMORE	1,438.50	207,640	144.34	1,454.21	216,409	148.82	3.1%
TICHBORNE	114.58	4,195	36.61	117.59	4,305	36.61	0.0%
TWYFORD	743.89	98,250	132.08	745.32	107,027	143.60	8.7%
UPHAM	362.62	25,000	68.94	366.90	27,250	74.27	7.7%
WARNFORD	115.12	1,300	11.29	116.80	1,400	11.99	6.2%
WEST MEON	386.35	33,237	86.03	389.10	34,234	87.98	2.3%
WHITELEY	1,302.91	131,695	101.08	1,304.55	135,925	104.19	3.1%
WICKHAM	1,728.84	215,183	124.47	1,754.84	221,638	126.30	1.5%
WONSTON	640.42	38,000	59.34	636.03	38,000	59.75	0.7%
TOTAL/AVERAGE	49,307.47	4,191,651	85.01	49,960.28	4,390,165	87.87	3.4%
PARISH/TOWN TOTAL	35,326.65	3,224,316	91.27	35,834.06	3,383,389	94.42	
WINCHESTER TOWN	13,980.82	967,335	69.19	14,126.22	1,006,776	71.27	
TOTAL	49,307.47	4,191,651	85.01	49,960.28	4,390,165	87.87	

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WINCHESTER CITY COUNCIL, PARISH COUNCILS AND PRECEPTING AUTHORITIES
COUNCIL TAXES FOR THE YEAR ENDING 31 MARCH 2021

COUNCIL TAX SCHEDULE 2020/21	BAND A	BAND B	BAND C	BAND D	BAND E	BAND F	BAND G	BAND H
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	£	£	£	£	£	£	£	£
WINCHESTER CITY COUNCIL	95.39	111.29	127.19	143.09	174.89	206.69	238.48	286.18
HAMPSHIRE COUNTY COUNCIL (MAIN PRECEPT)	782.97	913.46	1,043.96	1,174.45	1,435.44	1,696.43	1,957.42	2,348.90
HAMPSHIRE COUNTY COUNCIL (ADULT SOCIAL CARE)	74.55	86.98	99.40	111.83	136.68	161.53	186.38	223.66
POLICE & CRIME COMMISSIONER FOR HAMPSHIRE	140.97	164.47	187.96	211.46	258.45	305.44	352.43	422.92
HAMPSHIRE FIRE AND RESCUE AUTHORITY	46.04	53.71	61.39	69.06	84.41	99.75	115.10	138.12
Parish/Town only	62.95	73.44	83.93	94.42	115.40	136.38	157.37	188.84
Parish/Town & District	158.34	184.73	211.12	237.51	290.29	343.07	395.85	475.02
Total	1,202.88	1,403.35	1,603.83	1,804.31	2,205.27	2,606.23	3,007.18	3,608.62
SPECIAL AREAS (BILLING AUTHORITY)								
WINCHESTER TOWN	1,187.43	1,385.35	1,583.25	1,781.16	2,176.98	2,572.80	2,968.60	3,562.33
PARISHES								
BADGER FARM	1,181.49	1,378.42	1,575.33	1,772.25	2,166.09	2,559.93	2,953.75	3,544.51
BEAUWORTH	1,139.92	1,329.92	1,519.90	1,709.89	2,089.87	2,469.85	2,849.82	3,419.79
BIGHTON	1,155.07	1,347.60	1,540.10	1,732.62	2,117.65	2,502.68	2,887.70	3,465.25
BISHOPS SUTTON	1,160.99	1,354.50	1,547.99	1,741.49	2,128.49	2,515.49	2,902.49	3,482.99
BISHOPS WALTHAM	1,253.47	1,462.40	1,671.30	1,880.22	2,298.05	2,715.88	3,133.70	3,760.45
BOARHUNT	1,190.93	1,389.44	1,587.92	1,786.41	2,183.39	2,580.38	2,977.35	3,572.83
BRAMDEAN & HINTON AMPNER	1,162.37	1,356.12	1,549.84	1,743.57	2,131.03	2,518.50	2,905.95	3,487.15
CHERITON	1,192.40	1,391.15	1,589.87	1,788.61	2,186.08	2,583.56	2,981.02	3,577.23
CHILCOMB	1,139.92	1,329.92	1,519.90	1,709.89	2,089.87	2,469.85	2,849.82	3,419.79
COLDEN COMMON	1,219.87	1,423.19	1,626.50	1,829.81	2,236.44	2,643.07	3,049.69	3,659.63
COMPTON & SHAWFORD	1,161.44	1,355.03	1,548.59	1,742.17	2,129.32	2,516.48	2,903.62	3,484.35
CORHAMPTON & MEONSTOKE	1,167.12	1,361.65	1,556.17	1,750.69	2,139.74	2,528.78	2,917.82	3,501.39
CRAWLEY	1,192.16	1,390.87	1,589.55	1,788.25	2,185.64	2,583.04	2,980.42	3,576.51
CURDRIDGE	1,194.23	1,393.29	1,592.32	1,791.36	2,189.44	2,587.53	2,985.60	3,582.73
DENMEAD	1,246.16	1,453.87	1,661.55	1,869.25	2,284.64	2,700.04	3,115.42	3,738.51
DROXFORD	1,212.84	1,414.99	1,617.13	1,819.27	2,223.56	2,627.84	3,032.12	3,638.55
DURLEY	1,179.54	1,376.14	1,572.73	1,769.32	2,162.51	2,555.69	2,948.87	3,538.65
EXTON	1,143.19	1,333.73	1,524.26	1,714.79	2,095.86	2,476.93	2,857.99	3,429.59
HAMBLEDON	1,168.98	1,363.82	1,558.65	1,753.48	2,143.15	2,532.81	2,922.47	3,506.97
HEADBOURNE WORTHY	1,166.75	1,361.23	1,555.68	1,750.14	2,139.06	2,527.99	2,916.90	3,500.29
HURSLEY	1,171.75	1,367.06	1,562.34	1,757.64	2,148.23	2,538.82	2,929.40	3,515.29
ITCHEN STOKE & OVINGTON	1,172.49	1,367.91	1,563.32	1,758.74	2,149.58	2,540.41	2,931.24	3,517.49
ITCHEN VALLEY	1,170.03	1,365.05	1,560.05	1,755.06	2,145.08	2,535.10	2,925.10	3,510.13
KILMESTON	1,161.55	1,355.15	1,548.74	1,742.33	2,129.52	2,516.71	2,903.89	3,484.67
KINGS WORTHY	1,197.65	1,397.28	1,596.88	1,796.49	2,195.71	2,594.94	2,994.15	3,592.99
LITTLETON & HARESTOCK	1,188.02	1,386.04	1,584.03	1,782.04	2,178.05	2,574.07	2,970.07	3,564.09
MICHELDEVER	1,187.91	1,385.91	1,583.89	1,781.88	2,177.86	2,573.84	2,969.80	3,563.77
NEW ALRESFORD	1,232.45	1,437.88	1,643.28	1,848.69	2,259.51	2,670.34	3,081.15	3,697.39
NEWLANDS	1,168.14	1,362.84	1,557.53	1,752.22	2,141.61	2,530.99	2,920.37	3,504.45
NORTHINGTON	1,162.90	1,356.73	1,550.54	1,744.36	2,132.00	2,519.64	2,907.27	3,488.73
OLD ALRESFORD	1,234.76	1,440.57	1,646.35	1,852.15	2,263.74	2,675.34	3,086.92	3,704.31
OLIVERS BATTERY	1,164.25	1,358.31	1,552.34	1,746.39	2,134.48	2,522.57	2,910.65	3,492.79
OTTERBOURNE	1,177.34	1,373.58	1,569.79	1,766.02	2,158.47	2,550.93	2,943.37	3,532.05
OWSLEBURY	1,180.40	1,377.15	1,573.87	1,770.61	2,164.08	2,557.56	2,951.02	3,541.23
SHEDFIELD	1,176.56	1,372.67	1,568.75	1,764.85	2,157.04	2,549.24	2,941.42	3,529.71
SOBERTON	1,167.11	1,361.65	1,556.16	1,750.68	2,139.72	2,528.77	2,917.80	3,501.37
SOUTH WONSTON	1,196.22	1,395.60	1,594.97	1,794.34	2,193.09	2,591.83	2,990.57	3,588.69
SOUTHWICK & WIDLEY	1,196.67	1,396.13	1,595.57	1,795.02	2,193.92	2,592.82	2,991.70	3,590.05
SPARSHOLT	1,181.97	1,378.98	1,575.97	1,772.97	2,166.97	2,560.97	2,954.95	3,545.95
SWANMORE	1,239.13	1,445.67	1,652.18	1,858.71	2,271.76	2,684.81	3,097.85	3,717.43
TICHBORNE	1,164.33	1,358.39	1,552.44	1,746.50	2,134.62	2,522.73	2,910.84	3,493.01
TWYFORD	1,235.65	1,441.61	1,647.54	1,853.49	2,265.38	2,677.27	3,089.15	3,706.99
UPHAM	1,189.43	1,387.69	1,585.92	1,784.16	2,180.64	2,577.13	2,973.60	3,568.33
WARNFORD	1,147.91	1,339.25	1,530.56	1,721.88	2,104.52	2,487.17	2,869.80	3,443.77
WEST MEON	1,198.57	1,398.35	1,598.10	1,797.87	2,197.40	2,596.93	2,996.45	3,595.75
WHITELEY	1,209.38	1,410.96	1,612.51	1,814.08	2,217.21	2,620.35	3,023.47	3,628.17
WICKHAM	1,224.12	1,428.15	1,632.17	1,836.19	2,244.24	2,652.28	3,060.32	3,672.39
WONSTON	1,179.75	1,376.39	1,573.01	1,769.64	2,162.90	2,556.16	2,949.40	3,539.29

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REPORT TITLE: MEDIUM TERM FINANCIAL STRATEGY, BUDGET AND
COUNCIL TAX 2020/21

12 FEBRUARY 2020

REPORT OF CABINET MEMBER: Cllr Neil Cutler - Deputy Leader and Cabinet
Member for Finance and Risk

Contact Officer: Richard Botham Tel No: 01962 848421 Email
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WARD(S): ALL

PURPOSE

The Council has experienced significant reductions in Government funding allocations and is facing significant future shortfalls. This report sets out the current challenge, the budget for 2020/21 and recommends changes to the Medium Term Financial Strategy to address future shortfalls. The budget allows for further reductions and includes proposals, which, if approved will ensure a balanced budget at least until March 2022 whilst supporting additional investment in key Council Plan priorities.

The general fund budget is consolidated to take into account the latest known funding allocations through central government as well as from locally raised council tax, business rates (after government levies and tariffs) and fees and charges. Members are requested to consider the financial assumptions and the implication of financial changes to the overall Council Plan.

Members are asked to consider these proposals and also the level of Council Tax to be set for next year. The current tax is £138.92 at Band D for City Council services, and £69.19 for Winchester Town. It is proposed to increase the district tax for 2020/21 by three percent to £143.09 and the town forum have proposed a three percent increase to £71.27 (Band D equivalent).

The General Fund Budget has been widely consulted on with local stakeholders and the general public. The business community and parish and town councils have been involved and before finalising these proposals consideration has been given to all comments received.

RECOMMENDATIONS

That Cabinet recommend that Council:

1. Approve the medium term financial strategy as set out in this report
2. Agree the General Fund Budget for 2020/21, updated forecast for 2019/20, and the summary as shown in Appendix A.
3. Support the investment proposals set out in section 17 of this report, including:
 - a. £50,000 per annum to fund additional parking enforcement officers
 - b. An annual provision of £350,000 to the parking reserve to fund additional park and ride initiatives and support investment in other transport and public transport related services
 - c. £247,000 to implement a full survey of all council trees and fund associated remedial works (net impact of £84,000 on the general fund, with the remaining costs met from Winchester Town Account and the Housing Revenue Account for trees within the control of those budgets).
 - d. One off provision of £105,000 to support feasibility studies and building survey work for the central Winchester regeneration project
 - e. That £750,000, funded from the transitional reserve, be approved to fund the implementation of the Carbon Neutrality Action Plan with further details of specific proposals to be reported to Cabinet in June 2020.
 - f. That one-off provision of £500,000, funded from the transitional reserve be made to support the transformation proposals set out in the medium term financial strategy, with specific proposals to be reported to cabinet later in 2020.
4. Approve the savings proposals set out in section 18 of this report, including:
 - a. The implementation of an enhanced garden waste service from February 2021, with further details on the proposal including the charging arrangements being reported to cabinet in June 2020.
 - b. The closure of public conveniences at Middlebrook St and Worthy Lane, Winchester.

5. Approve the proposals for changes to parking charges, as set out in section 19 of this report
 - a. Parking charges (with the exception of (Park and Ride charges) be increased by 3% (rounded to the nearest 10p)
 - b. That a “flat rate” charge of £2 be introduced on Sundays in all “central” car parks, the access to which all fall within the City’s Air Quality Management Area. These include:
 - i. The Brooks
 - ii. Middlebrook St
 - iii. Colebrook St
 - iv. Friarsgate
 - v. Guildhall Yard
 - vi. Jewry St
 - vii. Cossack Lane
 - viii. Upper Brook St
 - ix. St Peters St
 - x. Tower St
 - xi. Gladstone St
 - c. That weekday charging period for the “central” Air Quality Management Area car parks be extended to 7pm for a pilot 6 month period.
 - d. That daily Park and Ride charges be increased by 50p.
 - e. That discounted parking charges for weekly and monthly season tickets at Cattle market and Worthy lane car parks be removed.
 - f. That a revised Parking Investment programme be brought back to Cabinet by September 2020 with detailed proposals for additional investment in transport related services.
 - g. That all parking related changes set out above, be implemented with effect from July or as soon as practicable thereafter.
 - h. That, subject to contract, park and ride bus services be extended in the evenings and introduced on Sundays from the St Catherines Park and Ride site.
6. Confirm the policy as previously agreed by the Council on 14 July 1999 (min 186 refers) to treat all expenses of the Council as General Expenses other than those specifically identified and itemised in the Winchester Town Account. In consequence of which the sum of £1,006,776 be treated as Special Expenses under Section 35 of the Local Government Finance Act

1992 in respect of the Winchester Town area, Appendix D.

7. Approve the Council Tax for the Special Expenses in the Winchester Town area at Band D for 2020/21 be increased in line with the town forum recommendation.
8. Approve the total deficit balance on the Council Tax Collection Fund calculated in January 2020 of £144,278, £18,676 for this Council.
9. Approve that the level of Council Tax at Band D for City Council services for 2020/21 be increased by 3% to £143.09.

IMPLICATIONS:

1 COUNCIL PLAN OUTCOME

- 1.1 The budget proposals take account of the Council Plan approved by Council on 15 January 2020 and include proposals to support the delivery of key priorities in that Plan. The Plan makes a clear commitment to achieving a balanced budget and stable Council finances and to providing good value compared to other similar councils.

2 FINANCIAL IMPLICATIONS

- 2.1 The detail behind the proposed 2020/21 general fund budget is set out in the supporting information section of the report, including funding assumptions, growth pressures, proposals for additional investment to support the delivery of the Council Plan and reductions and actions required to achieve a balanced budget.
- 2.2 Government Funding from new homes bonus and business rates retention is forecast to reduce from £8.0m in 2020/21 to £2.9m in 2024/25, a cash reduction of £5.1m. This forecast reduction results in significant budget shortfalls from 2021/22.
- 2.3 Historically, funding changes have been phased in over a period of years where individually authorities would otherwise face significant 'cliff edge' changes in funding. Forecasts have therefore assumed that any funding changes would be subject to a maximum reduction of 5% of 'total funding' in 2021/22 and then phased in so the full effect is not reached until 2024/25. It is important to note that there have been no indications from Government on how this will operate and a worst case scenario (with new homes bonus and business rates retention excluded from the calculations) would further increase the forecast budget deficits from 2021/22 to 2023/24.
- 2.4 The current Medium Term Financial Strategy (MTFS) has a clear focus on investment and income generation to address short to medium term shortfall projections. However, it should be noted that Strategic Asset Purchase (SAP) scheme investments to date have not generated sufficient revenue receipts to make a positive contribution to the shortfalls and are unlikely to do so in the short term. The recent increase in the Public Works Loans Board rate has reduced the ability to generate significant income, particularly in the short term, through investments. Whilst SAP remains a key priority to support major projects and long term investment opportunities, the MTFS recommended in this report has been amended to reflect the need to reduce net operating costs over the next five years.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 Any implications arising from budget options arising from this strategy will be dealt with in the individual business cases and committee papers relating to those specific decisions.

4 WORKFORCE IMPLICATIONS

- 4.1 Matters affecting staff will be managed in accordance with HR procedures and policies and considered in any business cases relating to individual projects.

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 The proposed budget underpins the Capital Investment Strategy (report CAB3209 elsewhere on this agenda) and supports regeneration proposals, the maintenance and improvement programmes for all Council property and making best use of Council assets.

6 CONSULTATION AND COMMUNICATION

- 6.1 A range of options were considered as part of CAB3178 – The Outcome Based Budgeting Challenge dated 23 October 2019 aimed at addressing future shortfalls and at supporting key Council Plan priorities and in particular the Climate Emergency declaration and the emerging Parking and Access Strategy. These options have since been subject to consultation with a range of stakeholders.
- 6.2 Officers presented the options to the local council briefing in November and to the Chamber of Commerce/BID business briefing in December. This was followed by the on line budget consultation which received 610 responses. A report analysing the responses and comments is available on the Council website at <https://winchester.citizenspace.com/policy/wcc-budget-consultation/>.
- 6.3 Responses to the on line survey were very considered and helpful in determining which options to bring forward for approval. Over 60% supported the principle of an above inflation council tax increase and over 55% supported the implementation of an enhanced green waste collection service.
- 6.4 At the local council briefing, representations were made to ensure final decisions take full account of the importance of services to rural areas. At the business briefing, whilst proposals for increased parking charges aimed at addressing congestion and influencing behaviours were noted, the importance of getting the balance right with enforcement was discussed.

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 The budget supports the delivery of the Climate Emergency priority with provision from the Transitional reserve as well as investment in the capital programme and HRA Business Plan to help fund key actions in the Carbon Neutrality Action Plan. Additional provision has been included to fund tree survey and maintenance work, as well as resources to support policy development work for example, Local Plan, biodiversity, nitrate neutrality.

8 EQUALITY IMPACT ASSESSEMENT

9 Any equality impact assessments are carried out as part of the business case for any individual proposals.

10 DATA PROTECTION IMPACT ASSESSMENT

10.1 None

11 RISK MANAGEMENT

Risk	Mitigation	Opportunities
<i>Council's service priorities are not reflected in the budget</i>	<i>The use of Outcome Based Budgeting as a method of delivering the budget.</i>	<i>Ensure the prioritisation of resources to best meet the Outcomes of the authority</i>
<i>Failure to achieve the budget proposals presented in Appendix B</i>	<i>Budget proposals for 2020/21 have been put forward on the basis that they have a high expectation of achievement, and some of the proposals have already been achieved.</i>	
<i>Income budgets (such as car parking) are not achieved, possibly due to market or economic conditions</i>	<i>Income budgets have been set using 'central case' expectations. Robust in-year monitoring and reporting is in place which would identify any forecast shortfalls in income in time to take any necessary action to address this.</i>	
<i>Failure to adequately manage major contracts including planning for contract renewal</i>	<i>Ensure adequate contract management and monitoring arrangements are in place. Ensure sufficient time for the review of contract options prior to contract renewal.</i>	<i>Ensure contracts are aligned to the Council's requirements and Council Plan Transformational efficiency savings</i>

<p><i>Difficulty in forecasting future Government Funding leads to additional deficits over the medium term. This is particularly the case with damping/transition assumptions from 2021/22 to 2023/24.</i></p>	<p><i>A central case forecast has been made for Government Funding (including business rates retention).</i></p> <p><i>A transition reserve is proposed to be created in order to mitigate the risks over the medium term.</i></p>	<p><i>If the transition reserve is not required for transitional deficits then it could be used to support the Council Plan</i></p>
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12 SUPPORTING INFORMATION:

- 12.1 The budget is strongly aligned to the Council Plan and the outcomes that the council wish to achieve. There are areas of significant investment contained within the budget to deliver the Council Plan including supporting the Climate Emergency and also to support the drive for improvements in service quality.
- 12.2 This investment is supported through a variety of savings programmes. These items have been carefully considered and seek to enable the Council to continue to improve the quality of core services and to protect our valued frontline delivery whilst matching the financial demands of disappearing government funding. We are ensuring that we drive further efficiencies through a strategic focus on budgets and “near neighbour” comparisons/benchmarking.
- 12.3 Following the budget consultation process the Council is proposing to increase the district tax by three percent for 2020/21. Within the referendum limits the Council has the option of increasing this by 2% or +£5 compared to the previous year (equivalent to a rise of just over 3%).
- 12.4 The Council Plan 2020 - 2025 sets out five strategic themes which are helping the Council shape its activities and resources up until 2025. Outcome based budgeting principles have been used in the preparation of the 2020/21 budget, with proposals identified in CAB3178 Outcome Based Budget Challenge which was considered by Cabinet in October 2019.
- 12.5 A summary of the General Fund revenue budget is now presented for final consideration and Members are asked to consider the total level of general fund budget and the council tax for 2020/21.

13 Collection Fund

- 13.1 *Business Rates* – The business rates collection fund forecast surplus balance at the end of 2020/21 is £2,680,123. The majority of this surplus balance is due to lower than expected bad debts and a reduced appeals provision

requirement. The Winchester City Council share of this surplus, £536k net of the 50% Levy, is recognised in the budget projections.

- 13.2 *Council Tax* - Regulations require the Council to approve the collection fund balance at 31 March, calculated at 15 January preceding. For council tax a deficit of £144,278 is estimated, shared between the County Council (£103,154), the Police & Crime Commission (£16,802), the Fire & Rescue Authority (£5,647) and this Council (£18,676). This must be debited to the council tax for the district for 2020/21. The City Council's budget for 2020/21 will therefore be set including the deficit £18,676.
- 13.3 The council tax referendum limits have been confirmed at 2% for lower tier authorities. However, shire districts (such as Winchester) will be able to increase their precept by not more than £5 (equivalent to just over 3% for this council). Central Government spending power projections assume that all authorities will increase their precepts by the maximum amount.
- 13.4 Therefore, to assist in addressing short to medium term projected shortfalls, the proposed budget set out in Appendix A assumes a three percent increase in council tax for the district and an estimated increase of 3% for the Winchester town area, in 2020/21 and then increase in line with CPI inflation over the forecast period. As stated in paragraph 6 above, there was a degree of public support for this proposal with less than 33% of responses disagreeing. The proposal was also supported by 92% of those who completed the "budget simulator" last year (115 responses overall).
- 13.5 The current level of tax for the District is £138.92 (Band D equiv.). The proposed tax for 2020/21 is £143.09, an increase of £4.17.
- 13.6 In considering the level of district tax, regard has to be had to the tax for the town area in order to ensure that the overall increase does not exceed the referendum limits.
- 13.7 The current level of tax for the town is £69.19 (Band D equiv.). An increase of 3% would increase this to £71.27.
- 13.8 The Council is required to present a council tax resolution document to the Council meeting for final approval of all precepts and Council budgets for 2020/21. The current precept table is shown as a draft in Appendix E.
- 14 Government Funding – 2020/21
- 14.1 The fair funding review is now planned for implementation from April 2021. This includes proposed changes to the new homes bonus scheme and business rates retention system and is forecast to cause significant financial pressures on the Councils budget over the medium term.
- 14.2 The provisional government funding settlement was released just before Christmas. The announcements were in line with expectations and only

provide information relating to 2020/21. Final confirmation of the settlement is expected in February.

14.3 Business rates retention:

- (i) The baseline funding level (BFL) has increased marginally to £2.23m (£2.19m 2019/20)
- (ii) In addition to the BFL, growth in retained rates is forecast to increase to £2.92m, giving a total business rates retention of £5.15m.
- (iii) The MTF5 forecast assumes a full reset of business rates retention from April 2021.

14.4 New homes bonus:

- a) Government announced that the current scheme will end with no indications of whether it will be replaced with a new reward scheme. Legacy payments are forecast to continue until 2022/23.
- b) The total 2020/21 reward of £2,839,152 (£939,484 relates specifically to 2020/21).
- c) The reward for 2020/21 includes an additional reward of £350 per affordable homes unit, totalling £77,840.

14.5 Other government grants (2020/21, £279k):

- a) The rural services delivery grant which will be £46k.
- b) Flexible homelessness support grant is due to remain at £154k.
- c) Homelessness reduction grant will be £79k.
- d) New burdens payments relating to Universal Credit and other changes have not yet been confirmed.

15 General Fund budget forecast and proposals

15.1 Appendix A shows the budget proposals for 2020/21 and forecasts for future years through to 2030. The proposals take full account of the Government funding announcements and assumptions on future funding as set out above. They also take full account of unavoidable budget pressures set out below, along with the proposals for investment to help deliver Council Plan priorities, operational savings as set out in Appendix B and additional proposals to address the projected shortfalls. The budget also assumes adoption of proposals for changes to parking charges to support the aims of the Parking and Access strategy.

15.2 The total forecast full year operational savings are £2.5m plus additional full year savings of £2.4m from key decisions, giving total savings of £5.0m.

15.3 Key assumptions used in the 2020/21 budget are shown below:

Key Assumptions	%	£000	Sensitivity +/- 1%
Income / Funding			
District Council Tax Increase	3.0%	208.0	69.5
Interest Receivable	1.0%	250.0	250.0
Fees and Charges	3.0%	180.0	60.0
Expenditure			
Contractual Inflation	2.0%	200.0	100.0
Employee Pay Inflation	2.0%	340.0	170.0

15.4 Changes to pension fund contributions following the recent actuarial assessment which will result in general fund savings of £850,000 per annum in 2020/21 to 2022/23. Projections assume this reduction doesn't continue beyond 2023 and so it is proposed this reduction be added to the transitional reserve to help mitigate the impact of the shortfalls rather than be removed from longer term baselines.

15.5 The summary financial position shown below explains how the budget has been balanced for 2020/21, subject to the approval of the proposals set out later in the paper. The net surplus / (deficit) figures include all additional resources so the proposal lines below represent gross impacts before any re-investment. The car parking income increases are driven by the parking strategy and are not options to balance the budget.

Medium Term Financial Projections - Surplus / (Deficit) £m

Net Surplus / (Deficit)	ANNUAL TARGETS				CUMULATIVE TARGETS			
	20/21	21/22	23/24	24/25	20/21	21/22	22/23	23/24
Before Savings	-2.1	-1.6	-1.2	-1.3	-2.1	-3.7	-5.0	-6.2
Operational Savings	1.2	0.4	0.3	0.6	1.2	1.6	1.9	2.5
Car Parking Strategy	0.6	0.4	0.1	0.1	0.6	1.0	1.1	1.2
Key Decisions (Including Garden Waste)	0.2	0.9	0.1	0.1	0.2	1.1	1.2	1.2
TOTAL Savings	2.1	1.6	0.5	0.8	2.1	3.7	4.2	5.0
After Savings	0.0	-0.0	-0.8	-0.5	0.0	0.0	-0.8	-1.3

16 Unavoidable budget pressures

16.1 The budget in Appendix A takes account of the following:

- a) The loss of £0.5m annual income as a result of Hampshire County Council's proposed decision to withdraw from the Project Integra partnership and changes to recycling credits and materials income.
- b) The additional annual cost of £0.47m in relation to the new Environmental Services contract
- c) Provision for salary and contract inflation as set out in the table at 15.3 above

17 Proposals for additional investment

17.1 The budget includes provision of additional investment required to support the delivery of the key priorities in the Council Plan. These include:

- a) Additional parking enforcement – It is proposed to appoint 3 additional parking enforcement officers. On street parking permit numbers have doubled in the recent years and additional resources are needed to ensure an effective enforcement service is maintained across the district, including market towns.
- b) Provision of £350,000 annually to support additional investment in parking services, infrastructure and support for public transport. This is in addition to the £2m funding included in the capital programme to support improvements to various car parks over the next two years.
- c) Provision of £247,000 to support and implement a full review of all trees on council land within the district. This budget is split across the general fund district and town accounts and the housing revenue account, with the total impact on the general fund district budget being £84,000, funded from the major investment reserve. This work will ensure an effective risk based approach to the management of trees within the council's control.
- d) One off provision in 2020/21 of £105,000 funded from the major investment reserve for the central Winchester regeneration work to cover feasibility studies and building surveys required to progress the scheme.
- e) One off provision in 2020/21 of £750,000, funded from the Transitional Reserve to support the delivery of the Carbon Neutrality action plan. Further details on spending proposals will be brought forward to a future Cabinet meeting.
- f) One off provision in 2020/21 of £500,000 funded from the Transitional Reserve to support the Transformation programme which underpins the delivery of the MTFs referred to later in the report. This will include provision for further team changes and the implications for staffing reviews proposed for 2020/21, extending the contracts for a small

number of existing fixed term posts and making provision for the costs of implementing improvements to digital services. .

18 Proposals for savings, income generation and efficiencies

18.1 In order to achieve a balanced budget whilst ensuring the outcomes set out in the Council Plan can be supported, reductions in the net operating costs of service delivery is required. In 2019/20, budget reductions of over £1m have already been implemented as set out in report CAB3132 dated 13 February 2019, including the removal of lease cars and the major restructuring of council teams. Further operational savings and income generation proposals are set out in appendix B. However, these are insufficient to achieve a balanced budget and it is therefore recommended that the following proposals be adopted:

- a) Increasing Council tax at 3% as described in paragraph 13 above
- b) Introducing enhanced garden waste service for an annual charge with effect from February 2021 – An improved service, providing wheeled bins to participating households similar to that provided by most Hampshire councils would reduce the cost of waste services by over £900,000 annually. If approved, a detailed report on operating proposals will be brought to the June Cabinet meeting. Over 55% of responses to the budget survey supported this proposal with 32% objecting.
- c) Closure of two public conveniences (Middlebrook St and Worthy Lane, Winchester) will reduce operating costs by £50,000. The Worthy Lane provision will be surplus to requirements once the coach park is moved (and will not be closed until this move is complete). The Middlebrook St facility is subject to very low demand, largely due to more prominent conveniences nearby. There is a higher quality provision within the Brooks as well as the Market lane and Abbey Gardens conveniences nearby.

18.2 In addition to the savings proposals presented in Appendix B, Hampshire Pension Fund has given the Council the opportunity to pay its pension contributions as an up-front payment rather than the existing monthly process when the payments are due. The options were given to pay up front for either one, two, or three financial years. As the Council is expected to move to a net borrowing position over the next twelve months it was considered prudent to accept the one year advance payment option at a 2.1% discount. This discount equates to a gross saving of £43k for 2021/22, a net £35k after deducting for a reduction in investment income. Confirmation was required by 31 January 2020 so this proposal has been approved by the S151 Officer under existing delegations.

18.3 Additional proposals in relation to potentially reducing CCTV services and reducing investment in community transport have not been brought forward at this stage. A further review of the effectiveness of CCTV will be undertaken

prior to re-procuring the service in 2021. The community transport service was positively supported throughout the consultation process and will remain as an important contributor to the Parking and Access strategy.

19 Proposals for Parking Charges

- 19.1 CAB3178 dated 23 October 2019 and the Parking and Access strategy (CAB3201 refers) brought forward proposals for changes to parking charges, in particular within the Air Quality Management area to address city centre congestion, contribute towards the air quality and carbon neutrality action plans and to support additional investment in parking services and public transport. The following proposals have all been subject to consultation and are recommended for implementation:
- a) Parking charges to increase by 3% (rounded to nearest 10p). Most charges have not been subject to increase for many years.
 - b) Sunday parking – Introduction of a £2 flat rate for Sunday parking in all “central” Air Quality Management Area car parks (see 19.3 for full list), the access to which all fall within the existing Air Quality Management Area. (free provision would be maintained in all other car parks and additional disabled provision will be provided within the central area.)
 - c) Evening charging – A pilot of extending charging hours in “central” Air Quality Management Area car parks from 6pm to 7pm for a trial period of 6 months from July 2020. Usage surveys will be completed before and after implementation to test the impact of this change. The original proposal included in the budget consultation process was to extend to either 8pm or 10pm. 55% of responses disagreed with the 8pm proposal. It is therefore proposed that the pilot only extend to 7pm and to increase evening park and ride bus provision.
 - d) Park and Ride charging – Increasing charges by 50p per day. These charges have not been increased for over 10 years. The increased charge will still retain a significant differential between the cheapest city centre parking.
- 19.2 It is proposed that the changes in a) to d) above will, if approved, be implemented with effect from July 2020 or as soon as is practicable thereafter.
- 19.3 Parking in all car parks not within the “central” Air Quality Management Area zone would remain free on Sundays and after 6pm and customers will be encouraged through signage and promotion to use the “free” car parks wherever possible, to support the aim of reducing city centre traffic and improving air quality. The “central” car parks referred to above include:
- a) The Brooks
 - b) Middlebrook St
 - c) Colebrook St

- d) Friarsgate
- e) Guildhall Yard
- f) Jewry St
- g) Cossack Lane
- h) Upper Brook St
- i) St Peters St
- j) Tower St
- k) Gladstone St

- 19.4 In addition, it is recommended that parking discounts offered to a very limited number of organisations and also the weekly and monthly discounted tickets for Worthy Lane and Cattlemarket car parks cease. These were agreed many years ago to encourage increased use of these car parks. They are now at full capacity and continuing to offer discounts to a limited number of organisations is not recommended.
- 19.5 Alongside these changes, it is also proposed to implement additional park and ride services on weekday evenings and a free service on Sundays, funded from the additional income generated above. These additional services will be subject to contract and procurement. It is also proposed to revise the existing parking investment plan, approved by cabinet in January 2020 to take account of the additional investment set out in paragraph 17.1b) above. A revised plan will be prepared for the September 2020 Cabinet.
- 19.6 The budget consultation process highlighted mixed views in relation to parking proposals. There was support for Sunday charging and an increase in other charges. There was concern expressed regarding evening charges and the potential impact they could have and therefore the proposals above have been amended to reflect these views.

20 Winchester town charge – Section 35

- 20.1 In accordance with Section 35 of the Local Government Finance Act 1992 the Council has taken the decision in previous years to treat all expenses of the Council as general expenses other than those identified as special expenses. The Council endorsed this policy in February 2019.
- 20.2 Special expenses are costs incurred for the provision of an amenity or service that is primarily for the benefit of one locality. In the Winchester district these expenses are levied by the Council to cover the costs of local services in the Winchester town area which elsewhere would be dealt with by parish councils.
- 20.3 The services currently covered by special expenses are listed in Appendix D.
- 20.4 It is recommended that the policy as previously agreed by the Council on 14 July 1999 (minute 186), and confirmed in the budget and council tax report for 2019/20 is endorsed again. This is to treat all expenses of the Council as General Expenses other than those specifically identified and itemised in the

Winchester Town Account. In consequence of which the sum of £1,006,776 will be treated as Special Expenses under Section 35 of the Local Government Finance Act, 1992 in respect of the Winchester Town area, summarised in Appendix D.

- 21 The Winchester Town Forum met on 17 January 2019 and recommended the budget which is currently set out in Appendix D, including a proposed Council Tax increase of 3% for 2020/21.
- 22 Medium Term Financial Strategy
- 22.1 The Medium Term Financial Strategy (MTFS) is intended to set out the Council's strategic approach to the use and management of its financial resources and provide a framework within which decisions can be made.
- 22.2 Financial projections in Appendix A are shown over a ten year period to 2029/30 in order to provide insight into the longer term financial sensitivities and the earmarked reserves strategy.
- 22.3 The budget proposals set out in this report, if approved, contribute towards a balanced budget through to March 2022. Projections then indicate a potential budget deficit of £0.7m in 2022/23 increasing to over £2m from 2024/25. Reserves are projected to reduce significantly over this period, although it is proposed to retain provision in the Transitional reserve to address the projected deficits to March 2024. The MTFS however will need to focus on reducing net operating costs by that time by an estimated £2m.
- 22.4 The existing MTFS includes a specific focus on investment to generate additional future income. Whilst it is proposed to retain this aim within the strategy, it must be noted that strategic investments to date, whilst supporting city centre regeneration, have made little contribution to this aim of the MTFS and this approach cannot be relied on as a solution to the short to medium term shortfalls.
- 22.5 The outcome based budgeting approach that forms a key element of the existing MTFS has ensured the Council has maintained service provision in a climate of reducing resources. Significant savings, efficiencies and additional income have been identified, with over £1m budget reductions identified in 2019/20 and a further £2.5m of operational savings and £2.4m of additional recommendations included in this report.
- 22.6 To consider which options are available to the Council, consideration has been given to the different practice that exists across peers / other councils as well as assessing the current areas of strength that the Council can build upon. The current focus of the OBB has been to identify options to meet the financial challenge over the coming four years including short-term options and those requiring a longer lead-in time to develop the business case. Delivery of these options may require capital, revenue funding or the use of reserves.

23 Medium Term Financial Planning

23.1 The existing MTFS grouped the medium term financial challenge options around four themes; transformation, efficiency, asset management, and income generation. It is proposed to retain these themes. It should be recognised that scope for further operational efficiencies relies heavily on the Transformation programme and effective asset management.

23.2 TRANSFORMATION

- a) The Council Plan includes a commitment to improving service quality and accessibility and to deliver continuous service improvement. To support this, the existing Transformation and Customer Smart programme will lead on both service improvement and modernising services through an increased focus on improving digital service delivery.
- b) The Council will also need to consider how much funding it provides to a range of discretionary services. These services must remain affordable within the overall financial context and it is proposed to include a focus on “discretionary” services within this programme.

23.3 EFFICIENCY

- a) Efficiency review and planning plays a critical role in the continuing provision of high quality services by the most efficient and best value method of delivery. This strand of the OBB process is intended to review in detail the internal processes and ensuring these support the Council in delivering excellent services effectively. Significant savings have been achieved in recent years as a result of this work and future efficiencies will increasingly rely on the Transformation programme referred to above.
- b) Contract review and management is a key element in this strand, with total third party payments budgeted at almost £7m. The Council operates a number of significant ongoing contracts such as: leisure centre management, environmental services contract, and the park and ride bus contract. Ensuring that both current and future contracts offer the best possible value to the Council is of great importance.

23.4 ASSET MANAGEMENT

- a) The Council operates an extensive portfolio of property assets which are either used in the delivery of services or generate an income to the Council which in turn provides the resources to deliver services. It is important that following very significant reductions in government funding that existing assets are used as effectively as possible.
- b) The Council operates a significant property portfolio which generates rental income in excess of £3m per annum. Properties are let at

commercial rates with rent review periods built in as standard. A number of existing leases are due for review within the next few years and overall rental income is expected to increase significantly as a number of rent reviews are due in the life of the MTFS. There are substantial known rent reviews due that are expected to raise at least an additional £200k of income to the Council.

- c) The Council has an asset challenge programme. This process is reviewing all of the Council's assets on a rolling basis to establish why the Council holds assets, what options the Council has e.g. to increase income, dispose, hold or develop, and when these can be realised. The Council is currently holding a number of assets for strategic purposes which are not delivering any financial return. A number of these assets are linked to major projects such as Central Winchester Regeneration, Station Approach, and the new Winchester sport and leisure centre. Options for the sale or use of these assets will be brought forward as soon as practicable but only where the business case can demonstrate the proposals are affordable when considered alongside the financial challenges outlined in the medium term financial projections.
- d) The capital strategy provides the opportunity for investment in new or existing assets should they meet the aims of the Council Plan and generate a financial return to the Council.

23.5 INCOME GENERATION

- a) Opportunities to invest which also generate a financial return, either through reductions in cost or income generation, are assessed on a case by case basis. The recent increase in the PWLB borrowing rates has had a significant impact on the scope for income generation from investment. Opportunities will continue to be reviewed in line with the SAP governance process.
- b) Fees and charges are subject to annual review in order to ensure they are fair and, where appropriate, operate on a full cost recovery basis. Fees and charges are expected to increase by at least inflation every year in order to achieve these objectives.

24 Strategic reserves

- 24.1 The Council holds strategic reserves for specific purposes which are consistent with corporate priorities. These reserves are a key source of funding, helping to support specific service strategies and plans. They are also critical to our ability to fund the transformation of services and ability to invest in order to generate the necessary savings to balance the budget over future years. This includes one-off costs in relation to service and staffing reviews as well as investing in systems to help develop digital service delivery.

- 24.2 Whilst the Council started in April 2019 with a healthy overall balance of earmarked reserves, there are significant existing budget commitments particularly in relation to major projects such as the new Winchester sport and leisure centre, Station Approach, and central Winchester regeneration. In particular the Major Investment reserve, which has historically been the main reserve used to support revenue expenditure for major projects, is forecast to reduce from £8.7m in April 2019 to £0.8m by March 2023.
- 24.3 The creation of a new Transition Reserve was approved by Cabinet in October 2019 (CAB3178). The purpose of this reserve is to both support the significant financial risks faced by the Council in relation to government funding reductions and also to enable investment in the Council Plan (for example supporting the Climate Emergency). The worst case scenario regarding government funding would be that the new homes bonus and business rates retention reductions are not included in any government assessment of transition/damping funding. This decision alone would reduce the funding forecasts by £4.56m from the period 2021/22 to 2023/24. This highlights the importance of holding a transition reserve to mitigate an element of this risk and provide time for any further change plans to be implemented.
- 24.4 In summary, reserves are used to support:
- a) Funding of the capital programme
 - b) Investment in transformation
 - c) Funding one-off costs associated with staffing reviews and organisational development work.
 - d) Providing one-off support for service budgets (such as the local plan)
 - e) Community infrastructure plans
 - f) Council Plan support
 - g) Asset management plans, IT strategy, Car parking strategy
 - h) Winchester town account (notably major refurbishment and replacements of play areas.)
- 24.5 It is important to note that reserves are finite and can therefore only be used to fund one-off expenditure. One-off expenditure can include projects which span a number of financial years but cannot include recurring expenditure such as utilities.
- 24.6 The proposed baseline budget for 2020/21 also includes fixed annual contributions to various earmarked reserves including: Property – asset management £300k; Car parks property £350k and IMT strategy £280k

24.7 Total General fund earmarked reserves are forecast to reduce from £28.1m at 01 April 2019 to £17.4m at 31 March 2023. The forecast closing balances (31 March 2023) of key earmarked reserves are summarised below;

- a) Operational reserves (£1.6m), significantly the major investment reserve, are revenue reserves which can be used to support revenue or capital expenditure, for example major projects.
- b) Risk reserves (£5.0m), such as business rates retention, are available to mitigate risks faced by the Council. The overall levels are reviewed each year in line with the medium term financial strategy.
- c) Asset reserves (£4.6m), such as the asset management reserve, are used to maintain existing council assets and are supported by spending plans such as the asset management plan.
- d) Restricted reserves (£6.2m), such as the Community Infrastructure Levy, can only be used for restricted purposes and therefore must be considered separately to other reserves which can be used for wider purposes.

24.8 The general fund has a forecast £1.3m underspend in 2019/20. Any balance at year end after adjustments will transfer to the Transition Reserve.

24.9 A summary of earmarked reserves is included at Appendix C. These have all been reviewed as part of the budget process and the levels are considered to be appropriate.

25 Balances / risk reserves

25.1 The Council also maintains a general balance which is held to mitigate against any potential financial risks. These could be known risks or completely unforeseeable risks. As a general guide the minimum balance will be 15% of net revenue expenditure and so the current balance of £2.789m can give some additional cushioning particularly against the uncertainty of government funding over the medium term projections.

25.2 A minimum balance of £1m is held within the business rates retention reserve in order to provide mitigation against the short term risks of a reduction in income, for example an unexpected increase in successful appeals.

26 Adequacy of reserves and robustness of estimates

26.1 There are specific requirements under Section 25 of the Local Government Act, 2003, for the Chief Finance Officer to provide a positive assurance statement about the adequacy of proposed financial reserves and the robustness of estimates made for the purposes of the Budget calculation.

- 26.2 Reserves are detailed in this report and specific comment is made on the most significant balances. The general fund working balance is discussed above and is considered to be adequate.
- 26.3 When considering the robustness of estimates for the budget calculation for the current year savings and increased income proposals included in the budget must be considered to be achievable. Considerable savings have been achieved to date, and the recent experience has been that compensating savings have been found to cover unforeseen growth pressures. . The purpose of reserves, in particular the general fund working balance, is to provide a cushion for these variations.
- 26.4 The S151 officer is able to provide positive assurance on the robustness of the estimates, within the context of the overall budget and reserve levels, for the purpose of the budget calculations for the next year.)

27 OTHER OPTIONS CONSIDERED AND REJECTED

- 27.1 A number of options set out in CAB3178 (Outcome Based Budgeting Challenge – 23 October 2019) have not been brought forward at this stage, including changes to the CCTV service and community transport.
- 27.2 The option to not implement the savings proposals set out in paragraph 18 and to rely on reserves to meet projected shortfalls has been considered. The uncertainty regarding future funding makes it essential to retain a reasonable level of operational reserves. This is particularly important when the existing commitments from these reserves are recognised and their importance in supporting the capital programme.

BACKGROUND DOCUMENTS:-

Budget Consultation results - <https://winchester.citizenspace.com/policy/wcc-budget-consultation/>

Previous Committee Reports:-

CAB3178 – Outcome Based Budgeting Challenge dated 23 October 2019

CAB3212 – Budget Update – Fees and Charges dated 22 January 2020

Other Background Documents:-

Budget Consultation On line Survey Results

APPENDICES:

Appendix A: General Fund Medium Term Financial Projections

Appendix B: Budget Consultation Proposals

Appendix C: Reserves

Appendix D: Winchester Town Account

Council Tax Base			1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%
Council Tax - Band D £		3.0%	3.0%	3.0%	3.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Contractual Inflation		2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Pay Inflation		2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

General Fund Revenue (£m)	Forecast 2019/20	Budget 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26	Forecast 2026/27	Forecast 2027/28	Forecast 2028/29	Forecast 2029/30
Funding											
Council Tax (excluding Parish Precepts)	7.789	8.146	8.458	8.786	9.127	9.401	9.683	9.973	10.273	10.582	10.901
Retained Business Rates	4.320	5.151	2.939	2.983	3.016	3.095	3.127	3.127	3.127	3.127	3.127
New Homes Bonus	2.353	2.839	1.382	0.970							
Damping - 5% cap on total resource reduction			1.872	1.388	1.126						
Revenue Support Grant & Other Grants	0.396	0.280	0.200	0.200	0.200	0.200	0.200	0.200	0.200	0.200	0.200
	14.858	16.416	14.852	14.328	13.470	12.696	13.010	13.301	13.601	13.910	14.229
Investment Activity	2.503	2.055	0.460	0.016	0.419	0.418	0.491	0.533	0.577	0.622	0.667
Resources available	17.361	18.471	15.312	14.343	13.889	13.114	13.501	13.834	14.178	14.532	14.896
Baseline Net Expenditure											
Gross Income	14.074	14.217	15.637	17.126	17.609	17.733	18.113	17.976	18.112	18.074	18.107
Gross Expenditure	-29.434	-29.579	-29.699	-30.049	-30.494	-31.039	-31.600	-32.176	-32.768	-33.364	-33.472
Unavoidable Growth - ESC		-0.237	-0.473	-0.473	-0.473	-0.473	-0.473	-0.473	-0.473	-0.473	-0.473
Unavoidable Growth - Parking Enforcement		-0.050	-0.050	-0.050	-0.050	-0.050	-0.050	-0.050	-0.050	-0.050	-0.050
Unavoidable Growth - HCC Recycling			-0.500	-0.500	-0.500	-0.500	-0.500	-0.500	-0.500	-0.500	-0.500
Baseline resource requirements	-15.360	-15.648	-15.085	-13.945	-13.908	-14.329	-14.510	-15.223	-15.679	-16.313	-16.388
One-off budgets & Reserve Related Movements	-2.000	-2.823	-0.227	-1.073	-1.144	-1.145	-1.145	-1.145	-1.145	-0.842	-0.839
Total net resource requirements	-17.361	-18.471	-15.312	-15.018	-15.052	-15.474	-15.656	-16.369	-16.824	-17.155	-17.227
Budget Surplus / (Shortfall)	0.000	0.000	0.000	-0.675	-1.163	-2.360	-2.155	-2.535	-2.646	-2.623	-2.332
<i>% of Gross Expenditure</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>2.2%</i>	<i>3.8%</i>	<i>7.6%</i>	<i>6.8%</i>	<i>7.9%</i>	<i>8.1%</i>	<i>7.9%</i>	<i>7.0%</i>

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Operational Savings

Efficiency			2020/21 £000	2021/22 £000	2022/23 £000	Full Year / 2023/24 £000
1	HRA Recharges	Additional provision of services to the HRA, mainly related to additional services procured internally through Special Maintenance rather than through an external provider	150	150	150	150
2	Benefits	Based on 2018/19 outturn and estimates for 2019/20 it is estimated that costs recovered will be around £100k higher than the current budget	100	100	100	100
3	Hampshire Cultural Trust	Annual 5% grant reductions as notified to the Trust in March 2018	17	32	47	57
4	Review of Software Licenses	A review of existing software licenses has identified contract efficiencies of £56k per annum through renegotiations	56	56	56	56
5	Disabled Facilities Grant (DFG)	Fund 60% of Private Housing employee work from the Disabled Facilities Grant		30	30	30
6	HRA staff recharges to the General Fund	A review of Housing recharges from the Housing Revenue Account to the General Fund (for Private Sector Housing) is anticipated to lead to a 20% reduction due to restructures commencing from 2019/20	27	27	27	27
7	Reduced staff recharges to the HRA	Community Planning Manager / Community Development Officer / Active Lifestyles Assistant	-51	-51	-51	-51
32	Community Support Service	service to evolve change from hands-on support to a model of signposting to online resources and self-help.			32	32
8	Business Travel Review	Review of business travel (including casual mileage, essential users and train travel) and consideration of expanding the use of electric vehicles		25	25	25
9	Tree works	Reduce resources by completing tree survey risk assessment followed by short-term tree works			20	20
10	HCC Archives	Negotiations completed to reduced the current storage fee	10	10	10	10
11	Guildhall	Operations review of events and target to reach balanced trading by March 2021	100	140	140	140
31	Community Grant Programme	Annual managed reductions in community grant agreements	25	25	25	70

Income Generation

12	Car Parking Usage	Additional car parking usage as identified during the 2018/19 outturn and reflected in 2019/20 forecasts	350	350	350	350
13	Asset Management - Rent Reviews	Based on planned rent reviews during 2020/21	15	150	200	200
30	Asset Management	Additional income / savings from targeted reviews of existing council owned assets		50	100	600
35	Employment and Skills Plan	A developer fee paid to the council in order to discharge ESP agreements. This would allow the council to increase apprentice support and growth within the district whilst also recovering the costs of providing the service from developers	0	20	50	100
15	Planning Fees	Increase in overall applications leading to income growth	100	100	100	100
16	Review of Legal Fees and Charges	Increase / introduce litigation and S106 charges / Planning Appeals	50	50	50	50
17	Other Legal fees and charges	Optimising legal fees and charges to ensure cost recovery in line with national court rates			35	35
18	Digital signage	Digital advertising screens in TIC and Guildhall	2	5	10	18
19	Community worker	Management fee for new developer - Kings Barton	3	3	3	3

Transformation

20	Staffing Reviews	Review of resources within Built Environment, Communications and Housing	259	326	376	376
21	Human resources	The new organisational structure should ensure less reliance and expenditure on external HR advisors		10	10	10

Totals

1,213	1,608	1,895	2,508
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Potential Impact of Emerging Parking Strategy

			2020/21 £000	2021/22 £000	2022/23 £000	Full Year £000
22	Winchester District parking charges	An inflationary increase of around 3% to specific car parks	100	200	300	400
23	Evening Parking Charges	Charging hours extended until 8pm	143	286	286	286
24	Sunday Parking Charges	Introduction of a £2 flat rate charge in central car parks only	139	278	278	278
25	Park and Ride	Rise in daily charges by 50p per day: £3.50 (peak) and £3.00 (off-peak)	186	186	186	186
26	Cease parking discounts	Removal of parking concessions for Cattlemarket and Worthy Lane car parks	70	70	70	70
Totals			638	1,020	1,120	1,220

Additional Savings/Income Options to Address Medium Term Shortfalls

			2020/21 £000	2021/22 £000	2022/23 £000	Full Year £000
27	Garden Waste Charging	Introducing a charge which covers the cost of delivering the service delivers (full year cost savings of £900k)	150	900	900	900
33	Council Tax	Increase council tax increase assumptions from 2% per annum to 3% per annum	70	142	216	292
34	Reduce provision of WCs in Winchester town	Closure of two city centre public conveniences and reprocurement of cleaning contract		50	50	50
Totals			220	1,092	1,166	1,242

GENERAL FUND EARMARKED RESERVES (£000)

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Outturn						Forecast end of year balances						
OPERATIONAL RESERVES												
Major Investment Reserve	(8,681)	(5,923)	(4,036)	(1,795)	(844)	(844)	(844)	(844)	(844)	(844)	(844)	(844)
Transformation	(667)	(547)	(420)	(383)	(383)	(383)	(383)	(383)	(383)	(383)	(383)	(383)
Council Strategy Support	(611)	(98)	()	()	()	()	()	()	()	()	()	()
Community Grants & Commissions	(319)	(218)	(218)	(218)	(218)	(218)	(218)	(218)	(218)	(218)	(218)	(218)
Flood Support Schemes	(74)											
Homelessness Prevention												
Landscape Mitigation	(16)											
Local Development Framework (LDF)	(454)	(364)	(199)									
Museums Publications	()											
New Burdens	(679)	(323)	(150)	(140)	(140)	(140)	(140)	(140)	(140)	(140)	(140)	(140)
	(11,501)	(7,473)	(5,023)	(2,536)	(1,585)	(1,585)	(1,585)	(1,585)	(1,585)	(1,585)	(1,585)	(1,586)
ASSET RESERVES												
Property - Asset Management Reserve	(3,265)	(3,320)	(3,215)	(3,215)	(3,215)	(3,215)	(3,215)	(3,215)	(3,215)	(3,215)	(3,215)	(3,215)
Car Parks Property	(2,511)	(2,125)	(1,335)	(874)	(1,024)	(1,174)	(1,324)	(1,474)	(1,624)	(1,774)	(1,924)	(2,074)
Information Management and Technology	(571)	(528)	(516)	(271)	(372)	(342)	(300)	(353)	(310)	(394)	(435)	(372)
	(6,347)	(5,973)	(5,067)	(4,361)	(4,611)	(4,732)	(4,840)	(5,043)	(5,150)	(5,383)	(5,574)	(5,661)
RESTRICTED RESERVES												
S106 (Interest)	(120)	(120)	(120)	(120)	(120)	(120)	(120)	(120)	(120)	(120)	(120)	(120)
Community Infrastructure Levy - General Fund	(7,603)	(7,503)	(6,029)	(5,529)	(5,529)	(5,529)	(5,529)	(5,529)	(5,529)	(5,529)	(5,529)	(5,529)
Community Infrastructure Levy - Winchester Town	(793)	(793)	(373)	(373)	(373)	(373)	(373)	(373)	(373)	(373)	(373)	(373)
Winchester Town Reserve	(433)	(353)	(309)	(47)	(144)	(224)	(185)	(197)	(208)	(369)	(531)	(692)
	(8,950)	(8,770)	(6,832)	(6,070)	(6,167)	(6,247)	(6,208)	(6,220)	(6,231)	(6,392)	(6,554)	(6,715)
RISK RESERVES												
Municipal Mutual Insurance	(139)	(139)	(139)	(139)	(139)	(139)	(139)	(139)	(139)	(139)	(139)	(139)
Transitional Reserve		(1,027)	(2,511)	(3,012)	(3,864)	(3,864)	(3,864)	(3,864)	(3,864)	(3,864)	(3,864)	(3,864)
Business Rates Retention	(1,167)	(464)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
	(1,305)	(1,629)	(3,649)	(4,150)	(5,002)	(5,002)	(5,002)	(5,002)	(5,002)	(5,002)	(5,002)	(5,002)
Total General Fund Earmarked Reserves	(28,104)	(23,845)	(20,571)	(17,117)	(17,366)	(17,567)	(17,636)	(17,850)	(17,968)	(18,364)	(18,716)	(18,965)
General Fund Balance	(2,789)	(2,789)	(2,789)	(2,789)	(2,789)	(2,789)	(2,789)	(2,789)	(2,789)	(2,789)	(2,789)	(2,789)
Usable Capital Receipts Reserve - General Fund	(5,953)	(3,949)	(3,511)	(1,386)	(1,089)	(921)	(1,256)	(1,594)	(1,936)	(2,281)	(2,630)	(2,982)

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WINCHESTER TOWN ACCOUNT - Financial Projections

	2019/2020 Forecast	2020/2021 Forecast	2021/2022 Forecast	2022/2023 Forecast	2023/2024 Forecast	2024/2025 Forecast	2025/2026 Forecast	2026/2027 Forecast
Assumptions:								
Contract inflation		2%	2%	2%	2%	2%	2%	2%
Utilities		5%	5%	5%	5%	5%	5%	5%
Percentage increase in tax		3%	2%	2%	2%	0%	0%	0%
Tax Base	13,981	14,126	14,296	14,467	14,641	14,817	14,994	15,174

	2019/2020 Forecast	2020/2021 Forecast	2021/2022 Forecast	2022/2023 Forecast	2023/2024 Forecast	2024/2025 Forecast	2025/2026 Forecast	2026/2027 Forecast
	£	£	£	£	£	£	£	£
Cost of Services								
Total Recurring Budgets	899,828	911,609	923,659	935,985	948,594	961,494	974,692	988,195
Total One-off Budgets	97,287	155,704	30,935					
Total Cost of Services	997,115	1,067,313	954,594	935,985	948,594	961,494	974,692	988,195
Taxation and Non-specific grant income								
Council Tax Income	(967,335)	(1,006,776)	(1,039,300)	(1,072,749)	(1,107,291)	(1,120,578)	(1,134,025)	(1,147,633)
Interest on Balances	(4,330)	(986)	(3,090)	(468)	(1,440)	(2,242)	(1,855)	(1,967)
Total Taxation and Non-specific grant income	(971,665)	(1,007,762)	(1,042,390)	(1,073,217)	(1,108,731)	(1,122,820)	(1,135,880)	(1,149,600)
Transfers to/(from) Earmarked reserves								
(Surplus added to Reserves) / Deficit taken from Reserves	25,450	59,551	(87,796)	(137,232)	(160,137)	(161,326)	(161,188)	(161,405)
Capital Expenditure funded by Town Reserve	105,000	84,000	350,000	40,000	80,000	200,000	150,000	150,000
Release from Town Community Infrastructure Levy Reserve	(50,000)	(100,000)						
Opening Reserve Balance (at 1st April)	(433,003)	(352,553)	(309,002)	(46,798)	(144,030)	(224,167)	(185,493)	(196,681)
Closing Reserve Balance (carried forward)	(352,553)	(309,002)	(46,798)	(144,030)	(224,167)	(185,493)	(196,681)	(208,086)
Closing Reserves forecast as % of net expenditure (Target = 10%)	35%	29%	5%	15%	24%	19%	20%	21%

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DISTRICT, TOWN & PARISH COUNCIL PRECEPTS

	2019/20			2020/21			Council Tax Increase
	Tax Base	Precepts £	Council Tax Band D (£)	Tax Base	Precepts £	Council Tax Band D (£)	
BILLING AUTHORITY							
WINCHESTER	49,307.47	6,849,794	138.92	49,960.28	7,148,816	143.09	3.0%
SPECIAL AREAS							
(BILLING AUTHORITY)							
WINCHESTER TOWN	13,980.82	967,335	69.19	14,126.22	1,006,776	71.27	3.0%
PARISHES/TOWN							
BADGER FARM	963.01	60,405	62.73	968.58	60,405	62.36	(0.6%)
BEAUWORTH	57.14	0	0.00	58.79	0	0.00	0.0%
BIGHTON	176.71	3,850	21.79	176.00	4,000	22.73	4.3%
BISHOPS SUTTON	205.68	6,500	31.60	205.68	6,500	31.60	0.0%
BISHOPS WALTHAM	2,666.79	446,475	167.42	2,695.77	459,171	170.33	1.7%
BOARHUNT	316.46	24,150	76.31	331.43	25,360	76.52	0.3%
BRAMDEAN & HINTON AMPNER	214.86	7,500	34.91	222.70	7,500	33.68	(3.5%)
CHERITON	325.01	25,260	77.72	327.31	25,765	78.72	1.3%
CHILCOMB	61.65	0	0.00	60.96	0	0.00	0.0%
COLDEN COMMON	1,579.57	185,675	117.55	1,593.30	191,064	119.92	2.0%
COMPTON & SHAWFORD	867.74	27,823	32.06	870.77	28,108	32.28	0.7%
CORHAMPTON & MEONSTOKE	416.29	17,779	42.71	424.46	17,320	40.80	(4.47%)
CRAWLEY	224.41	15,000	66.84	223.32	17,500	78.36	17.2%
CURDRIDGE	646.09	49,118	76.02	662.48	53,969	81.47	7.2%
DENMEAD	2,659.27	413,374	155.45	2,695.98	429,624	159.36	2.5%
DROXFORD	342.14	32,392	94.67	344.36	37,665	109.38	15.5%
DURLEY	467.17	26,000	55.65	471.15	28,000	59.43	6.8%
EXTON	136.89	675	4.93	137.79	675	4.90	(0.61%)
HAMBLEDON	518.47	22,000	42.43	514.76	22,440	43.59	2.7%
HEADBOURNE WORTHY	489.88	8,805	17.97	550.99	22,180	40.25	124.0%
HURSLEY	435.72	20,000	45.90	439.80	21,000	47.75	4.0%
ITCHEN STOKE & OVINGTON	131.13	5,725	43.66	127.44	6,225	48.85	11.9%
ITCHEN VALLEY	734.95	32,566	44.31	746.19	33,706	45.17	1.9%
KILMESTON	141.36	4,564	32.29	140.69	4,564	32.44	0.5%
KINGS WORTHY	1,904.18	154,315	81.04	1,900.48	164,579	86.60	6.9%
LITTLETON & HARESTOCK	1,513.65	109,214	72.15	1,512.40	109,120	72.15	0.0%
MICHELDEVER	674.29	49,000	72.67	680.69	49,000	71.99	(0.9%)
NEW ALRESFORD	2,287.02	309,701	135.42	2,326.83	322,969	138.80	2.5%
NEWLANDS	641.39	33,052	51.53	757.89	32,084	42.33	(17.9%)
NORTHINGTON	125.77	3,900	31.01	130.56	4,500	34.47	11.2%
OLD ALRESFORD	255.63	15,544	60.81	256.88	36,544	142.26	133.9%
OLIVERS BATTERY	761.58	27,000	35.45	767.04	28,000	36.50	3.0%
OTTERBOURNE	702.79	38,255	54.43	714.15	40,084	56.13	3.1%
OWSLEBURY	389.71	22,316	57.26	392.22	23,816	60.72	6.0%
SHEDFIELD	1,790.32	101,788	56.85	1,853.29	101,851	54.96	(3.3%)
SOBERTON	843.48	32,626	38.68	844.39	34,444	40.79	5.5%
SOUTH WONSTON	1,266.48	104,175	82.26	1,258.23	106,260	84.45	2.7%
SOUTHWICK & WIDLEY	252.76	15,000	59.34	258.43	22,000	85.13	43.5%
SPARSHOLT	305.98	18,294	59.79	304.54	19,209	63.08	5.5%
SWANMORE	1,438.50	207,640	144.34	1,454.21	216,409	148.82	3.1%
TICHBORNE	114.58	4,195	36.61	117.59	4,305	36.61	0.0%
TWYFORD	743.89	98,250	132.08	745.32	107,027	143.60	8.7%
UPHAM	362.62	25,000	68.94	366.90	27,250	74.27	7.7%
WARNFORD	115.12	1,300	11.29	116.80	1,400	11.99	6.2%
WEST MEON	386.35	33,237	86.03	389.10	34,234	87.98	2.3%
WHITELEY	1,302.91	131,695	101.08	1,304.55	135,925	104.19	3.1%
WICKHAM	1,728.84	215,183	124.47	1,754.84	221,638	126.30	1.5%
WONSTON	640.42	38,000	59.34	636.03	38,000	59.75	0.7%
TOTAL/AVERAGE	49,307.47	4,191,651	85.01	49,960.28	4,390,165	87.87	3.4%
PARISH/TOWN TOTAL	35,326.65	3,224,316	91.27	35,834.06	3,383,389	94.42	
WINCHESTER TOWN	13,980.82	967,335	69.19	14,126.22	1,006,776	71.27	
TOTAL	49,307.47	4,191,651	85.01	49,960.28	4,390,165	87.87	

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REPORT TITLE: ACTIONS & FEEDBACK FROM SCRUTINY COMMITTEE
MEETING 5 FEBRUARY 2020.

12 FEBRUARY 2020

REPORT OF SCRUTINY CHAIRPERSON: COUNCILLOR BROOK

Contact: Tel No: 01962 848 317 Email cbrook@winchester.gov.uk

WARD(S): ALL

PURPOSE

Scrutiny Committee at its meeting on the 5th February 2020 was requested to comment on the proposals within the following Cabinet reports:

1. Medium Term Financial Strategy, Budget and Council Tax 2020/21. (Reports SC016 & CAB3211)
2. Capital Investment Strategy 2020-2030 (SC017 & CAB3209)
3. Treasury Management Strategy 2020/21 (SC019 & CAB3218)
4. Housing Revenue Account (HRA) Budget 2020/21 & Business Plan (SC018 & CAB3214)
5. Q3 Financial and Performance Monitoring (SC020 & CAB3222)

The purpose of this report is to provide Cabinet with the actions and feedback agreed by the Scrutiny Committee in time for its meeting of the 12th February 2020.

RECOMMENDATIONS:

That Cabinet note the agreed actions attached at Appendix 1 of this report.

Appendices:

Appendix 1 – Agreed actions and feedback from Scrutiny Committee, 5 February 2020

Agreed actions and feedback from Scrutiny Committee, 5 February 2020

Medium Term Financial Strategy, Budget and Council Tax 2020/21 (Report SC016 and CAB3211)

1. When approving the closure of the public conveniences at Middlebrook St and Worthy Lane consideration be given to demand and availability of 24hr public toilet provision in Winchester
2. Members to have regard to the action plan arising from the internal audit undertaken into the implementation of the glass recycling bins when considering the introduction of an enhanced garden waste service.
3. That the budget for 2020/21 as set out recommends a 3% increase in Council Tax despite forecast 'windfall' savings

Capital Investment Strategy 2020-30 (SC017 and CAB 3209)

No comments to be forwarded to Cabinet

Treasury Management Strategy 2020/21 (SC019 and CAB3218)

No comments to be forwarded to Cabinet

Housing Revenue Account (HRA) Budget 2020/21 & Business Plan (SC018 and CAB3214)

No comments to be forwarded to Cabinet

Q3 Financial and Performance Monitoring (SC020 and CAB3222)

1. That a member briefing be arranged to take place before consideration of the next quarterly monitoring report to cover the new key performance indicators (KPIs)
2. Cabinet members responsible for projects be asked to endeavour to attend Scrutiny Committee and to answer members' questions.
3. That details of the review of the Partnered Home Purchase (PHP) pilot scheme be shared by email with members in a report.
4. That the Cabinet Member for Built Environment and Wellbeing confirm custom house build initiatives is being considered and included in the development of the Local Plan.

EXTRACT OF DRAFT MINUTES

CABINET

12 FEBRUARY 2020

9. **HOUSING REVENUE ACCOUNT (HRA) BUDGET 2020/21 & BUSINESS PLAN (CAB3214)**

The Leader invited the two TACT representatives present, Monica Gill and David Fawcitt, to the table to take part in the discussion on this item.

Councillor Learney introduced the report and highlighted the key proposals contained therein. She noted that the proposals had been considered by The Scrutiny Committee on 5 February who had no comments for Cabinet.

Monica Gill (TACT) confirmed that the proposed budget had been discussed with TACT members who were in support.

At the invitation of the Leader, Councillor Horrill addressed the meeting as summarised briefly below.

Supported the proposed budget and the proposals outlined in the report, including for fire improvements, tackling climate change and community projects. Reiterated comments made previously regarding the lack of a wider forum for discussion of the proposals.

Cabinet agreed the following recommendations to Council for the reasons set out above and outlined in the report.

RECOMMENDED:

1. THAT THE 2020/21 HOUSING REVENUE ACCOUNT BUDGET AND FINAL FORECAST FOR 2019/20 BE APPROVED, AS DETAILED IN APPENDICES 1 AND 2 TO THE REPORT.
2. THAT A RENT INCREASE IN 2020/21 BE APPROVED IN ACCORDANCE WITH THE GOVERNMENT'S NATIONAL RENT STANDARD (SEPTEMBER CPI + 1%) RESULTING IN AN AVERAGE RENT INCREASE OF 2.7%.
3. THAT CAPITAL EXPENDITURE IN 2020/21 OF £9.1M BE APPROVED FOR THE MAINTENANCE, IMPROVEMENT AND RENEWAL PROGRAMME AS DETAILED IN APPENDIX 3 OF THE REPORT, IN ACCORDANCE WITH FINANCIAL PROCEDURE RULE 6.4.

4. THAT CAPITAL EXPENDITURE IN 2020/21 OF £26.91M BE APPROVED FOR THE NEW BUILD PROGRAMME AS DETAILED IN APPENDIX 4 OF THE REPORT, IN ACCORDANCE WITH FINANCIAL PROCEDURE RULE 6.4.

5. THAT FUNDING FOR THE HRA CAPITAL PROGRAMME BE APPROVED, AS DETAILED IN APPENDIX 5 OF THE REPORT, INCLUDING THE ADDITIONAL BORROWING REQUIREMENT.

6. THAT THE HRA FINANCIAL PLAN OPERATING ACCOUNT EXTRACT BE APPROVED, INCLUDING ANNUAL WORKING BALANCES, AS DETAILED IN APPENDIX 6.

RESOLVED:

That delegated authority be given to the Corporate Head of Housing, in consultation with the Strategic Director (Services) and the Cabinet Member for Housing and Asset Management, to make adjustments to the overall Maintenance, Improvement and Renewal programme as set out in Appendix 3 to the report.

REPORT TITLE: HOUSING REVENUE ACCOUNT (HRA) BUDGET 2020/21 AND BUSINESS PLAN

12 FEBRUARY 2020

REPORT OF CABINET MEMBER: Cllr Kelsie Learney, Cabinet Member for Housing and Asset Management

Contact Officer: Richard Burden Tel No: 01962 848 162 Email rburden@winchester.gov.uk

WARD(S): ALL

PURPOSE

This report requests approval for the proposed HRA revenue budget for 2020/21, as detailed in Appendices 1 and 2.

The report also requests approval for the capital programme forecast for 2019/20, budget proposal for 2020/21 and 10 year plan to 2029/30. These figures are detailed in Appendices 3 and 4, taking account of the funding shown in Appendix 5.

The 2020/21 budget proposal and 10 year plan maintains a long term sustainable HRA Financial Plan accommodating the future maintenance requirements from the latest stock condition survey. The survey maintains the policy of keeping existing stock at above decent homes standards and provides for substantial investment in new housing.

RECOMMENDATIONS:

1. That delegated authority be given to the Corporate Head of Housing, in consultation with the Strategic Director (Services) and the Cabinet Member for Housing and Asset Management, to make adjustments to the overall Maintenance, Improvement and Renewal programme as set out in Appendix 3 to the report.

That Cabinet recommend that Council;

2. Approve the 2020/21 Housing Revenue Account budget and final forecast for 2019/20, as detailed in Appendices 1 and 2 to this report.
3. Approve a rent increase in 2020/21 in accordance with the Government's national rent standard (September CPI + 1%) resulting in an average rent increase of 2.7%.
4. Approve capital expenditure in 2020/21 of £9.1m for the Maintenance, Improvement and Renewal programme as detailed in Appendix 3 of the report, in accordance with Financial Procedure Rule 6.4
5. Approve capital expenditure in 2020/21 of £26.91m for the New Build programme as detailed in Appendix 4 of the report, in accordance with Financial Procedure Rule 6.4.
6. Approve funding for the HRA Capital Programme, as detailed in Appendix 5, including the additional borrowing requirement.
7. Approve the HRA Financial Plan operating account extract, including annual working balances, as detailed in Appendix 6.

IMPLICATIONS:1 COUNCIL PLAN OUTCOME

- 1.1 “Homes for All” is one of the 5 priority outcomes of the Council Plan 2020 – 2025. A key objective is to support those residents who require assistance meeting their housing needs by continuously maintaining the Council housing stock and by providing a range of housing options. Outstanding management of housing capital and revenue budgets plays a central part in delivering this objective.

2 FINANCIAL IMPLICATIONS

- 2.1 These are fully detailed in section 11 of this report, in summary:
- 2.2 The proposed HRA budget for 2020/21 shows a surplus of £1.26m.
- 2.3 Employee costs take into consideration an assumed pay award of 2.5% from April 2020.
- 2.4 Revenue repairs budgets take into consideration inflationary increases for 2020/21, as shown in Appendix 1.
- 2.5 Dwelling rents take into consideration the Ministry of Housing Communities and Local Government (MHCLG) rent standard from April 2020. Under the rent standard, rents can increase by CPI + 1% in 2020/21 resulting in an average increase of 2.7%. The business plan projections set out in appendix 6 also take full account of this standard, assuming rents increase by CPI + 1% for 5 years from 2020/21 and by base CPI only annually after that.
- 2.6 Other income, including garage rents, are assumed to increase by 3% in 2020/21.
- 2.7 The housing services capital programme is based on the HRA stock condition survey and uplifted by RPI.
- 2.8 The proposed 2020/21 budget includes a £1m fire safety provision to support recommendations arising from the Hackett review.
- 2.9 In support of the Council plan priority for a carbon neutral district by 2030, the 2020/21 budget includes a Climate Emergency provision of £1m. The financial plan also assumes an overall investment of £10.7m over the next 9 years.
- 2.10 The 2020/21 budget also includes a provision of £400k to fund Estate Improvements.
- 2.11 The new build programme includes scheme completions that are currently on site and due for completion in 2020/21.

- 2.12 The 2020/21 revenue & capital budgets have been tested in the HRA 30 year financial model to include the impact on the HRA carrying balance and funding requirements.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 The Council is required to maintain a separate Housing Revenue Account (HRA) with a positive working balance, set at a minimum of £1.1m, increased by RPI each year. The Local Government and Housing Act 1989 prohibit the Council operating its HRA at a deficit. Effective management of the HRA is necessary to ensure that statutory requirements are met. The proposed balanced budget meets this obligation.
- 3.2 Notices of any increase in rent have to be sent to tenants 28 days in advance of the new charges coming into effect.

4 WORKFORCE IMPLICATIONS

- 4.1 The 2020/21 budget assumes a cost of living increase of 2.5% on staffing costs.

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 The capital programme for the next 10 years ensures that major works identified in the stock condition survey continue to be carried out to ensure that existing Council stock not only maintains decent homes standards but also improves energy efficiency and contributes to carbon reduction targets.

6 CONSULTATION AND COMMUNICATION

- 6.1 A briefing paper on the key points of this report was discussed at the Tenants and Council Together (TACT) meeting on 15 January 2020. TACT are supportive of the proposals and will be invited to speak at the relevant point of the Cabinet meeting on 12 February 2020.

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 The investment in property and estates set out in this report has a direct impact on improving the environment, including upgraded heating systems and estate improvement works.
- 7.2 The HRA Business Plan and capital programme includes provision of £10.7m to support investment to address the Climate Emergency Council Plan priority.

8 EQUALITY IMPACT ASSESSMENT

- 8.1 The HRA budget is delivered in line with the Council's housing strategy which was subject to an equality impact assessment.

8.2 This includes ensuring that recruitment and selection methods are fair, systematic, unbiased and based solely on merit using only rational objective & job related criteria.

8.3 The 2020/21 HRA revenue budget includes the provision of equality training within the training budgets.

9 DATA PROTECTION IMPACT ASSESSMENT

9.1 None.

10 RISK MANAGEMENT

10.1 The key risks impacting on the HRA budget are shown below:

Risk	Mitigation	Opportunities
<i>Property That the Council fails to adequately maintain housing stock and their condition falls below decent homes standards.</i>	An effective and well funded programme of capital works linked to comprehensive stock condition survey and sound planning ensures decent home standards are met and maintained.	The government are considering making changes to the decent home standards as part of the Climate Change Emergency review and fire safety measures resulting from the Grenfell disaster review recommendations.
<i>Community Support Consultation is required with tenants regarding HRA budgets and with the wider community over new build developments.</i>	Regular communication is maintained with tenants and leaseholders on a variety of housing issues. The Council consults with local residents and stakeholders on proposed new build schemes.	Pro-active consultation can bring forward options that otherwise may not have been considered.
<i>Timescales Delays to new build contracts result in lost revenue and potentially increased costs. An achievable new build programme is necessary to avoid the Council having to repay Right to Buy 1-4-1 receipts with interest or penalties.</i>	New build contracts contain clauses to allow the Council to recover damages if the project is delayed due to contractor actions. Close control is maintained on Right to Buy receipts and these are monitored against future spending plans to ensure action can be taken if necessary.	In addition to providing funding to support the new build development programme, the 1-4-1 receipts can also be used to buy back former Council owned properties.

<i>Project capacity Staff resources are insufficient to enable the planned new build programme to be delivered and the programme of major repairs on existing properties to be completed.</i>	Resources are monitored to ensure they are adequate to support the delivery of new build schemes and major repair liabilities.	
<i>Financial / VfM The costs of running the housing service could exceed the level of rental income,</i>	Regular review of services provided, including contract commitments and budget monitoring will keep expenditure levels as low as possible.	
<i>Legal Changing Government priorities and a greater emphasis on “social housing” (as compared to affordable housing) may impact on the Council’s</i>	Government policy changes are being followed closely to identify any new risks or opportunities that they bring.	
<i>Innovation</i>		
<i>Reputation Failure to complete new build projects on time and to the required build standards would be likely to affect both customer satisfaction levels and the Council’s reputation.</i>	Building contractors are closely managed throughout the construction phase and at completion to ensure properties meet design standards and letting requirements.	
<i>Other None.</i>		

11 SUPPORTING INFORMATION:

11.1 Housing Revenue Account Budget 2020/21

11.2 Details of the proposed budgets are shown in Appendices 1 and 2 and the larger item adjustments highlighted in the subjective summary in Appendix 2 are shown below:

11.3 Employees – The 2020/21 budget position is £3.86m, a decrease of £90k on the 2019/20 forecast position. The employee budget includes the full year effect of the recent service review. The pension contribution requirement in

2020/21 has been reduced as a result of improved pension fund performance over the last 3 years.

- 11.4 Cost savings arising from the recent service review and outcome based budget (OBB) have been reflected in the 2020/21 HRA budget. These savings have been re-invested in improving the quality of the housing stock.
- 11.5 Premises – The 2020/21 budget includes the financial plan assumptions for response, void & cyclical repairs. The budget also includes an additional £200k of services provided by the in-house special maintenance team towards essential maintenance and improvement works to housing land.
- 11.6 Net Interest – The 2020/21 budget assumes an interest cost of £5.96m, an increase of £773k compared to 2019/20, as the financial plan assumes additional borrowing of £15m in 2020/21 to finance the New Build Housing capital programme expenditure.
- 11.7 Depreciation – This takes into consideration a change in the component accounting calculation method agreed with Ernst & Young (External Auditors) following the 2018/19 year end audit.
- 11.8 External Income – The 2020/21 budget assumes a rent increase of CPI + 1% from April 2020, an average of 2.7%. Other income, including garage rents, is assumed to increase by 3% in 2020/21.
- 11.9 Housing Services Capital Programme
- 11.10 The 10 year forward financial projection for major repairs is based on the latest stock condition survey. A detailed analysis is shown at Appendix 3.
- 11.11 All HRA properties are maintained to decent homes standard with the property services team managing the upkeep of properties taking into consideration the stock condition survey information. In order to manage the maintenance, improvement and renewal programme effectively, the property services team need to have the flexibility to substitute projects and re-balance expenditure between repair budgets.
- 11.12 The latest forecast for 2019/20 includes a fire safety provision of £1m. In anticipation of the full recommendations arising from the Hackitt review, a detailed fire safety review is in progress. This will result in some initial upfront costs and potentially increase operational repair costs. With this in mind it is proposed to budget for a further fire safety provision of £1m in 2020/21.
- 11.13 The asset management strategy will be updated in 2020/21 to reconsider fire safety measures and identify climate change emergency initiatives. This could potentially include the replacement of gas boilers with low-carbon heating systems and the installation of solar panels in sheltered schemes to provide heating and power to communal areas. The strategy would also address our policy on nitrate neutrality, including water efficiency measures.

- 11.14 The stock condition survey will be updated in due course to include additional costs arising from fire safety and climate change emergency measures once the position is clearer.
- 11.15 A key element of the Council's Climate Emergency Action Plan includes additional investment in the Council's housing stock to improve energy efficiency and help tenants reduce their carbon emissions. The financial plan includes an additional £1m climate change provision per year from 2020/21 through to 2028/29. The requirement could change once the asset management strategy has been updated, but this does demonstrate that the financial plan can afford this level of additional expenditure and provides a positive opportunity to make a real difference to tenant's lives and the district as a whole.
- 11.16 The latest financial projection also includes an annual provision of £400k for Estate Improvements for the next 10 years. The scope of the programme includes environmental improvements resulting from the Climate Change Emergency Action Plan, including electrical vehicle charging points in a number of Council Car Parks. The HRA could afford to increase the £400k annual level if there is an identified need.
- 11.17 New Build Capital Programme
- 11.18 The "Homes for All" Council Plan priority continues the Council's commitment to new homes and the HRA New Build programme forms a key and important element of new homes provision. The Plan set out in appendix 4 includes current projects and provision for emerging opportunities. It continues to support the target to deliver a minimum of 1,000 Council home over the next 10 years. So far, the 10 year forward financial projection has identified a capital expenditure requirement of £160m. The projection includes known schemes and an unallocated provision to cover additional schemes in the future. A breakdown of the schemes is shown at Appendix 4. Application for additional housing grant will be considered for all future developments where appropriate.
- 11.19 The new build programme assumes steady delivery of unallocated schemes and small sites over the next 10 years to maximise available funding within the HRA.
- 11.20 The Valley – This scheme is for 77 units (54 Social Rent & 23 Shared Ownership) and is due for completion in 2020/21. The scheme started on site in April 2019 and is partly funded with a Homes England grant allocation of £6m.
- 11.21 Hookpit, Kings Worthy – This scheme is for 35 units (25 Affordable & 10 Shared Ownership) and started on site in December 2019 and anticipated to complete by the end of 2020/21.
- 11.22 Winnall Flats – This scheme is at feasibility stage, but the intention at present is to develop a 75 unit scheme. This would include 40 units for discounted

open market sale, 32 units for Affordable market rent and 3 units for Shared Ownership. The current proposal would be for the HRA to build out the whole scheme and sell the 40 discounted open market sale units to Pocket Living and the 32 affordable market rent units to the Winchester Housing Company. The HRA would retain the shared ownership units and undertake some estate improvements to the open space and communal areas of the existing blocks.

- 11.23 Dyson Drive – This scheme is for 8 units (6 Affordable Rent & 2 Shared Ownership). The overall cost of the scheme is £1.9m and the initial scheme has passed the financial viability tests. A planning application is due to be submitted, and subject to approval, a tender process will be carried out for the construction element.
- 11.24 Witherbed Lane – This scheme is for 4 units, all Shared Ownership properties. The overall cost of the scheme is £800k and the initial scheme has passed the financial viability tests. A planning application is due to be submitted, and subject to approval, a tender process will be carried out for the construction element.
- 11.25 HRA Capital Programme Funding
- 11.26 Appendix 5 gives full details of how it is proposed to fund the Housing Services & New Build Budgets from 2020/21 to 2030/31.

12 OTHER OPTIONS CONSIDERED AND REJECTED

- 12.1 The proposed 2020/21 budget and financial plan incorporates all the budget options identified in CAB 3216 (HRA 2020/21 Budget options) and the impact of the housing services & new build capital expenditure requirements on the operational revenue budget.
- 12.2 In preparing the business plan and budget, options regarding the balance of investment between maintenance and new build have been assessed and the risk of investing more on a range of services has been tested thoroughly. The proposed budget and business plan is considered to present a positive balance between investment priorities and has been supported by TACT.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

CAB 3161(CAB) HRA 2018/19 Outturn and Key Performance Indicators: 17 July 2019

CAB 3216(CAB) HRA Budget Options 2020/21: 22 January 2020

Other Background Documents:-

HRA Business Plan 2020/21 – 2049/50, held within the Housing department.

APPENDICES:

Appendix 1: HRA 2020/21 Budget – Service Summary

Appendix 2: HRA 2020/21 Budget – Subjective Summary

Appendix 3: Housing Services Capital Programme 2019/20 to 2029/30

Appendix 4: New Build Housing Capital Programme 2019/20 to 2029/30

Appendix 5: HRA Capital Programme Funding 2019/20 to 2029/30

Appendix 6: HRA Financial Plan 2019/20 to 2049/50 Extract – Operating Account

Winchester City Council	HRA Service Summary 2020/21				Appendix 1
Housing Revenue Account	19/20	19/20	19/20	19/20	20/21
	Original Budget per CAB3111(HS G)	Brought Forward from 18/19 per CAB3161	Revised Budget per CAB3161	Forecast Budget	Original Budget
Service Summary	£	£	£	£	£
Housing Management General					
Estate Management	(1,363,347)	94,687	(1,268,660)	(1,268,660)	(1,381,884)
HRA General	(2,127,947)	(26,094)	(2,154,041)	(2,331,237)	(2,127,090)
Removal Incentive Scheme	(60,000)	0	(60,000)	(60,000)	(60,000)
Rent Accounting	(263,638)	82,091	(181,547)	(181,547)	(155,539)
Tenants Information	(112,926)	3,806	(109,120)	(109,120)	(94,320)
Vacant Dwellings	(24,550)	0	(24,550)	(24,550)	(24,550)
New Build Programme Support	(894,900)	(159,388)	(1,054,288)	(622,758)	(1,048,121)
	(4,847,308)	(4,898)	(4,852,206)	(4,597,872)	(4,891,504)
Housing Management Special					
Communal Services	82,856	501	83,357	83,417	85,461
Disabled Adaptations	(117,338)	(1,732)	(119,070)	(126,070)	(127,336)
Estate Maintenance	(481,717)	(32,848)	(514,565)	(514,565)	(564,525)
Homelessness	52,350	6,299	58,649	23,074	18,583
Sewage Works	(185,179)	(145,797)	(330,976)	(381,756)	(391,459)
Sheltered Housing	(747,878)	14,567	(733,311)	(740,199)	(818,440)
	(1,396,906)	(159,010)	(1,555,916)	(1,656,099)	(1,797,716)
Repairs					
Responsive Maintenance	(2,264,897)	9,669	(2,255,228)	(2,134,162)	(2,234,162)
Voids	(981,910)	0	(981,910)	(1,149,910)	(1,184,496)
Cyclic	(775,192)	0	(775,192)	(800,192)	(900,000)
Sub - total Repairs Works	(4,021,999)	9,669	(4,012,330)	(4,084,264)	(4,318,658)
Repairs Administration	(1,233,443)	119,702	(1,113,741)	(1,148,967)	(1,155,995)
	(5,255,442)	129,371	(5,126,071)	(5,233,231)	(5,474,653)
Debt Management Expenses	(18,297)	4,125	(14,172)	(14,172)	(14,172)
Interest Payable	(5,188,000)	0	(5,188,000)	(5,188,000)	(5,961,000)
Depreciation of Fixed Assets	(6,904,000)	(1,445,000)	(8,349,000)	(8,349,000)	(8,570,000)
Capital Grants and Contributions	0	0	0	4,831,500	0
	(12,110,297)	(1,440,875)	(13,551,172)	(8,719,672)	(14,545,172)
Rents and Other Income					
Dwelling Rents	26,444,804	0	26,444,804	26,552,792	26,842,975
Garage Rents	387,111	0	387,111	466,804	217,465
Other Income	286,221	(5,678)	280,543	314,017	331,392
Sheltered Charges	548,647	0	548,647	548,647	552,700
Interest Receivable	21,000	0	21,000	21,000	21,000
	27,687,783	(5,678)	27,682,105	27,903,260	27,965,532
Surplus for year on HRA Services	4,077,830	(1,481,090)	2,596,740	7,696,386	1,256,487
Capital Expenditure funded by HRA	(8,622,000)	0	(8,622,000)	(2,680,000)	0
Right to Buy Admin Fees	20,800	0	20,800	20,800	26,000
Net (increase)/decrease in HRA Balance before transfers to or from reserves	(4,523,370)	(1,481,090)	(6,004,460)	5,037,186	1,282,487
Transfer re Insurance Reserve	(66,300)	0	(66,300)	(66,300)	(66,300)
Reversal of Capital Grants and Contributions	0	0	0	(4,831,500)	0
(Increase)/ decrease in HRA Balance	(4,589,670)	(1,481,090)	(6,070,760)	139,386	1,216,187
HRA Working Balance					
Opening Balance	10,665,737		11,626,674	11,626,674	11,766,060
Add Projected Deficit/(Surplus)	(4,589,670)		(6,070,760)	139,386	1,216,187
Projected Balance at Year End	6,076,067		5,555,914	11,766,060	12,982,247

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Winchester City Council	HRA Subjective Summary 2020/21				Appendix 2
	19/20	19/20	19/20	19/20	20/21
Housing Revenue Account	Original Budget per CAB3111(HS G)	Brought Forward from 18/19 Per CAB3161	Revised Budget per CAB3161(CA B)	Forecast Budget	Original Budget
Subjective Summary	£	£	£	£	£
Employees	4,014,595	(177,786)	3,836,809	3,950,035	3,859,253
Premises	5,323,189	0	5,323,189	5,443,953	5,732,060
Transport	259,268	(268)	259,000	261,180	211,138
Supplies & services	1,181,150	47,000	1,228,150	1,265,650	1,189,780
Third party payments	106,000	0	106,000	136,000	121,000
Support Services	2,028,636	167,144	2,195,780	2,275,976	2,412,389
Net Interest	5,191,090	0	5,191,090	5,191,090	5,964,090
Depreciation on Fixed Assets	6,904,000	1,445,000	8,349,000	8,349,000	8,570,000
External income	(29,085,758)	0	(29,085,758)	(29,737,770)	(29,316,197)
Capital Grants and Contributions	0	0	0	(4,831,500)	0
Surplus for year on HRA Services	(4,077,830)	1,481,090	(2,596,740)	(7,696,386)	(1,256,487)
Capital Expenditure funded by HRA	8,622,000	0	8,622,000	2,680,000	0
Right to Buy Admin Fees	(20,800)	0	(20,800)	(20,800)	(26,000)
Net (increase)/decrease in HRA Balance before transfers to or from reserves	4,523,370	1,481,090	6,004,460	(5,037,186)	(1,282,487)
Transfer re Insurance Reserve	66,300	0	66,300	66,300	66,300
Reversal of Capital Grants and Contributions	0	0	0	4,831,500	0
(Increase)/ decrease in HRA Balance	4,589,670	1,481,090	6,070,760	(139,386)	(1,216,187)
HRA Working Balance					
Opening Balance	(10,665,737)		(11,626,674)	(11,626,674)	(11,766,060)
Add Projected Deficit/(Surplus)	4,589,670		6,070,760	(139,386)	(1,216,187)
Projected Balance at Year End	(6,076,067)		(5,555,914)	(11,766,060)	(12,982,247)

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Housing Services Programme	2019/20	2019/20	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	Total
	Original Budget	July Update	Latest Forecast	Budget.	Budget.	Budget.	Budget.	Budget.	Budget.	Budget.	Budget.	Budget.	Budget.	Budget.
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Major Repairs														
External Envelope Works	3,460	3,460	2,200	2,617	2,691	2,767	2,846	3,035	3,123	3,263	3,390	3,214	4,764	33,910
External Ground Works	508	508	450	302	309	317	324	332	404	413	423	433	641	4,349
External Window/Door/Screens	614	614	200	392	402	411	421	431	221	226	232	237	351	3,525
Internal Structure & Finishes	49	49	360	66	67	69	70	72	22	23	23	24	35	830
Kitchen & Bathroom Renewals	993	993	1,150	709	726	743	761	779	1,018	1,043	1,068	1,093	1,618	10,707
Mechanical & Electrical Services	1,229	1,229	1,600	1,584	1,622	1,661	1,701	1,742	1,837	1,881	1,927	1,973	2,920	20,448
	6,853	6,853	5,960	5,669	5,816	5,968	6,123	6,391	6,625	6,849	7,062	6,974	10,329	73,768
Improvements & Conversions														
Estate Improvements	250	250	400	400	400	400	400	400	400	400	400	400	0	4,000
Loft Conversions/Extensions			0	0	0	0	0	0	0	0	0	0	0	0
Sheltered Housing Conversions	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sheltered Housing Upgrades	70	70	70	100	100	50	50	50	50	50	50	0	0	570
	320	320	470	500	500	450	450	450	450	450	450	400	0	4,570
Disabled Adaptations	770	770	770	770	770	770	770	770	770	770	770	770	770	8,470
Sheltered WIFI			15											15
Fire Safety Provision	1,000	1,000	1,000	1,030										2,030
Climate Change Emergency				1,030	1,067	1,105	1,145	1,187	1,229	1,273	1,319	1,367		10,722
Other Capital Spending														
Sewage Treatment Works	103	103	103	106	109	111	114	117	121	124	127	130	133	1,295
Total HS Capital Programme	9,046	9,046	8,318	9,105	8,262	8,404	8,602	8,916	9,195	9,466	9,728	9,641	11,232	100,870

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New Build Housing Capital Programme 2019/20 to 2029/30

Appendix 4

New Build Programme & Other Cap	2019/20	2019/20	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	Total
	Original Budget	July Update	Latest Forecast	Budget.	Budget.	Budget.	Budget.	Budget.	Budget.	Budget.	Budget.	Budget.	Budget.	Budget.
Scheme Name/Description	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
The Valley, Stanmore	7,687	8,150	12,737	5,713	281									18,731
Mayles Lane, Knowle	674	1,109	1,109											1,109
Rowlings Road, Weeke	1,151	1,379	250	1,129	30									1,409
Wykeham Place, Stanmore	27	77		446	1,048	174								1,668
Dyson Drive (Abbotts Barton)	518	591		954	954									1,908
Dolphin Hill, Twyford	372	368	184	184										368
Woodman Close, Sparsholt	436	481	77	762	381									1,220
Hookpit, Kings Worthy	6,282	8,230	3,655	4,965										8,620
Winnall Flats	2,850	2,863	100	7,551	7,658									15,309
Wickham CLT	410	410	205	205										410
Witherbed Lane					428	343								771
Barton Farm - Extra Care						8,540	8,540							17,080
Moyes Land							3,395	3,395						6,790
Victoria House		(376)	82											82
Chesil Street			38											38
Sheltered Conversions		139	139											139
Small sites / unallocated programme	2,000	2,000	600	3,000	2,900	7,500	5,450	5,613	5,782	5,956	6,135	6,319	6,509	55,764
Sites funded by RTB 1-4-1 receipts			2,400	2,000	2,500	3,500	2,400	2,473	2,546	2,622	2,700	2,781	2,865	28,787
Total New Build Programme	22,407	25,421	21,576	26,909	16,180	20,057	19,785	11,481	8,328	8,578	8,835	9,100	9,373	160,202

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HRA Capital Programme Funding	2019/20	2019/20	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	Total
	Original Budget	July Update	Latest Forecast	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Right to Buy 1-4-1 Receipts	3,387	3,387	2,372	3,188	1,401	2,573	1,489	1,590	1,694	1,801	1,912	2,027	2,145	22,192
Right to Buy Other Retained receipts	386	386	509	390	408	426	444	464	483	504	525	547	569	5,269
New Build Sales	155	155	1,473	4,300	14,779	1,321	2,982	650	670	689	710	731	752	29,057
Other capital receipts	440	440	825	560										1,385
S.106 Contributions	200	200	400	250	250	250	1,600	3,500	2,600	1,400	4,400	3,000		17,650
Garage Transfers to General Fund	1,858	1,858	1,858	1,858	1,510									5,226
HCA Grants	1,502	1,502	4,832	1,611										6,443
HRA Revenue Contributions to Capit	8,621	8,621	2,680				8,520	3,997	1,489	2,705	0	442	5,048	24,881
Additional/Refinanced Borrowing	8,000	11,014	6,000	15,500	8,000	7,000								36,500
Major Repairs Reserve	6,904	6,904	8,945	8,357	(1,906)	16,891	13,352	10,196	10,587	10,945	11,016	11,994	12,091	112,468
Total Funding	31,453	34,467	29,894	36,014	24,442	28,461	28,387	20,397	17,523	18,044	18,563	18,741	20,605	261,071
			10,411	10,299	16,838	4,570	6,515	6,204	5,447	4,394	7,547	6,305	3,466	78,530
Housing Services	103	103	103	106	109	111	114	117	121	124	127	130	133	1,295
New Build	0	0	2,400	2,000	2,500	3,500	2,400	2,473	2,546	2,622	2,700	2,781	2,865	28,787
Capital Programme Total	103	103	2,503	2,106	2,609	3,611	2,514	2,590	2,667	2,746	2,827	2,911	2,998	30,082

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HRA Financial Plan - Operating Performance

Appendix 6

		Income		Expenditure					Net Operating		Transfer from / (to)		Surplus (Deficit) for the Year		Surplus (Deficit) b/fwd		Surplus (Deficit) c/fwd	
Year	Year	Total Income £,000	Managt. £,000	Depreciation £,000	Responsive & Cyclical £,000	Misc expenses £,000	Total expenses £,000	Capital Charges £,000	£,000	Repayment of loans £,000	Revenue Reserve £,000	RCCO £,000	£,000	£,000	£,000	£,000	£,000	£,000
1	2019.20	29,121	(8,807)	(8,349)	(4,298)	(248)	(21,701)	(5,170)	2,250	0	(66)	(2,680)	(496)	11,627	27	11,157		
2	2020.21	29,485	(8,994)	(8,570)	(4,401)	(254)	(22,219)	(5,961)	1,305	0	0	0	1,305	11,157	24	12,486		
3	2021.22	30,799	(9,204)	(9,041)	(4,575)	(262)	(23,082)	(6,417)	1,300	0	0	0	1,300	12,486	32	13,818		
4	2022.23	31,334	(9,480)	(9,371)	(4,716)	(270)	(23,837)	(6,658)	838	0	0	0	838	13,818	34	14,690		
5	2023.24	33,137	(9,765)	(9,713)	(4,858)	(278)	(24,614)	(6,880)	1,643	0	0	(8,520)	(6,877)	14,690	20	7,833		
6	2024.25	35,383	(10,058)	(10,196)	(5,053)	(286)	(25,593)	(6,885)	2,905	0	0	(3,997)	(1,092)	7,833	11	6,753		
7	2025.26	35,791	(10,359)	(10,587)	(5,204)	(295)	(26,445)	(6,884)	2,463	0	0	(1,489)	973	6,753	11	7,737		
8	2026.27	36,755	(10,670)	(10,945)	(5,359)	(303)	(27,278)	(6,883)	2,594	0	0	(2,705)	(111)	7,737	12	7,638		
9	2027.28	37,744	(10,990)	(11,314)	(5,519)	(313)	(28,136)	(6,882)	2,725	0	0	0	2,725	7,638	14	10,377		
10	2028.29	38,759	(11,320)	(11,696)	(5,684)	(322)	(29,022)	(6,873)	2,863	0	0	(442)	2,421	10,377	18	12,816		
11	2029.30	39,801	(11,660)	(12,091)	(5,854)	(332)	(29,936)	(6,873)	2,991	0	0	(5,048)	(2,056)	12,816	18	10,777		
12	2030.31	41,603	(12,009)	(12,499)	(6,029)	(342)	(30,878)	(6,874)	3,851	0	0	(5,063)	(1,213)	10,777	15	9,580		
13	2031.32	41,967	(12,370)	(12,920)	(6,209)	(352)	(31,850)	(6,848)	3,269	0	0	(5,076)	(1,807)	9,580	13	7,786		
14	2032.33	43,094	(12,741)	(13,355)	(6,394)	(362)	(32,852)	(6,802)	3,439	0	0	(5,123)	(1,684)	7,786	11	6,113		
15	2033.34	44,250	(13,123)	(13,805)	(6,585)	(373)	(33,886)	(6,802)	3,561	0	0	(5,215)	(1,655)	6,113	8	4,466		
16	2034.35	45,436	(13,517)	(14,270)	(6,782)	(384)	(34,953)	(6,803)	3,681	0	0	(1,767)	1,914	4,466	9	6,389		
17	2035.36	47,490	(13,922)	(14,750)	(6,985)	(396)	(36,053)	(6,742)	4,695	0	0	(1,769)	2,926	6,389	13	9,327		
18	2036.37	47,904	(14,340)	(15,246)	(7,193)	(408)	(37,187)	(6,743)	3,974	0	0	(1,771)	2,203	9,327	17	11,547		
19	2037.38	49,187	(14,770)	(15,759)	(7,408)	(420)	(38,357)	(6,698)	4,132	0	0	(1,773)	2,359	11,547	21	13,927		
20	2038.39	50,504	(15,213)	(16,289)	(7,630)	(433)	(39,564)	(6,698)	4,242	0	0	(1,774)	2,468	13,927	26	16,421		
21	2039.40	51,856	(15,669)	(16,836)	(7,858)	(446)	(40,809)	(6,697)	4,350	0	0	(184)	4,166	16,421	32	20,619		
22	2040.41	53,243	(16,140)	(17,401)	(8,093)	(459)	(42,093)	(6,768)	4,382	(3,241)	0	(142)	1,000	20,619	37	21,656		
23	2041.42	55,645	(16,624)	(17,986)	(8,334)	(473)	(43,417)	(6,640)	5,589	(9,000)	0	(98)	(3,509)	21,656	37	18,183		
24	2042.43	56,128	(17,122)	(18,589)	(8,584)	(487)	(44,782)	(6,322)	5,024	0	0	(53)	4,971	18,183	40	23,194		
25	2043.44	57,629	(17,636)	(19,213)	(8,840)	(502)	(46,191)	(6,321)	5,116	0	0	(5)	5,111	23,194	49	28,354		
26	2044.45	59,168	(18,165)	(19,858)	(9,104)	(517)	(47,644)	(6,321)	5,203	0	0	0	5,203	28,354	59	33,616		
27	2045.46	60,749	(18,710)	(20,523)	(9,376)	(532)	(49,142)	(6,321)	5,285	0	0	0	5,285	33,616	70	38,971		
28	2046.47	62,371	(19,271)	(21,211)	(9,657)	(548)	(50,688)	(6,317)	5,366	(10,000)	0	0	(4,634)	38,971	74	34,411		
29	2047.48	65,180	(19,850)	(21,922)	(9,945)	(564)	(52,281)	(5,967)	6,932	(5,000)	0	0	1,932	34,411	75	36,418		
30	2048.49	65,745	(20,445)	(22,656)	(10,243)	(581)	(53,925)	(5,826)	5,993	(5,000)	0	0	993	36,418	81	37,492		

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REPORT TITLE: DISPENSATION CONSIDERATION

26 FEBRUARY 2020

REPORT OF MONITORING OFFICER

Contact Officer:LISA KIRKMAN Tel No: 01962 848501 Email
lkirkman@winchester.gov.uk

WARD(S): ST MICHAEL

RECOMMENDATIONS:

1. To approve a dispensation for Councillor Murphy from attending meetings of the Council on the grounds of ill health, for a period of six months commencing on 6 May 2020 thus nullifying the disqualification to hold office for a six month period.
2. To note that any extension to the dispensation for Councillor Murphy after the six month period ends on 6 November 2020, will require further approval in accordance with recommendation 1 above.

IMPLICATIONS:1 COUNCIL PLAN OUTCOME

- 1.1 This report seeks a dispensation to a Councillor for non-attendance at council meetings for a period of six consecutive months. The role of our elected members is crucial to the effectiveness of the organisation and connects to the key priorities in the council plan of Tackling the Climate Emergency and creating a greener district, Homes for All, A Vibrant Local Economy, Living Well and Your Services, Your Voice

2 FINANCIAL IMPLICATIONS

- 2.1 Failure to agree the dispensation for Councillor Murphy would result in a vacancy on the Council and a by-election would need to be called, which would incur costs in respect of administering the election.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 The legal issues associated with this report are detailed in paragraph 12 of this report.

4 WORKFORCE IMPLICATIONS

- 4.1 None

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 Not applicable

6 CONSULTATION AND COMMUNICATION

- 6.1 Not applicable

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 None

8 EQUALITY IMPACT ASSESSEMENT

There are no specific equalities or diversity issues associated with this report. The council is committed to fulfilling its obligations under the Equality Act 2010, including the Public Sector Equality Duty (Section 149), general and specific duties. Public bodies have to have 'due regard' to the need to:

- eliminate unlawful discrimination, harassment and victimisation and conduct prohibited by the Act
- advance equality of opportunity between people from different groups; and

- foster good relations between people from different groups.

9 DATA PROTECTION IMPACT ASSESSMENT

9.1 None required.

10 RISK MANAGEMENT

Risk	Mitigation	Opportunities
<i>Property</i>		
<i>Community Support</i>		
<i>Timescales</i>		
<i>Project capacity</i>		
<i>Financial / VfM</i>		
<i>Legal</i>		
<i>Innovation</i>		
<i>Reputation</i>	Failure to agree the request for a dispensation will result in the Returning Officer declaring a vacancy for the seat held by Councillor Murphy and a by-election would be necessary. There may be reputational risks for the Council in failing to agree a dispensation in a timely manner, given the reason for Councillor Murphy's absence.	
<i>Other</i>		

11. SUPPORTING INFORMATION:

11.1. Main Considerations

Councillor Lynda Murphy has been unable to attend meetings of the Council, its committees or any outside bodies on which she represents the authority on the grounds of ill health. Her last attendance at a qualifying meeting was on the 6 November 2019 when she attended council.

11.2. The proposal

To consider the request to grant the dispensation.

11.3. Section 85(1) of the Local Government Act 1972 states that

“if a member of a local authority fails throughout a period of six consecutive months from the date of his last attendance to attend any meeting of the authority, he shall, unless the failure was due to some reason approved by the authority before the expiry of that period, cease to be a member of the Authority”

11.4. Pursuant to the above legislation, Council is asked to approve a dispensation for Councillor Murphy from attending meetings of the Council, its Committees or outside bodies due to ill health from 6 May 2020, ending on the 6 November 2020. Unless Council agrees the recommendation, Councillor Murphy will cease to be a member of the Council on the 6 May 2020.

Any extension to this dispensation for Councillor Murphy will be subject to further consideration and approval by Council at the time, (before 6 November 2020) in accordance with paragraphs 12.5 and 12.6 above.

11.5. Conclusion

Approval is sought for a dispensation for Councillor Murphy from attending meetings of the Council for a period of six months commencing 6 May 2020, thus nullifying the disqualification to hold office for a six month period.

12. OTHER OPTIONS CONSIDERED AND REJECTED

Not agreeing to the proposed dispensation would result in the councillor losing the seat and this is not recommended in the circumstances.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-None

Other Background Documents:- None

APPENDICES:-None

By virtue of paragraph(s) 1 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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