



<b>Meeting</b>	Cabinet
<b>Date and Time</b>	Wednesday, 12th February, 2020 at 9.30 am.
<b>Venue</b>	Walton Suite, Winchester Guildhall

## AGENDA

### PROCEDURAL ITEMS

- 1. Apologies**  
To record the names of apologies given.
- 2. Membership of Cabinet bodies etc.**  
To give consideration to the approval of alternative arrangements for appointments to bodies set up by Cabinet or external bodies, or the making or terminating of such appointments.

#### **St John's Winchester Charity - Nomination to Director/Trustee**

The Council is entitled to nominate one Trustee/Director to the Charity's Board of Trustees. The Council has received a request from the Charity that Cllr Learney be nominated to the Charity's Board.

- 3. Disclosure of Interests**  
To receive any disclosure of interests from Members and 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 legislation and the Council's Code of Conduct.*
- 4. To note any request from Councillors to make representations on an agenda item under Council Procedure Rule 35**  
*Note: Councillors wishing to speak about a particular agenda item are requested to advise the Democratic Services Officer before the meeting. Councillors will normally be invited by the Chairman to speak during the appropriate item (after the Portfolio Holder's introduction, questions from Cabinet Members and public participation).*



## **BUSINESS ITEMS**

5. **Minutes of the previous meeting held on 22 January 2020, less exempt minute.** (Pages 5 - 14)
  
6. **Public Participation**  
– to note the names of members of the public wishing to speak on general matters affecting the District or on agenda items (in the case of the latter, representations will normally be received at the time of the agenda item, after the Portfolio Holder’s introduction and any questions from Cabinet Members).
  
7. **Leader and Cabinet Members' Announcements**
  
8. Medium Term Financial Strategy, Budget and Council Tax 2020/21 (Pages 15 - 46)  

(CAB3211)
  
9. Housing Revenue Account (HRA) Budget 2020/21 & Business Plan (Pages 47 - 68)  

(CAB3214)
  
10. Capital Investment Strategy 2020-2030 (Pages 69 - 106)  

(CAB3209)
  
11. Treasury Management Strategy 2020/21 (Pages 107 - 134)  

(CAB3218)
  
12. Options appraisal for the delivery and operation of an electric vehicle charging network (Pages 135 - 150)  

**Key Decision** (CAB3206)
  
13. Quarter 3 Finance and Performance Monitoring (Pages 151 - 208)  

**Key Decision** (CAB3222)
  
14. To note the future items for consideration by Cabinet as shown on the March 2020 Forward Plan. (Pages 209 - 212)

15. 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.

16. Exempt minute of the previous meeting held on 22 January 2020 (Pages 213 - 214)

**Lisa Kirkman**  
**Strategic Director: Resources and Monitoring Officer**

Members of the public are able to easily access all of the papers for this meeting by opening the QR Code reader on your phone or tablet. Hold your device over the QR Code below so that it's clearly visible within your screen and you will be redirected to the agenda pack.



4 February 2020

Agenda Contact: Nancy Graham, Senior Democratic Services Officer  
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*\*With the exception of exempt items, Agenda, reports and previous minutes are available on the Council's Website [www.winchester.gov.uk](http://www.winchester.gov.uk)*

## **CABINET – Membership 2019/20**

Chairperson: Councillor Thompson (Leader and Cabinet Member for Communications)

Councillor Cutler (Deputy Leader and Cabinet Member for Finance and Risk)

<b>Councillor</b>	-	<b>Cabinet Member</b>
Learney	-	Cabinet Member for Housing and Asset Management
Murphy	-	Cabinet Member for Environment
Porter	-	Cabinet Member for Built Environment and Wellbeing
Prince	-	Cabinet Member for Sport, Leisure and Communities
Tod	-	Cabinet Member for Service Quality and Transformation
Weir	-	Cabinet Member for Local Economy

**Quorum** = 3 Members

### **Corporate Priorities:**

As Cabinet is responsible for most operational decisions of the Council, its work embraces virtually all elements of the Council Strategy.

### **Public Participation**

Public Participation is at the Chairperson's discretion. If your question relates to an item on the agenda, you will normally be asked to speak at the time of the relevant item. Representations will be limited to a maximum of 3 minutes, subject to a maximum 15 minutes set aside for all questions and answers. If several people wish to speak on the same subject, the Chairperson may ask for one person to speak on everyone's behalf. As time is limited, a "first come first served" basis will be operated.

To reserve your place to speak, you are asked to arrive no later than 10 minutes before the start of the meeting to register your intention to speak. Please contact the Democratic Services Officer in advance for further details.

### **Filming and Broadcast Notification**

This meeting may be recorded and broadcast live on the Council's website. The meeting may also be recorded and broadcast by the press and members of the public – please see the Access to Information Procedure Rules within the Council's Constitution for further information, which is available to view on the [Council's website](#).

### **Disabled Access:**

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

### **Terms Of Reference**

Included within the Council's Constitution (Part 3, Section 2) which is available [here](#)

## CABINET

Wednesday, 22 January 2020

Attendance:

Councillor Thompson (Chairperson)	– Leader and Cabinet Member for Communications
Councillor Cutler (Vice-Chair)	– Deputy Leader and Cabinet Member for Finance and Risk
Councillor Learney	– Cabinet Member for Housing and Asset Management
Councillor Porter	– Cabinet Member for Built Environment and Wellbeing
Councillor Prince	– Cabinet Member for Sport, Leisure and Communities
Councillor Weir	– Cabinet Member for Local Economy

Others in attendance who addressed the meeting:

Councillors Brook, Horrill and Pearson

Others in attendance who did not address the meeting:

Councillor Ferguson

Apologies for Absence:

Councillors Murphy and Tod

Audio recording of the meeting

A full audio recording of this meeting is available via this link:

[Full audio recording](#)

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### 1. DISCLOSURE OF INTERESTS

No disclosures of interest were made.

### 2. MINUTES OF THE PREVIOUS MEETING HELD ON 23 DECEMBER 2019.

RESOLVED:

That the minutes of the previous meeting held on 23 December 2019 be approved and adopted.

### 3. **PUBLIC PARTICIPATION**

Four members of the public spoke regarding Report CAB3219 and their comments are summarised under the relevant minute below.

Teresa Skelton also addressed Cabinet and in summary, reiterated comments made at previous meetings regarding arrangements for liaison between the Council and the Police; allegations of police failings and corruption and alleged a lack of interest in her claims from Cabinet Members.

### 4. **LEADER AND CABINET MEMBERS' ANNOUNCEMENTS**

Councillor Weir announced the awarding of seed funding to the Winchester Design Festival agreed at her Cabinet Member Decision Day on 13 January 2020.

### 5. **NITRATE NEUTRALITY** (CAB3219)

Councillor Porter summarised the background to the current proposals and the solution proposed as set out in appendix A to the report.

Four members of the public/representatives of local businesses spoke during public participation as summarised briefly below.

#### Robert Carter (Millgate Winchester Ltd)

Thanked the Cabinet Member and officers for work on producing the position statement and offered to continue to work with the Council in developing proposals further. Creating a means to offer mitigation for the nitrogen load of a development was key and highlighted that Grampian conditions were not suitable for small sites. A full time dedicated council officer to deal with this issue was required. Emphasised the importance of re-wilding to tackle the climate emergency.

#### David Ashe

Welcomed the proposals as a first step and agreed a full time council officer was required. Emphasised the priority to reduce the amount of nitrates in the Solent which would require measures to remove nitrate pollution from both new and existing households, together with agriculture. This would require the involvement of the Partnership for South Hampshire (PfSH).

#### Tony Langridge

Emphasised the difficulties for smaller developers and those well progressed within the planning system to deal with issue. Suggested working with the Wildlife Trust who had a wilding strategy in place together with the experience and capacity to manage land. The Trust was developing standard legal documentation which could be used across local authorities and had engaged with both PfSH and the Local Enterprise Partnership (LEP).

Ian Tait (Pallador Associates Ltd)

Welcomed the paper together with the commitment for ongoing work to tackle this issue over the coming months. Would also welcome the written confirmation of support from the Winchester MP.

At the invitation of the Leader, two Councillors addressed the meeting as summarised briefly below.

Councillor Brook

Welcomed the paper and proposals to tackle the issue as a priority. Would there be further consideration of planting nitrate absorbing plants? Would there be consultation on the offsite mitigation and would there be ongoing discussions and support offered to developers.

Councillor Pearson

Welcomed paper and emphasised that nitrates from waste water had been an issue for many years. Solutions must involve Southern Water taking steps.

Cabinet Members responded to comments made emphasising the priority with which this issue was regarded.

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

## RESOLVED:

1. That the Nitrate Neutrality Position Statement at Appendix A of the report be approved and it be recognised that the Nitrate Neutrality Position Statement will form a policy basis for the Statutory Planning Authority in considering planning applications for residential development outside the South Downs National Park within the District with immediate effect.
2. That any minor changes to the Nitrate Neutrality Position Statement be delegated to the Service Lead for Built Environment in consultation with the Cabinet Member for Built Environment and Wellbeing.
3. That a report be brought to Cabinet in six months up-dating progress made on the nitrates neutrality issue.

6. **HOUSING REVENUE ACCOUNT (HRA) BUDGET OPTIONS 2020/21 (LESS EXEMPT APPENDIX)**  
(CAB3216)

Councillor Learney highlighted the healthy HRA budget position and outlined the key proposals as set out within the report.

Ian Tait spoke during public participation as summarised briefly below.

Welcomed report and the demonstration of good housing management by the council. However requested that Cabinet review the committee structure for discussion of housing matters to encourage better scrutiny and wider involvement of both TACT and tenants in general.

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

Agreed that the committee mechanisms for discussing housing matters required review to ensure proper scrutiny together with cross-party and TACT involvement. Requested that the proposals to remove the support for those impacted by the introduction of universal credit be reviewed. Supported Sussex Street development and proposals to address any future fire safety proposals. Queried delays to capital build programme.

Cabinet Members responded to comments made.

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

**RESOLVED:**

1. That the proposed 2020/21 Revenue & Capital Budgets, as set out in Appendices 1,2 & 3 of CAB3216 be noted, taking into account the budget options outlined in section 11.29 of CAB3216.
2. That the Housing Revenue Account forecast for 2019/20 be approved, as outlined in Appendix 1 of CAB3216.
3. That the Housing Capital Programme forecast for 2019/20 be approved, as outlined in Appendix 2 of CAB3216.
4. That the New Build Capital Programme forecast for 2019/20 be approved, as outlined in Appendix 3 of CAB3216.
5. That the Housing Revenue Account capital programme funding forecast for 2019/20 be approved, as detailed in Appendix 5 of CAB3216.
6. That up to £3m of property acquisitions before March 2020 be approved, as outlined in section 11.42 and Exempt Appendix 6 of CAB3216;
  - a) Delegate to the Service Lead Legal, authority to negotiate and agree Heads of Terms to purchase the individual properties.
  - b) Delegate to the Service Lead Legal, authority to negotiate, prepare documentation and complete the necessary transactions in accordance within the agreed Heads of Terms for the purchase of the properties identified in Exempt Appendix 6 of Report CAB3216.
7. That the sale of 1 Mews Lane, Winchester be approved, as outlined in sections 11.47- 11.48 of the Report CAB3216;



- a) Delegate to Service Lead Legal, authority to negotiate and agree Heads of Terms for the sale of 1 Mews Lane, Winchester.
- b) Delegate to the Service Lead Legal, authority to negotiate, prepare documentation and complete the transactions within the agreed Heads of Terms for the sale of 1 Mews Lane, Winchester.

7. **BUDGET UPDATE - FEES AND CHARGES**  
(CAB3212)

Councillor Cutler introduced the report which included proposals regarding the council's discretionary fees and charges (appendix 1 of the report).

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

Requested assurances regarding the benchmarking carried out. Queried one particular increase in cemetery fees. In general, the need to ensure possible concessions available were advertised to residents. Query regarding status of delayed proposals for re-procurement of the Winchester market contract.

Cabinet Members responded to comments made.

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

RESOLVED:

1. That the local fees and charges for 2020/21 as set out in Appendix 1 of the report be approved.
2. That River Park Leisure Centre charges as set by the operator in Appendix 2 of the report be noted.
3. That statutory fees and charges as set out in appendix 3 of the report be noted and will be increased in line with national guidance if received.

8. **AIR QUALITY ACTION PLAN UPDATE**  
(CAB3217)

Councillor Porter introduced the report and thanked Members for the useful contributions made when the matter was considered at the Health and Environment Policy Committee on 13 January 2020

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

Welcomed the report and the presentation to the Committee on 13 January. However, further action was required including tackling pollution due to traffic congestion along the Romsey Road, Winchester.

Cabinet Members noted the comments made.

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

RESOLVED:

1. That the positive progress made in the delivery of the Air Quality Action Plan be noted.
2. That the ratified 2020 data set is reviewed in due course and if appropriate an application is submitted to DEFRA in the spring of 2021 to revoke the current Air Quality Management Area and to submit a new declaration for a significantly reduced Air Quality Management Area.

9. **CAR PARKS MAJOR WORKS PROGRAMME**  
(CAB3213)

In the absence of Councillors Tod and Murphy, the Service Lead: Environmental Services introduced the report.

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

Disappointed regarding the apparent lack of commitment in the report to new park and ride provision, particularly on the former Vaultex site and for Kings Barton Farm. Queried progress on coach parking identified for St Catherine's park and ride site.

The Strategic Director: Services (Interim) and Cabinet Members responded to comments made and emphasised that they were fully committed to provision of additional park and ride facilities to the north of the city and were actively searching for suitable sites.

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

RESOLVED:

1. That subject to Council approval of the Budget and Capital Investment Strategy in February 2020, expenditure of £400,000 for 2020/21 as outlined in appendix A of the report, be approved.
2. That the indicative programme for 2021/22 totalling £811,000 be noted as a basis for planning and preparing future works.
3. That authority to make minor adjustments to the programme in order to meet maintenance and operational needs of the

car park service throughout the year be delegated to the Corporate Head of Regulatory, in consultation with the Corporate Head of Asset Management and Cabinet Member for the Environment.

10. **TREE WORKS FRAMEWORK AGREEMENT**  
(CAB3215)

Councillor Cutler introduced the report and emphasised the importance of ensuring measures were in place to manage existing trees, particularly with the commitment to new tree planting.

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

Councillor Pearson

Welcomed the report and acknowledged the importance of good management of trees, particularly to address the issues caused by a changing climate.

Councillor Brook

Supported the report and the planting of new trees at Newlands. Queried the impact on the Council's maintenance schedule of new trees being planted.

Councillor Cutler noted the comments made which also dealt with more general matters relating to trees than the proposals contained in the report.

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

RESOLVED:

That the Strategic Director – Services be authorised to procure, award and enter into a contract to secure the services of tree contractors to undertake works to Winchester City Council owned and managed trees, by means of a Framework Agreement.

11. **CONSULTATION RESPONSE TO SOUTHAMPTON AIRPORT EXPANSION PLAN**  
(CAB3220)

Councillor Porter introduced the report and outlined the material objections that were proposed to be made to the proposals to expand the airport.

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

RESOLVED:

1. That the contents of this report be noted.

2. That the submission of the response of the Cabinet Member for Built Environment and Well Being, attached at Appendix A to the report be agreed, on behalf of Winchester City Council as statutory consultee to the consultation on the planning application at Southampton Airport, Reference F/19/86707, which is to be determined by Eastleigh Borough Council.

12. **FUTURE ITEMS FOR CONSIDERATION**

RESOLVED:

That the list of future items, as set out in the Forward Plan for February 2020, be noted.

13. **EXEMPT BUSINESS:**

RESOLVED:

1. That in all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

2. 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 100I and Schedule 12A to the Local Government Act 1972.

<u>Minute Number</u>	<u>Item</u>	<u>Description of Exempt Information</u>
15	HRA Budget Options – Exempt Appendix	) Information relating to the financial or business affairs of any particular person (including the authority holding that information). (Para 3 Schedule 12A refers)

14. **HOUSING REVENUE ACCOUNT (HRA) BUDGET OPTIONS 2020/21 (EXEMPT APPENDIX)**

(CAB3216 - Exempt Appendix)

Cabinet considered the contents of the exempt appendix which contained further financial information regarding the proposed use of right to buy receipts for property acquisition (as detailed in the exempt minute).

Cabinet returned to open session to consider recommendation 6 of the report and make the resolution as set out under the minute on this report above.

The meeting commenced at 9.30 am and concluded at 11.40 am

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CAB3211  
CABINET

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 [rbotham@Winchester.gov.uk](mailto:rbotham@Winchester.gov.uk)

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

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
<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%
<b>Income / Funding</b>			
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
<b>Expenditure</b>			
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
<b>Funding</b>											
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
	<b>14.858</b>	<b>16.416</b>	<b>14.852</b>	<b>14.328</b>	<b>13.470</b>	<b>12.696</b>	<b>13.010</b>	<b>13.301</b>	<b>13.601</b>	<b>13.910</b>	<b>14.229</b>
<b>Investment Activity</b>	2.503	2.055	0.460	0.016	0.419	0.418	0.491	0.533	0.577	0.622	0.667
<b>Resources available</b>	<b>17.361</b>	<b>18.471</b>	<b>15.312</b>	<b>14.343</b>	<b>13.889</b>	<b>13.114</b>	<b>13.501</b>	<b>13.834</b>	<b>14.178</b>	<b>14.532</b>	<b>14.896</b>
<b>Baseline Net Expenditure</b>											
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
<b>Unavoidable Growth - ESC</b>		<b>-0.237</b>	<b>-0.473</b>	<b>-0.473</b>	<b>-0.473</b>	<b>-0.473</b>	<b>-0.473</b>	<b>-0.473</b>	<b>-0.473</b>	<b>-0.473</b>	<b>-0.473</b>
<b>Unavoidable Growth - Parking Enforcement</b>		<b>-0.050</b>	<b>-0.050</b>	<b>-0.050</b>	<b>-0.050</b>	<b>-0.050</b>	<b>-0.050</b>	<b>-0.050</b>	<b>-0.050</b>	<b>-0.050</b>	<b>-0.050</b>
<b>Unavoidable Growth - HCC Recycling</b>			<b>-0.500</b>	<b>-0.500</b>	<b>-0.500</b>	<b>-0.500</b>	<b>-0.500</b>	<b>-0.500</b>	<b>-0.500</b>	<b>-0.500</b>	<b>-0.500</b>
<b>Baseline resource requirements</b>	<b>-15.360</b>	<b>-15.648</b>	<b>-15.085</b>	<b>-13.945</b>	<b>-13.908</b>	<b>-14.329</b>	<b>-14.510</b>	<b>-15.223</b>	<b>-15.679</b>	<b>-16.313</b>	<b>-16.388</b>
<b>One-off budgets &amp; Reserve Related Movements</b>	<b>-2.000</b>	<b>-2.823</b>	<b>-0.227</b>	<b>-1.073</b>	<b>-1.144</b>	<b>-1.145</b>	<b>-1.145</b>	<b>-1.145</b>	<b>-1.145</b>	<b>-0.842</b>	<b>-0.839</b>
<b>Total net resource requirements</b>	<b>-17.361</b>	<b>-18.471</b>	<b>-15.312</b>	<b>-15.018</b>	<b>-15.052</b>	<b>-15.474</b>	<b>-15.656</b>	<b>-16.369</b>	<b>-16.824</b>	<b>-17.155</b>	<b>-17.227</b>
<b>Budget Surplus / (Shortfall)</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>-0.675</b>	<b>-1.163</b>	<b>-2.360</b>	<b>-2.155</b>	<b>-2.535</b>	<b>-2.646</b>	<b>-2.623</b>	<b>-2.332</b>
<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
<b>Totals</b>			<b>638</b>	<b>1,020</b>	<b>1,120</b>	<b>1,220</b>

**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
<b>Totals</b>			<b>220</b>	<b>1,092</b>	<b>1,166</b>	<b>1,242</b>



**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						
<b>OPERATIONAL RESERVES</b>												
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)
	<b>(11,501)</b>	<b>(7,473)</b>	<b>(5,023)</b>	<b>(2,536)</b>	<b>(1,585)</b>	<b>(1,585)</b>	<b>(1,585)</b>	<b>(1,585)</b>	<b>(1,585)</b>	<b>(1,585)</b>	<b>(1,585)</b>	<b>(1,586)</b>
<b>ASSET RESERVES</b>												
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)
	<b>(6,347)</b>	<b>(5,973)</b>	<b>(5,067)</b>	<b>(4,361)</b>	<b>(4,611)</b>	<b>(4,732)</b>	<b>(4,840)</b>	<b>(5,043)</b>	<b>(5,150)</b>	<b>(5,383)</b>	<b>(5,574)</b>	<b>(5,661)</b>
<b>RESTRICTED RESERVES</b>												
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)
	<b>(8,950)</b>	<b>(8,770)</b>	<b>(6,832)</b>	<b>(6,070)</b>	<b>(6,167)</b>	<b>(6,247)</b>	<b>(6,208)</b>	<b>(6,220)</b>	<b>(6,231)</b>	<b>(6,392)</b>	<b>(6,554)</b>	<b>(6,715)</b>
<b>RISK RESERVES</b>												
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)
	<b>(1,305)</b>	<b>(1,629)</b>	<b>(3,649)</b>	<b>(4,150)</b>	<b>(5,002)</b>	<b>(5,002)</b>	<b>(5,002)</b>	<b>(5,002)</b>	<b>(5,002)</b>	<b>(5,002)</b>	<b>(5,002)</b>	<b>(5,002)</b>
<b>Total General Fund Earmarked Reserves</b>	<b>(28,104)</b>	<b>(23,845)</b>	<b>(20,571)</b>	<b>(17,117)</b>	<b>(17,366)</b>	<b>(17,567)</b>	<b>(17,636)</b>	<b>(17,850)</b>	<b>(17,968)</b>	<b>(18,364)</b>	<b>(18,716)</b>	<b>(18,965)</b>
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
<b>Assumptions:</b>								
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
	£	£	£	£	£	£	£	£
<b>Cost of Services</b>								
<b>Total Recurring Budgets</b>	<b>899,828</b>	<b>911,609</b>	<b>923,659</b>	<b>935,985</b>	<b>948,594</b>	<b>961,494</b>	<b>974,692</b>	<b>988,195</b>
<b>Total One-off Budgets</b>	<b>97,287</b>	<b>155,704</b>	<b>30,935</b>					
<b>Total Cost of Services</b>	<b>997,115</b>	<b>1,067,313</b>	<b>954,594</b>	<b>935,985</b>	<b>948,594</b>	<b>961,494</b>	<b>974,692</b>	<b>988,195</b>
<b>Taxation and Non-specific grant income</b>								
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)
<b>Total Taxation and Non-specific grant income</b>	<b>(971,665)</b>	<b>(1,007,762)</b>	<b>(1,042,390)</b>	<b>(1,073,217)</b>	<b>(1,108,731)</b>	<b>(1,122,820)</b>	<b>(1,135,880)</b>	<b>(1,149,600)</b>
<b>Transfers to/(from) Earmarked reserves</b>								
(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)						
<b>Opening Reserve Balance (at 1st April)</b>	<b>(433,003)</b>	<b>(352,553)</b>	<b>(309,002)</b>	<b>(46,798)</b>	<b>(144,030)</b>	<b>(224,167)</b>	<b>(185,493)</b>	<b>(196,681)</b>
<b>Closing Reserve Balance (carried forward)</b>	<b>(352,553)</b>	<b>(309,002)</b>	<b>(46,798)</b>	<b>(144,030)</b>	<b>(224,167)</b>	<b>(185,493)</b>	<b>(196,681)</b>	<b>(208,086)</b>
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 (£)	
<b>BILLING AUTHORITY</b>							
WINCHESTER	49,307.47	6,849,794	138.92	49,960.28	7,148,816	143.09	3.0%
<b>SPECIAL AREAS</b>							
(BILLING AUTHORITY)							
WINCHESTER TOWN	13,980.82	967,335	69.19	14,126.22	1,006,776	71.27	3.0%
<b>PARISHES/TOWN</b>							
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%
<b>TOTAL/AVERAGE</b>	<b>49,307.47</b>	<b>4,191,651</b>	<b>85.01</b>	<b>49,960.28</b>	<b>4,390,165</b>	<b>87.87</b>	<b>3.4%</b>
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	
<b>TOTAL</b>	<b>49,307.47</b>	<b>4,191,651</b>	<b>85.01</b>	<b>49,960.28</b>	<b>4,390,165</b>	<b>87.87</b>	

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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](mailto: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:

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
<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



<b>Winchester City Council</b>	<b>HRA Service Summary 2020/21</b>				<b>Appendix 1</b>
<b>Housing Revenue Account</b>	<b>19/20</b>	<b>19/20</b>	<b>19/20</b>	<b>19/20</b>	<b>20/21</b>
	<b>Original Budget per CAB3111(HS G)</b>	<b>Brought Forward from 18/19 per CAB3161</b>	<b>Revised Budget per CAB3161</b>	<b>Forecast Budget</b>	<b>Original Budget</b>
<b>Service Summary</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Housing Management General</b>					
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)
<b>Housing Management Special</b>					
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)
<b>Repairs</b>					
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)
<b>Rents and Other Income</b>					
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
<b>Surplus for year on HRA Services</b>	<b>4,077,830</b>	<b>(1,481,090)</b>	<b>2,596,740</b>	<b>7,696,386</b>	<b>1,256,487</b>
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
<b>Net (increase)/decrease in HRA Balance before transfers to or from reserves</b>	<b>(4,523,370)</b>	<b>(1,481,090)</b>	<b>(6,004,460)</b>	<b>5,037,186</b>	<b>1,282,487</b>
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
<b>(Increase)/ decrease in HRA Balance</b>	<b>(4,589,670)</b>	<b>(1,481,090)</b>	<b>(6,070,760)</b>	<b>139,386</b>	<b>1,216,187</b>
<b>HRA Working Balance</b>					
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
<b>Projected Balance at Year End</b>	<b>6,076,067</b>		<b>5,555,914</b>	<b>11,766,060</b>	<b>12,982,247</b>

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<b>Winchester City Council</b>	<b>HRA Subjective Summary 2020/21</b>				<b>Appendix 2</b>
	<b>19/20</b>	<b>19/20</b>	<b>19/20</b>	<b>19/20</b>	<b>20/21</b>
<b>Housing Revenue Account</b>	<b>Original Budget per CAB3111(HS G)</b>	<b>Brought Forward from 18/19 Per CAB3161</b>	<b>Revised Budget per CAB3161(CA B)</b>	<b>Forecast Budget</b>	<b>Original Budget</b>
<b>Subjective Summary</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
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
<b>Surplus for year on HRA Services</b>	<b>(4,077,830)</b>	<b>1,481,090</b>	<b>(2,596,740)</b>	<b>(7,696,386)</b>	<b>(1,256,487)</b>
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)
<b>Net (increase)/decrease in HRA Balance before transfers to or from reserves</b>	<b>4,523,370</b>	<b>1,481,090</b>	<b>6,004,460</b>	<b>(5,037,186)</b>	<b>(1,282,487)</b>
Transfer re Insurance Reserve	66,300	0	66,300	66,300	66,300
Reversal of Capital Grants and Contributic	0	0	0	4,831,500	0
<b>(Increase)/ decrease in HRA Balance</b>	<b>4,589,670</b>	<b>1,481,090</b>	<b>6,070,760</b>	<b>(139,386)</b>	<b>(1,216,187)</b>
<b>HRA Working Balance</b>					
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)
<b>Projected Balance at Year End</b>	<b>(6,076,067)</b>		<b>(5,555,914)</b>	<b>(11,766,060)</b>	<b>(12,982,247)</b>

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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
<b>Major Repairs</b>														
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
	<b>6,853</b>	<b>6,853</b>	<b>5,960</b>	<b>5,669</b>	<b>5,816</b>	<b>5,968</b>	<b>6,123</b>	<b>6,391</b>	<b>6,625</b>	<b>6,849</b>	<b>7,062</b>	<b>6,974</b>	<b>10,329</b>	<b>73,768</b>
<b>Improvements &amp; Conversions</b>														
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
	<b>320</b>	<b>320</b>	<b>470</b>	<b>500</b>	<b>500</b>	<b>450</b>	<b>450</b>	<b>450</b>	<b>450</b>	<b>450</b>	<b>450</b>	<b>400</b>	<b>0</b>	<b>4,570</b>
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
<b>Other Capital Spending</b>														
Sewage Treatment Works	103	103	103	106	109	111	114	117	121	124	127	130	133	1,295
<b>Total HS Capital Programme</b>	<b>9,046</b>	<b>9,046</b>	<b>8,318</b>	<b>9,105</b>	<b>8,262</b>	<b>8,404</b>	<b>8,602</b>	<b>8,916</b>	<b>9,195</b>	<b>9,466</b>	<b>9,728</b>	<b>9,641</b>	<b>11,232</b>	<b>100,870</b>

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

**Appendix 4**

<b>New Build Programme &amp; Other Cap</b>	<b>2019/20</b>	<b>2019/20</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>	<b>Total</b>
	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
<b>Total New Build Programme</b>	<b>22,407</b>	<b>25,421</b>	<b>21,576</b>	<b>26,909</b>	<b>16,180</b>	<b>20,057</b>	<b>19,785</b>	<b>11,481</b>	<b>8,328</b>	<b>8,578</b>	<b>8,835</b>	<b>9,100</b>	<b>9,373</b>	<b>160,202</b>

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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
<b>Total Funding</b>	<b>31,453</b>	<b>34,467</b>	<b>29,894</b>	<b>36,014</b>	<b>24,442</b>	<b>28,461</b>	<b>28,387</b>	<b>20,397</b>	<b>17,523</b>	<b>18,044</b>	<b>18,563</b>	<b>18,741</b>	<b>20,605</b>	<b>261,071</b>
			10,411	10,299	16,838	4,570	6,515	6,204	5,447	4,394	7,547	6,305	3,466	78,530
<b>Housing Services</b>	103	103	103	106	109	111	114	117	121	124	127	130	133	1,295
<b>New Build</b>	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
<b>Capital Programme Total</b>	<b>103</b>	<b>103</b>	<b>2,503</b>	<b>2,106</b>	<b>2,609</b>	<b>3,611</b>	<b>2,514</b>	<b>2,590</b>	<b>2,667</b>	<b>2,746</b>	<b>2,827</b>	<b>2,911</b>	<b>2,998</b>	<b>30,082</b>

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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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CAB3209  
CABINET

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.

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
<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

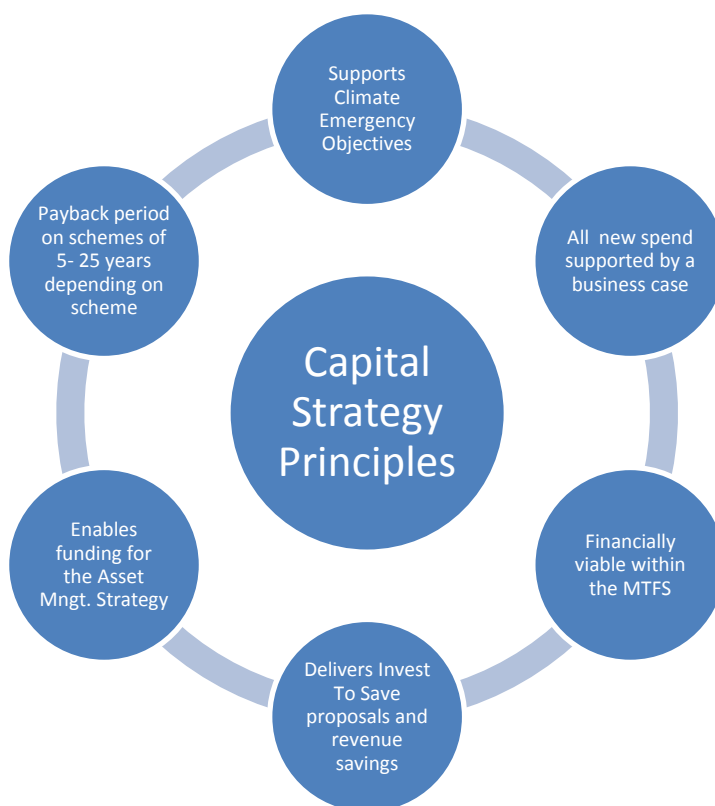
	individual capital schemes	
<i>Reputation</i>	Considered as part of the approval process for individual capital schemes	None
<i>Other</i>		

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.

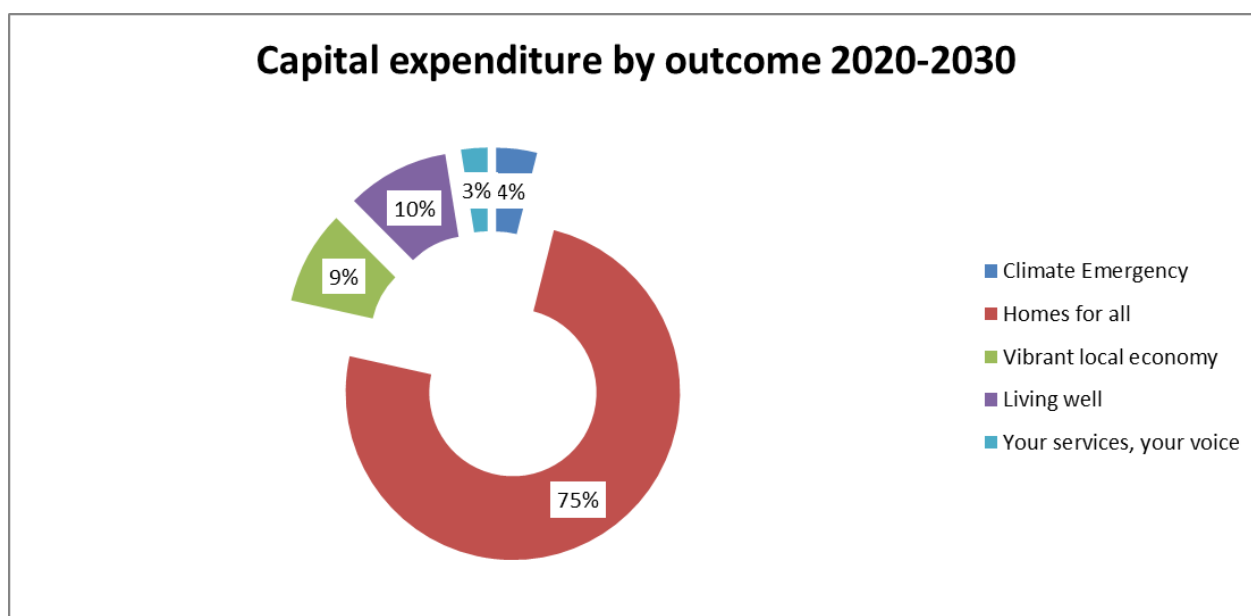
11.1.2. The Strategy sets out the Council's capital spending programme and the principles which underpin this to deliver the Council Strategy:



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. £m	Est. £m	Est. £m	Est. £m	Est. £m	Est. £m	Est. £m	Est. £m	Est. £m	Est. £m	Est. £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
<b>Total Expenditure</b>	<b>92.6</b>	<b>41.7</b>	<b>33.0</b>	<b>32.1</b>	<b>22.3</b>	<b>19.0</b>	<b>19.6</b>	<b>20.0</b>	<b>20.3</b>	<b>22.2</b>	<b>322.8</b>

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”.

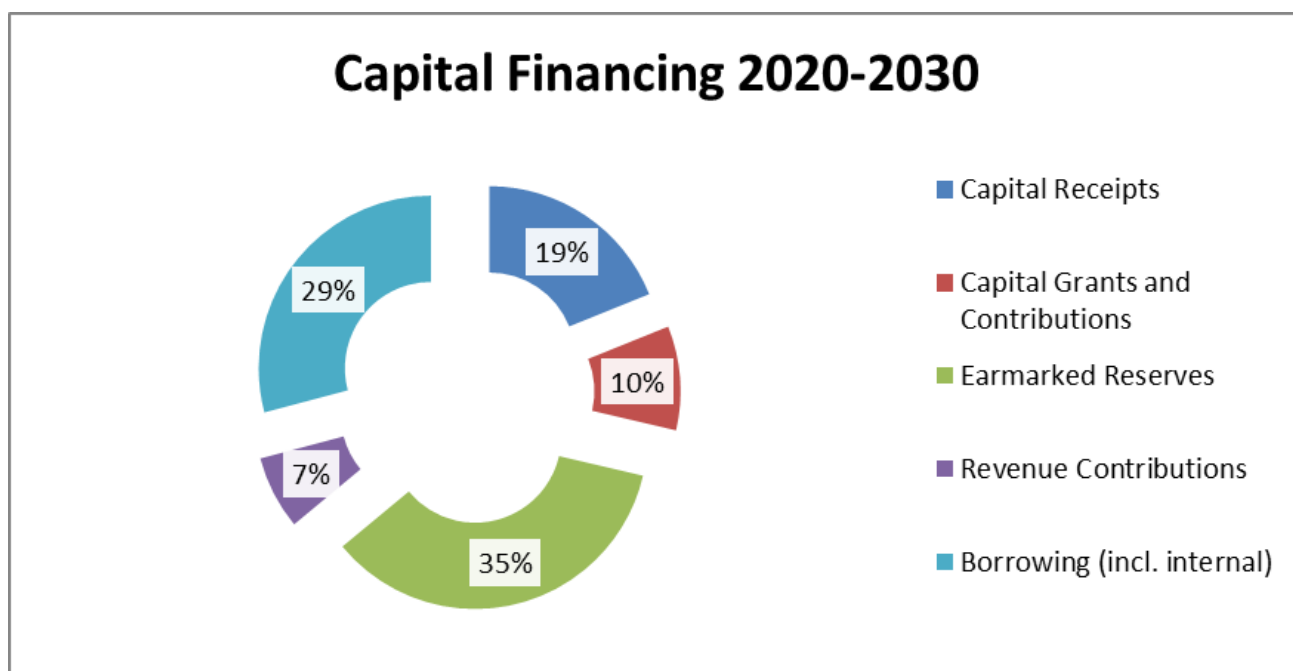
11.3.2. The main sources of finance for capital projects are as follows:

- 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
<b>Total</b>	<b>0.5</b>	<b>0.5</b>	<b>0.4</b>	<b>1.0</b>	<b>1.2</b>

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
<b>TOTAL CFR</b>	<b>190.0</b>	<b>212.1</b>	<b>275.3</b>	<b>293.6</b>	<b>301.9</b>

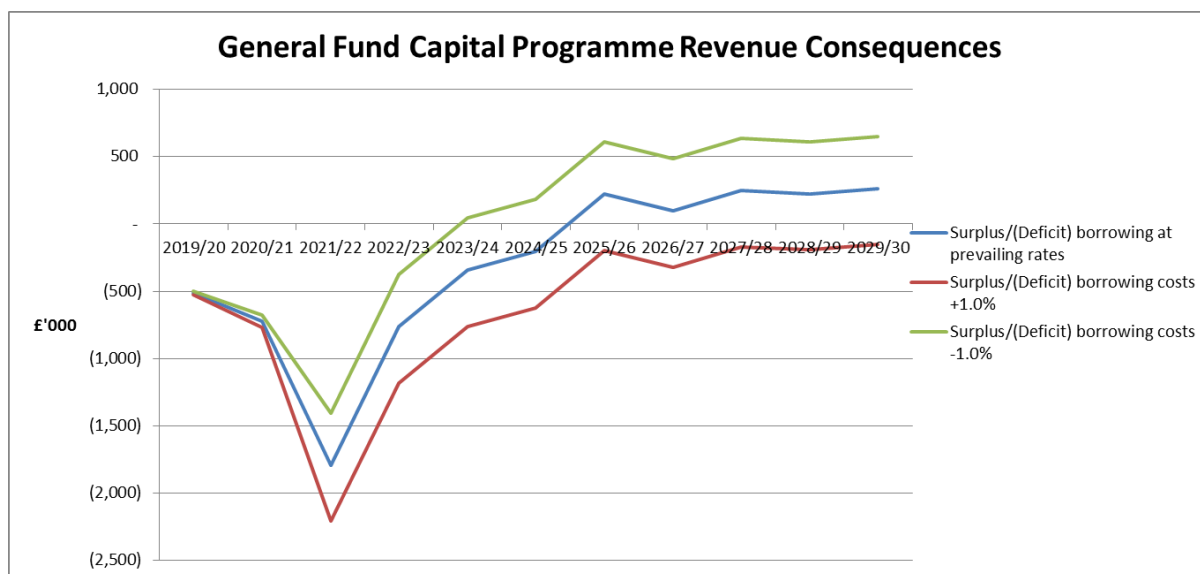
- 11.3.7. Further information including borrowing forecasts and borrowing limits are set out in the Treasury Management Strategy (CAB 3218).

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:

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

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.

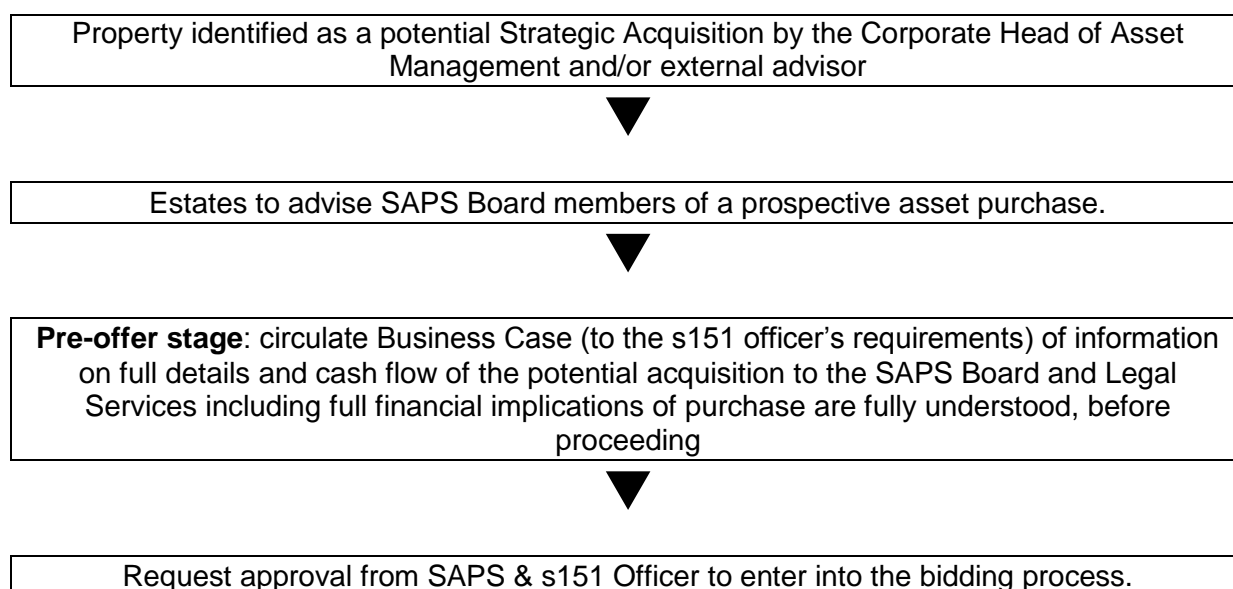
11.9.2. Appendix A provides summary detail on the HRA capital programme for 2020/21 and forecasts to 2029/30. Further detailed information can be found in the Housing budget paper (CAB3214).


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
<b>Financial/VFM</b>	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	<b>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</b>	Invest and risk losing (from £2m up to £5m) for best possible return Resources allocated without firm guarantee of return
<b>Exposure to Challenge</b>	Be very sure we would win challenges	Limited tolerance for sticking neck out Reasonably sure we would win challenges	<b>Challenge is problematic, but takes the necessary steps to manage and win this. Gain outweighs adverse consequences</b>	Chances of losing challenge are real with significant consequences
<b>Innovation, Quality, Outcomes</b>	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.	<b>Innovation pursued Actively seek new ways of working or using new technology</b>
<b>Reputation</b>	No chance for significant repercussions Avoid exposure to attention	Little chance of significant repercussions Mitigation in place for undue interest	<b>Will expose to scrutiny and interest Management of reputation through actively listening and talking</b>	New ideas experimented at the risk of damage to reputation
<b>Appetite</b>	<b>Low</b>	<b>Moderate</b>	<b>High</b>	<b>Significant</b>

## 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
	<b>General Fund</b>												
	<b>Approved*</b>												
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
<b>23,444</b>	<b>Total Approved*</b>		<b>31,349</b>	<b>5,043</b>	<b>1,583</b>	<b>1,375</b>	<b>1,478</b>	<b>1,287</b>	<b>1,380</b>	<b>1,250</b>	<b>1,290</b>	<b>1,390</b>	<b>47,425</b>

\* 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
		<b>Subject to Appraisal*</b>												
	- 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
<b>2,846</b>	<b>Subject to Appraisal*</b>			<b>25,220</b>	<b>12,271</b>	<b>2,990</b>	<b>2,280</b>	<b>400</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>44,161</b>
<b>26,290</b>	<b>Total General Fund</b>			<b>56,569</b>	<b>17,314</b>	<b>4,573</b>	<b>3,655</b>	<b>1,878</b>	<b>1,487</b>	<b>1,580</b>	<b>1,450</b>	<b>1,490</b>	<b>1,590</b>	<b>91,586</b>

\* 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
<b>29,894</b>	<b>Total Housing Revenue Account</b>			<b>36,014</b>	<b>24,442</b>	<b>28,461</b>	<b>28,387</b>	<b>20,397</b>	<b>17,523</b>	<b>18,044</b>	<b>18,563</b>	<b>18,741</b>	<b>20,605</b>	<b>231,177</b>
<b>56,184</b>	<b>Grand Total</b>			<b>92,583</b>	<b>41,756</b>	<b>33,034</b>	<b>32,042</b>	<b>22,275</b>	<b>19,010</b>	<b>19,624</b>	<b>20,013</b>	<b>20,231</b>	<b>22,195</b>	<b>322,763</b>

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
<b>General Fund</b>												
<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
<b>Total Externally Funded</b>	<b>3,870</b>	<b>3,249</b>	<b>1,349</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>	<b>12,598</b>
<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
<b>Total Earmarked Reserves</b>	<b>3,481</b>	<b>3,632</b>	<b>2,177</b>	<b>488</b>	<b>655</b>	<b>785</b>	<b>487</b>	<b>580</b>	<b>450</b>	<b>490</b>	<b>590</b>	<b>10,334</b>
<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
<b>Total General Fund</b>	<b>26,290</b>	<b>56,569</b>	<b>17,314</b>	<b>4,573</b>	<b>3,655</b>	<b>1,878</b>	<b>1,487</b>	<b>1,580</b>	<b>1,450</b>	<b>1,490</b>	<b>1,590</b>	<b>91,586</b>
<b>Housing</b>												
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
<b>Total Housing Revenue Account</b>	<b>29,894</b>	<b>36,014</b>	<b>24,442</b>	<b>28,461</b>	<b>28,387</b>	<b>20,397</b>	<b>17,523</b>	<b>18,044</b>	<b>18,563</b>	<b>18,741</b>	<b>20,605</b>	<b>231,177</b>
<b>Total Financing of Capital Programme</b>	<b>56,184</b>	<b>92,583</b>	<b>41,756</b>	<b>33,034</b>	<b>32,042</b>	<b>22,275</b>	<b>19,010</b>	<b>19,624</b>	<b>20,013</b>	<b>20,231</b>	<b>22,195</b>	<b>322,763</b>

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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
<b>TOTAL SURPLUS/(DEFICIT)</b>	<b>(513)</b>	<b>(720)</b>	<b>(1,797)</b>	<b>(766)</b>	<b>(345)</b>	<b>(208)</b>	<b>217</b>	<b>93</b>	<b>244</b>	<b>220</b>	<b>259</b>

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**

<b>CAPITAL RECEIPTS RESERVE</b>	<b>2019/20 Forecast £000</b>	<b>2020/21 Forecast £000</b>	<b>2021/22 Forecast £000</b>	<b>2022/23 Forecast £000</b>	<b>2023/24 Forecast £000</b>	<b>2024/25 Forecast £000</b>	<b>2025/26 Forecast £000</b>	<b>2026/27 Forecast £000</b>	<b>2027/28 Forecast £000</b>	<b>2028/29 Forecast £000</b>	<b>2029/30 Forecast £000</b>
<b>Consolidated Opening Balance</b>	<b>(14,526)</b>	<b>(11,157)</b>	<b>(8,715)</b>	<b>(17,623)</b>	<b>(8,603)</b>	<b>(4,776)</b>	<b>(5,090)</b>	<b>(5,407)</b>	<b>(5,728)</b>	<b>(6,052)</b>	<b>(6,380)</b>
<b>GENERAL FUND</b>											
<b>Opening Balance</b>	<b>(5,953)</b>	<b>(3,949)</b>	<b>(3,511)</b>	<b>(1,386)</b>	<b>(1,089)</b>	<b>(921)</b>	<b>(1,256)</b>	<b>(1,594)</b>	<b>(1,936)</b>	<b>(2,281)</b>	<b>(2,630)</b>
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
<b>Closing Balance</b>	<b>(3,949)</b>	<b>(3,511)</b>	<b>(1,386)</b>	<b>(1,089)</b>	<b>(921)</b>	<b>(1,256)</b>	<b>(1,594)</b>	<b>(1,936)</b>	<b>(2,281)</b>	<b>(2,630)</b>	<b>(2,982)</b>
<b>HOUSING REVENUE ACCOUNT</b>											
<b>Opening Balance</b>	<b>(8,573)</b>	<b>(7,208)</b>	<b>(5,204)</b>	<b>(16,237)</b>	<b>(7,514)</b>	<b>(3,855)</b>	<b>(3,834)</b>	<b>(3,813)</b>	<b>(3,792)</b>	<b>(3,771)</b>	<b>(3,750)</b>
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
<b>Closing Balance</b>	<b>(7,208)</b>	<b>(5,204)</b>	<b>(16,237)</b>	<b>(7,514)</b>	<b>(3,855)</b>	<b>(3,834)</b>	<b>(3,813)</b>	<b>(3,792)</b>	<b>(3,771)</b>	<b>(3,750)</b>	<b>(3,729)</b>
<b>Consolidated Closing Balance</b>	<b>(11,157)</b>	<b>(8,715)</b>	<b>(17,623)</b>	<b>(8,603)</b>	<b>(4,776)</b>	<b>(5,090)</b>	<b>(5,407)</b>	<b>(5,728)</b>	<b>(6,052)</b>	<b>(6,380)</b>	<b>(6,711)</b>

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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:

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

## 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
<b>TOTAL</b>	<b>0.14m</b>	<b>0.1m</b>	<b>0.04m</b>	<b>12m</b>

*\*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

<b>1 April 2018</b>	<b>47.7</b>
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
<b>31 March 2019</b>	<b>53.8</b>
<b>Budgeted</b>	
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
<b>31 March 2020</b>	<b>58.1</b>

\*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
<b>TOTAL EXPOSURE</b>	<b>93.2m</b>	<b>73.4m</b>	<b>78.4m</b>

**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
<b>TOTAL FUNDED BY EXTERNAL BORROWING</b>	<b>0.0m</b>	<b>0.0m</b>	<b>9.1m</b>

**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%
<b>ALL INVESTMENTS*</b>	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
<b>Outstanding CFR (%)</b>	20.9%	27.7%	42.9%
Housing Revenue Account - total fixed assets (£m)	422.1	446.3	494.3
<b>Outstanding CFR (%)</b>	38.6%	37.8%	37.3%

*\*excludes future changes in valuation*

CAB3218  
CABINET

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

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
<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
<b>Total CFR</b>	<b>190.0</b>	<b>212.1</b>	<b>275.3</b>	<b>293.6</b>	<b>301.9</b>
Less: Other debt liabilities *	(0.2)	0.0	0.0	0.0	0.0
<b>Borrowing CFR</b>	<b>189.8</b>	<b>212.1</b>	<b>275.3</b>	<b>293.6</b>	<b>301.9</b>
Less: External borrowing **	(156.7)	(156.7)	(156.7)	(156.7)	(151.7)
<b>Internal (over) borrowing</b>	<b>33.1</b>	<b>55.4</b>	<b>118.6</b>	<b>136.9</b>	<b>145.2</b>
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)
<b>Resources for investments</b>	<b>(72.3)</b>	<b>(70.3)</b>	<b>(59.7)</b>	<b>(66.5)</b>	<b>(58.8)</b>
<b>New borrowing or (investments)</b>	<b>(39.2)</b>	<b>(14.9)</b>	<b>58.9</b>	<b>70.4</b>	<b>86.4</b>

\* 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

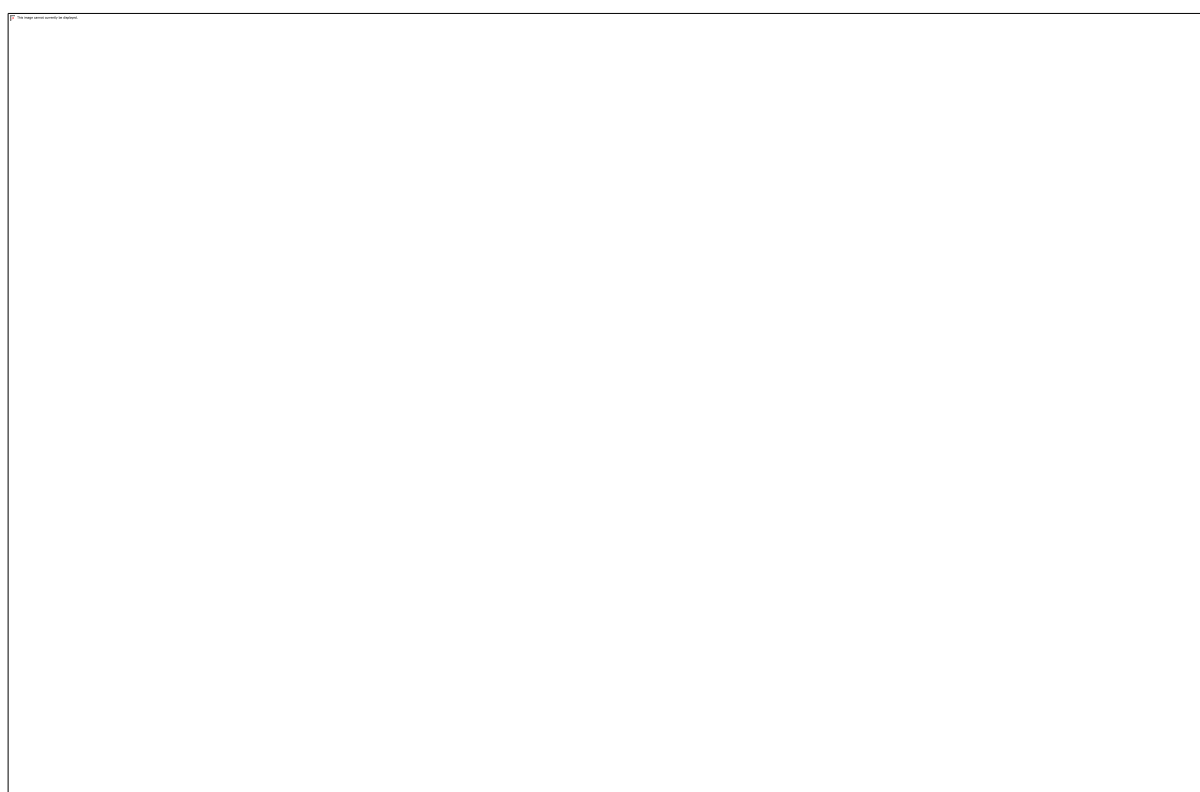
#### Liability benchmark

- 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**

	<b>31/03/19 Actual £m</b>	<b>31/03/20 Estimate £m</b>	<b>31/03/21 Forecast £m</b>	<b>31/03/22 Forecast £m</b>	<b>31/03/23 Forecast £m</b>
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
<b>Liability benchmark</b>	<b>127.5</b>	<b>151.8</b>	<b>225.6</b>	<b>237.1</b>	<b>253.2</b>



- 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.

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

- 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.

<b>Table 4: Estimated annual income returns</b>	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
<b>Total</b>	<b>£54.7m</b>	<b>1.19%</b>	<b>£0.65m</b>

- 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**

	<b>Cash limit</b>
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*

<b>Credit rating</b>	<b>Banks unsecured</b>	<b>Banks secured</b>	<b>Government</b>	<b>Corporates</b>	<b>Registered Providers - secured</b>	<b>Registered Providers - unsecured</b>
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
<b>Pooled funds and REITs</b>	£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.

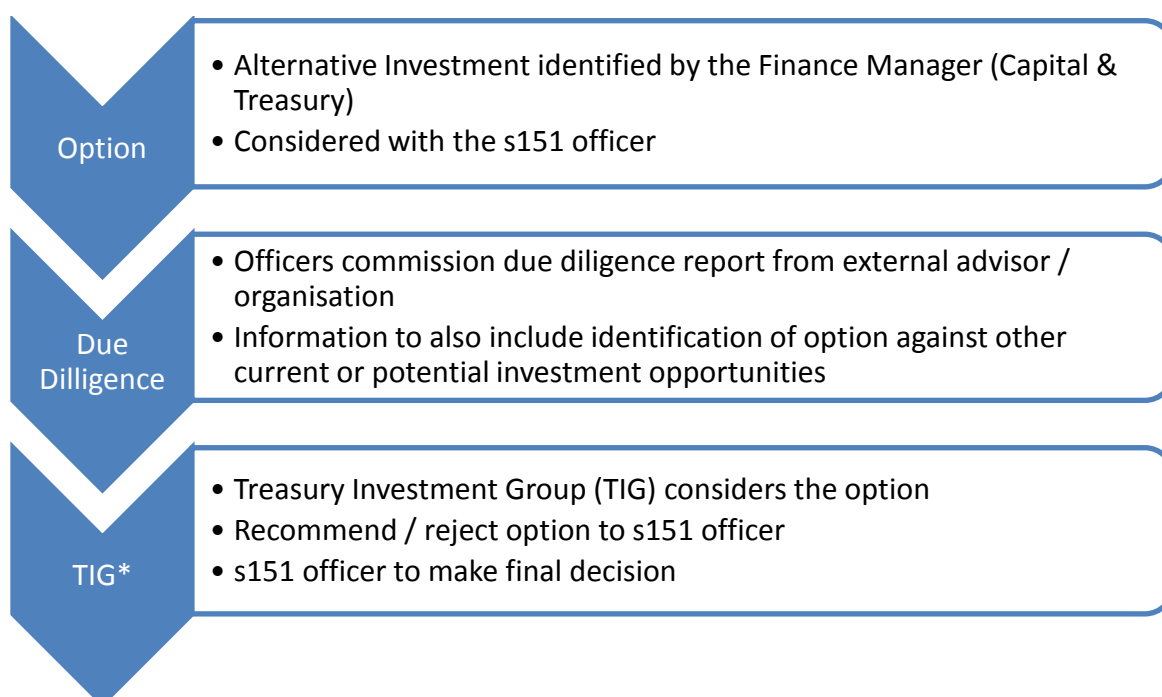
### Government

- 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**

	<b>30 November 2019</b>	<b>Impact of +/-1% interest rate change</b>
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**

	<b>Upper</b>	<b>Lower</b>
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)	-	-	-
<b>Total Debt</b>	<b>(156.9)</b>	<b>(156.9)</b>	<b>(225.6)</b>	<b>(237.1)</b>

- 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.

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

#### 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**

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

#### 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
<b>Official Bank Rate</b>													
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
<b>Arlingclose Central Case</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>
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
<b>3-month money market rate</b>													
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
<b>Arlingclose Central Case</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>
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
<b>1yr money market rate</b>													
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
<b>Arlingclose Central Case</b>	<b>0.85</b>	<b>0.85</b>	<b>0.85</b>	<b>0.85</b>	<b>0.85</b>	<b>0.85</b>	<b>0.85</b>	<b>0.85</b>	<b>0.85</b>	<b>0.85</b>	<b>0.85</b>	<b>0.85</b>	<b>0.85</b>
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
<b>5yr gilt yield</b>													
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
<b>Arlingclose Central Case</b>	<b>0.50</b>	<b>0.50</b>	<b>0.55</b>	<b>0.55</b>	<b>0.55</b>	<b>0.60</b>	<b>0.60</b>	<b>0.65</b>	<b>0.65</b>	<b>0.70</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>
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
<b>10yr gilt yield</b>													
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
<b>Arlingclose Central Case</b>	<b>0.75</b>	<b>0.80</b>	<b>0.80</b>	<b>0.85</b>	<b>0.85</b>	<b>0.90</b>	<b>0.90</b>	<b>0.95</b>	<b>0.95</b>	<b>1.00</b>	<b>1.05</b>	<b>1.10</b>	<b>1.10</b>
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
<b>20yr gilt yield</b>													
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
<b>Arlingclose Central Case</b>	<b>1.20</b>	<b>1.25</b>	<b>1.25</b>	<b>1.25</b>	<b>1.30</b>	<b>1.30</b>	<b>1.30</b>	<b>1.35</b>	<b>1.35</b>	<b>1.35</b>	<b>1.40</b>	<b>1.40</b>	<b>1.40</b>
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
<b>50yr gilt yield</b>													
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
<b>Arlingclose Central Case</b>	<b>1.20</b>	<b>1.25</b>	<b>1.25</b>	<b>1.25</b>	<b>1.30</b>	<b>1.30</b>	<b>1.30</b>	<b>1.35</b>	<b>1.35</b>	<b>1.35</b>	<b>1.40</b>	<b>1.40</b>	<b>1.40</b>
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
<b>Short term investments</b>					
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
	<b>42.7</b>	-	<b>42.7</b>	<b>0.83</b>	<b>0.17</b>
<b>Long term investments</b>					
Banks and Building Societies:					
- Secured	5.5	-	5.5	1.13	2.01
Local Authorities	1.5	-	1.5	1.33	1.53
	<b>7.0</b>	-	<b>7.0</b>	<b>1.17</b>	<b>1.91</b>
<b>High yield investments</b>					
Pooled Property Funds**	5.0	-	5.0	4.24	n/a
	<b>5.0</b>	-	<b>5.0</b>	<b>4.24</b>	<b>n/a</b>
<b>TOTAL INVESTMENTS</b>	<b>54.7</b>	-	<b>54.7</b>	<b>1.19</b>	<b>0.42</b>

\* 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 %
<b>External borrowing:</b>		
PWLB Fixed Rate	(156.7)	(3.30)
<b>Total Gross External Debt</b>	<b>(156.7)</b>	<b>(3.30)</b>
<b>Investments</b>	<b>54.7</b>	<b>1.19</b>
<b>Net (Debt) / Investments</b>	<b>(102.0)</b>	

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CAB3206  
CABINET

REPORT TITLE: OPTIONS APPRAISAL FOR DELIVERY OF ELECTRIC VEHICLE CHARGING NETWORK

12 FEBRUARY 2020

REPORT OF CABINET MEMBER: Cllr Jackie Porter

Contact Officer: David Ingram Tel No: 01962 848479

Email [dingram@winchester.gov.uk](mailto:dingram@winchester.gov.uk)

WARD(S): ALL

PURPOSE

CAB3120 paper from the Cabinet meeting on 23<sup>rd</sup> January 2019, recommended a detailed options appraisal for the delivery and operation of an electric vehicle charging network be completed for consideration at a future Cabinet meeting.

This report considers the options available for the delivery of the Council's electric vehicle charging strategy and seeks to inform Cabinet on its recommendation.

RECOMMENDATIONS:

It is recommended that Cabinet:

1. Approve capital expenditure of £120,000 utilising the capital budget allocated in the Capital Programme (CAB3209) for the installation of an electric vehicle charging network in accordance with option 3.
2. Delegate to the Service Lead: Legal authority to award and enter into a contract with JoJu Charging, a subsidiary of JoJu Ltd, using the Hampshire County Council (HCC) 'Framework Agreement for the Provision of Electric Vehicle Charging Points' and associated legal agreements such as a lease.
3. Support proposals to extend the network of electric vehicle charging points to serve the Park and Ride sites, the new leisure centre, tenants living in the Council's own property portfolio over the next year (subject to financial appraisal), and to work with Hampshire County Council in delivering an on street charging infrastructure by 2021/22 as part of the Winchester Movement Strategy.

IMPLICATIONS:1 COUNCIL PLAN OUTCOME

- 1.1 The Electric Vehicle Charging Strategy was adopted by Cabinet in January 2019 (CAB3120) after it was identified as a commitment in the Air Quality Action Plan (AQAP) adopted in the spring of 2017. Whilst the Air Quality Strategy's main objective is to ensure compliance with Nitrogen Dioxide levels for reason of public health, it also shares synergies with the council's carbon reduction 'Climate Emergency' aspirations.

2 FINANCIAL IMPLICATIONS

- 2.1 The electric vehicle (EV) charging strategy by Horizon Power and Energy estimated that the proposed EV charging network would cost in the region of £250k, which included a 10% project management cost. Since the strategy was adopted, two feasibility studies have been undertaken by JoJu Charging (JoJu) and these estimate the EV network installation costs, if fully funded by Winchester City Council, as being £348,150. However this report is not considering some of the originally proposed sites i.e. the Park and Ride, Leisure Centre and on street EVCPs, leaving a net installation cost of £288,653 for the Council to fully fund the remaining sites.
- 2.2 Each EV charging location has been categorised by JoJu dependant on their estimation of its financial viability (given the cost of installation and the expected revenue generated from it). The three categories refer to the funding options that can be adopted. In broad terms these are:
- For the Council to fully fund the entire EVCP infrastructure (36 EVCPs across 19 sites).
  - For the Council and JoJu to co-fund the infrastructure (proposed for 32 EVCPs, 15 sites).
  - To allow JoJu to fund the 'fully fundable' sites only (14 EVCPs, 8 sites).
- 2.3 The full cost and risk implications of each option are set out later in this report; however the recommended co-funded option (excepting the rapid chargers which are proportionately more expensive and therefore present a higher cost benefit risk) and including the 'unfunded' site in Denmead, requires an expected capital investment of £118k .
- 2.4 The recommended option (3), is estimated to generate income in year 1 of £4,000, increasing to £25,000 by year 5. This is against an annual cost of capital of £10,000 so the net cost to the Council is estimated at £6,000 in year 1 rising to a surplus of £15,000 in year 5. Over the 15 year life, there is an estimated net surplus of just over £160,000.
- 2.5 Further detail is provided in the financial appraisal shown in Appendix A.
- 2.6 Members should be aware that there are significant assumptions around the future take up of electric vehicles and projected income may be less than



forecast. Sensitivity analysis on the income generation assumptions shows that if income was 50% of the forecast then the Council would break even over the 15 year term of the agreement.

### 3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 Central government has set out commitments within its 'Road to Zero' Strategy to support the transition to zero emission road transport and reduce emissions from conventional vehicles. The strategy sets out a long term scope and is currently not translated into statutory legal requirements for Local Authorities to deliver an EV charging network within their jurisdictions.
- 3.2 JoJu Charging, a subsidiary of JoJu Ltd, is the sole provider identified through the 'Framework Agreement for the Provision of Electric Vehicle Charging Points' with Hampshire County Council (HCC) dated 6 April 2018. This 'Framework Agreement' allows access to public sector bodies located within Hampshire, Sussex, Surrey, Berkshire, Oxfordshire, Wiltshire, Dorset and Devon.
- 3.3 All of the sites identified within the City Council's adopted EV Charging Strategy, are owned by Winchester City Council, with the exception of the Southern and Barfield Park and Ride Sites and the pilot 'on street' charging locations, which are owned by or are the responsibility of Hampshire County Council as the Highways Authority.
- 3.4 This report recommends initial implementation of the EV Charging Points only on sites that are under the full ownership of the Winchester City Council. Notwithstanding the City Council remains committed to working with HCC to deliver additional EV charging infrastructure within the Park and Ride and 'on street' sites as within the adopted EV Charging Strategy.
- 3.5 EV Charging Points (EVCPs) are identified as 'Permitted Development' under Part 12A(b) of the General Permitted Development Order 2015 and do not therefore require planning permission.
- 3.6 The EV charging infrastructure will be subject to a lease agreement which has been subject to legal scrutiny. The Council is currently in dialogue with JoJu and Vattenfall, the company that supplies and operates the infrastructure, to ensure all any outstanding legal matters are resolved within the lease, to the satisfaction of the Council.
- 3.7 In the event that the recommendations in this report are agreed then the proposed arrangement is to enter into leases with JoJu to enable installation of the EV Charging Points on the City Council land.

### 4 WORKFORCE IMPLICATIONS

- 4.1 All the options as set out in this report will be project managed and delivered through JoJu, including the back office and maintenance costs. These costs are factored into the costings as set out later in this report. Without prejudice

and subsequent to Cabinet making their decision, instruction will be given to JoJu, who will then deliver the project at no additional charge to the Council or with significant officer time required, aside from that of a position of overseeing the project.

- 4.2 City Council resources will be minimal. However a budget of £30k was set aside from the 2019/20 Parking General Fund to assist in the delivery of this project which is as yet unspent, and which has been carried over to 2020/21 to ensure its delivery.

## 5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 The EV infrastructure will be entirely located on Council car parking assets and will necessitate some invasive subterranean cabling and reparation work.
- 5.2 At the conclusion of 'the term' the EVCP assets will transfer to Winchester City Council. The 'term' has been identified as being the period in which there is a profit return of six times the return on investment (ROI), or over 15 years, whichever is sooner.

## 6 CONSULTATION AND COMMUNICATION

- 6.1 The EV Charging Strategy has formed the basis of discussion with several internal and external stakeholders, which have made up an Electric Vehicle Working Group (EV Working Group). Stakeholders include:
- Cabinet Members
  - Parking
  - Estates
  - Sustainability Officer
  - Finance
  - Legal Services
  - Hampshire County Council Highways
- 6.2 This EV Working Group has met on several occasions to assess the 2 feasibility studies prepared by JoJu and the various associated funding options.
- 6.3 A presentation was also delivered to the Health and Environment Policy Committee on 13 January 2020, at which these options were presented, discussed and for which there was broad support and agreement with recommendation to adopt Option 3.

## 7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 The implementation of an EV infrastructure in the Council's estate, whilst providing negligible improvements to air quality, is nevertheless in support of the Council's leadership role in reducing the district's carbon emissions and by extension the Council's climate emergency aspirations. It is also a key initiative in encouraging behavioural change by Winchester residents and

visitors who are motivated to embrace EV technology. Adopting such an EV infrastructure will also ensure that the Council will be one of the leading Local Authorities in delivering an EV infrastructure in the region.

## 8 EQUALITY IMPACT ASSESSEMENT

- 8.1 In sighting EV charging points in their car parks, the Council will ensure that JoJu gives full consideration as to how these points will be accessible to disabled users who may otherwise struggle to gain access.

## 9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 The framework agreement, under which the delivery contract is governed, contains freedom of information and confidentiality clauses, which require JoJu to assist the contracting authority in the event that they receive requests for information under freedom of information and environmental information legislation. The framework agreement also requires JoJu to comply with data protection legislation, including the Data Protection Act 1998 and the General Data Protection Regulation 2018.
- 9.2 Notwithstanding, users accessing and paying for electricity in the proposed network will need to register their billing information with the funder, Vattenfall's 'InCharge' back office system, which is subject to their data protection and privacy policy.

## 10 RISK MANAGEMENT

- 10.1 The table below sets out the intended approach to manage risk, mitigation, and opportunities.

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
<p><b>Property</b> The EV Strategy is focused on the Council's 'off street' parking estate and as such is within its direct control.</p>	<p>Council can directly manage any risks.</p>	<p>Council can increase the infrastructure in the future, should there be a case to do so.</p>
<p><b>Community Support</b> It is expected that the majority of the community, even if they will not be taking up EV's, will nevertheless support the installation of an EV Charging network. However there may be an element of the community which remains sceptical and will question the expenditure on this</p>	<p>The Strategy predicates on an evidence based approach which is intended to meet and not significantly exceed customer demand.</p> <p>It is phased so that the initial infrastructure can be expanded relatively easily and inexpensively to meet demand as it increases,</p>	<p>In being at the forefront of EV infrastructure in Hampshire, WCC can justifiably claim to be a 'cleaner' environmentally aware district which underpins its reputation as a place to live, work and visit, both regionally and nationally.</p> <p>Increased community</p>

network.	which will in of itself be self justifying.	support and engagement can lead to greater investment in sustainable transport opportunities and behavioural change projects.
<p><b>Timescales</b></p> <p>That the project isn't delivered within a time frame expected by Cabinet and the community.</p>	<p>Without prejudice to Cabinet reaching its recommendation, JoJu, the contractor being commissioned under the Framework, has committed to delivering the strategic recommendation within as short a time frame as is practicable. Officers will work with JoJu and relevant stakeholders to ensure that agreed EV network is introduced within time.</p>	
<p><b>Project capacity</b></p> <p>Once the recommendation has been agreed by Cabinet, JoJu have committed to leading on its delivery. This will enable the limited officer resource to adopt a facilitative project management role.</p>	<p>Project support secured until April 2020 – this will be subject to review in the new year.</p> <p>The plan draws upon the input of existing officer resource across the Council (focused in Public Protection) but drawing on services like Parking and Estates.</p> <p>Keep under review resources to ensure measures can be delivered.</p>	<p>Continue resourcing and delivery within the EV Working Group, which will continue to work to roll out further delivery of EV networks to sere the need of local residents.</p>
<p><b>Financial / VfM</b></p> <p>Forecast net income may be less than initial estimates</p>	<p>Estimated income is based on feasibility studies undertaken by JoJu and the cost of capital is based on a</p>	<p>Delivering an 'EV' network will assist in delivering on Carbon reduction aspirations.</p>

	prudent estimates	<p>Positive image for the Council.</p> <p>By installing the infrastructure through this agreement the Council is opening a potentially long term source of income.</p>
<p><b>Legal</b></p> <p>There are no legal duties on the Council to deliver an EV network, so by extension there are no penalties for not doing so. However the Council proposes to deliver its network to encourage quicker behavioural change within the regions community. However should such a duty be placed upon Local Authorities, then Winchester will already be well placed to meet this challenge.</p>	Not applicable	<p>In delivering an EV network, Winchester City Council is already demonstrating its support for central government's 'Road to Zero' strategy.</p>
<p><b>Innovation</b></p> <p>In not seeking to meet the challenge of the 'EV revolution' the Council will find itself much less informed on EV technology and could overlook opportunities to adopt innovative ways of tackling air quality and ensuring that the city centre remains fit for purpose and an attractive place to live, work and visit, well into the 21<sup>st</sup> Century.</p>	<p>Winchester City Council is working with HCC on the delivery of EV 'on street' and in the Park and Ride sites serving the city.</p>	<p>Providing leadership by delivering its own, EV charging infrastructure will encourage the 'environmental business' sector to approach Winchester as a city open to environmental excellence. This will encourage that sector to market their offer to the Council on innovative solutions engineered to help improve the environment and tackle climate change.</p>
<p><b>Reputation</b></p> <p>Should the City Council fail to deliver an EV charging network, this may bring into sharp focus the</p>	<p>Continue to prioritise the delivery of the EV strategy.</p>	<p>In ensuring that Winchester providing an EV infrastructure the city can capitalise on this</p>

City's commitment towards its own Climate Emergency declaration and making real environmental change, which will inevitably cause reputational damage.	The City Council continues engages with partners like HCC on this project and further work with local partners such as Winchester BID for further role out of EVCP's on employer estate.  Furthermore, the City Council adopts marketing plan to encourage the uptake and use of the EV charging network.	status as a better place to access, live, work and visit, sustainably.
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## 11 SUPPORTING INFORMATION:

### **The Council's EV Charging Strategy**

- 11.1 The City Council declared its city centre as an Air Quality Management Area in 2003 and in 2006 adopted its first 'Air Quality Action Plan' (AQAP). This updated AQAP ([CAB2906](#)), set out 9 core and 9 complimentary measures. One of the complimentary measures was to 'Seek to commit to introduce more electric vehicle charging points within car parks'.
- 11.2 In the summer of 2018 an environmental consultant, Horizon Power and Energy, was commissioned to write an electric vehicle charging strategy for the district. The brief was to focus on delivering an EVCP infrastructure in the Council's off street car parks (and a pilot study for 'on street' EVCPs), with the expectation of meeting but not exceeding customer demand over a term of 5 and 10 years.
- 11.3 The Electric Vehicle Charging Strategy was subsequently adopted by Cabinet in January of 2019 and which recommended that the City Council install 46 publically accessible EVCPs. Note that the charge ratings are:

kWh Rating	Charge	Predicted charge time*
Up to 3kWh	Slow	8 Hours
7kWh to 22kWh	Fast	4 to 6 hrs
Above 50kWh	Rapid	30 to 60 minutes

\*Depends on the size and condition of the car battery receiving the charge

### Options Appraisal

- 11.4 Once adopted, officers commenced delivering on the second recommendations in CAB3120, which was for a detailed options appraisal for the delivery and operation of an electric vehicle charging network to be completed for consideration of a future Cabinet meeting.
- 11.5 Hampshire County Council had undertaken a thorough framework tender process and in April 2018 brokered a Framework Agreement with JoJu as the sole provider. This framework has been made available to all public bodies located within Hampshire, Sussex, Surrey, Berkshire, Oxfordshire, Wiltshire, Dorset and Devon.
- 11.6 Winchester City Council signed up to this framework in May 2018, when under the terms of the Framework at a cost of £1, the Council commissioned JoJu to undertake a study to assess the feasibility of delivering on its own EVCP Strategy.
- 11.7 JoJu undertook this work as requested but also undertook their own feasibility study, albeit based on the recommended sites set down in the Council's EVCP Strategy. Although JoJu have recognised that Winchester's own Strategy had identified different parking behaviour profiles for different sites from which they have recommended EVCPs with different charging ratings, they have nevertheless taken a longer term view. Instead they have recommended an EVCP network based on higher charge speed 22kWh chargers rather than a combination of 7kWh and 11kWh chargers.
- 11.8 The relative cost of adding EVCPs is small compared to the associated ground works required for the subterranean cabling. In recommending a network of 22kWh chargers, the primary cost arises from the new supply and onto which additional EVCPs can be subsequently added to meet increased demand over the medium term. Installing the 22kWh chargers future-proofs the Council's network of EV chargers; allowing the possible roll-out of further charge points in these location if usage is high enough to justify it.
- 11.9 The EVCP Working Group has considered both feasibility studies and agreed to recommend JoJu's proposal, as an initial phase of delivery and to consider installing future additional EVCPs, as demand dictates.
- 11.10 It was also agreed by the EVCP Working Group that certain sites identified by the EVCP Strategy would not be considered by this Paper for the following reasons:
- South Winchester and St Catherine's Park and Ride Sites are both subject to a 'Tenancy at Will' agreement with Hampshire County Council, which allows for either party to terminate the lease in the short term and does not therefore currently provide the certainty required for realise the required 'term' of installation. Similarly Pitt Park and Ride is leased from

the developer Bovis Homes and under the terms of that lease, approval must be sought before commencement;

- The new Leisure Centre already has EVCPs included in the site's overall project development costs and therefore need not be considered under this paper;
- The 'On Street' sites are the responsibility of Hampshire County Council and are being considered by them through an alternative funding stream.

11.11 In not considering these sites at this time this leaves 36 EVCP's for Cabinet to consider under this initial phase of delivery. The City Council nevertheless remains committed to working with HCC in relation to the provision of charging points at all P&R sites and on-street.

11.12 In this regards, it is also worth noting that the EV Working group has also recognised that the Park and Ride sites need to be considered as part of a second phase once new leases are in place. Further additional EVCPs will also need to be considered on the existing sites as well as other sites across the district, including parking areas on the City Council's housing estate. Both these sets of sites will need to be considered in future Cabinet papers.

### **Individual Site Assessments**

11.13 JoJu's feasibility studies assess the economic viability of each of the proposed EVCP's sites, based upon:

- District Network Operator (DNO) connection costs;
- EV hardware capital installation costs;
- Repair, maintenance and replacement costs;
- Income from forecasted charging sessions (assuming specific electricity rates and EVCP tariffs in £ per kWh)

The 'Term' upon which the delivery framework is based, is the shorter of 15 years or the period after which JoJu have achieved the equivalent of six times the return on their investment.

11.14 From these broad assumptions JoJu have assessed each EVCP site within the feasibility study as being either:

- a) 'Fully fundable' by JoJu, with the option for the Council to 'co- fund' at 65% resulting in a 60% profit share to the Council.
- b) 'Co fundable' only, at a rate of 50% profit share to the Council (for sites that JoJu will only invest in when match-funded by the Council).
- c) 'Non fundable' by JoJu and therefore can only be fully funded by WCC.

11.15 The agreed profit share for the period of the term affects the initial capital expenditure the Council is required to invest toward infrastructure.



11.16 Based on these considerations the sites have been assessed as follows, where:

Green indicates sites which are assessed as 'fully fundable' by JoJu or 'Co fundable' with the Council at a profit share of 60% to the Council.
Yellow indicates sites which are assessed as 'Co fundable' only with the Council at a profit share of 50% to the Council'.
Red is indicates sites which are assessed as 'Non fundable' by JoJu and can therefore only be fully funded by the Council.
Blue indicates the site 'may' be suitable for funding

Area	Car Park Site	Rating	No's EVCPs
Winchester	Coach Park	50kWh	1
Winchester	Guildhall Area	50kWh	1
Winchester	St Peters	22kWh	2
Winchester	Chesil	22kWh	2
Winchester	Colebrook Street	22kWh	2
Winchester	Tower Street	22kWh	2
Winchester	Middle Brook	22kWh	2
Winchester	The Brooks	22kWh	2
Winchester	Friarsgate	22kWh	2
Winchester	Worthy Lane	22kWh	2
Bishops Waltham	Basingwell Street	22kWh	2
Bishops Waltham	Lower Lane	22kWh	2
Denmead	Kidmore Lane	22kWh	2
Wickham	Wickham Square	22kWh	2
Wickham	Wickham Station	22kWh	2
Alresford	Arlebury Park	22kWh	2
Alresford	Alresford Station	22kWh	2
Alresford	Perins School	22kWh	2
Harestock	Priors Dean Road	22kWh	2
<b>Total EVCPs</b>			<b>36</b>

11.17 Aside from the two 50kWh rapid chargers, each charging location will allow two cars to be charged concurrently, whilst retaining its charging rate over time. If additional EVCPs are then added to the same location network, then the EVCPs will automatically load balance to ensure the most efficient delivery of charge for the customer. This will ensure that customer confidence is maintained.

## 11.18 Option Summaries

Option	Funding proportions	Charging Points	Capital cost	Risks and Disadvantages	Advantages
<b>Option 1 -</b> the Council fully funds the entire network	100% WCC	36	£290k	<ul style="list-style-type: none"> <li>The Council would pay all installation costs</li> <li>The Council would be liable for all operating and maintenance costs across the term of the agreement.</li> <li>The Council would carry 100% of the risk that uptake is lower than predicted.</li> </ul>	<ul style="list-style-type: none"> <li>Council retains all the net profit.</li> </ul>
<b>Option 2a –</b> The Council opts to co-fund all the 'fully-fundable' sites and also the 'co-fundable' sites for 60% and 50% profit shares respectively.	Fully funded 65:35 WCC/JoJu  Co-funded 50:50 WCC/JoJu	32	£160k	<ul style="list-style-type: none"> <li>The Council would have to co-fund the more expensive rapid chargers that have less certain up-take assumptions and a longer payback period.</li> </ul>	<ul style="list-style-type: none"> <li>Council finances less initial capital</li> <li>Includes all back office and maintenance costs</li> <li>Council derives between 60% and 50% of the profit</li> <li>Council shares the risk with JoJu/Vattenfall</li> </ul>
<b>Option 2b –</b> co-funding as per option 2a but without the rapid chargers (these would be provided by JoJu without Council funding or profit share).	Fully funded 65:35 WCC/JoJu  Co-funded 50:50 WCC/JoJu	30	£106k	<ul style="list-style-type: none"> <li>A share of the risk of up-take being less than expected is retained by the Council</li> </ul>	<ul style="list-style-type: none"> <li>Excludes the two Rapid Sites and their associated risks</li> <li>Council finances less initial capital</li> <li>Includes all back office and maintenance costs</li> <li>Council derives between 60% and 50% of the profit</li> <li>Council shares the risk with JoJu/Vattenfall</li> </ul>
<b>Option 3 –</b> co-funding as per option 2b but the Council also fully-funds the Denmead site considered 'non-fundable' by JoJu.	Fully funded 65:35 WCC/JoJu  Co-funded 50:50 WCC/JoJu  Non-funded 100% WCC	32	£120k	<ul style="list-style-type: none"> <li>The Council would be liable for all operating and maintenance costs for the Denmead site across the term of the agreement and would carry 100% of the risk that uptake is lower than predicted.</li> </ul>	<ul style="list-style-type: none"> <li>As 2b; but also</li> <li>Provides a 2 EVCPs in Denmead which would otherwise not be served by the network.</li> </ul>
<b>Option 4 –</b> JoJu funds the fully-fundable' sites only.	100% JoJu	14	£0.00	<ul style="list-style-type: none"> <li>This option would only deliver 14 EVCPs across the district.</li> <li>Income stream is reduced to just 10% rebate on the costs of Electricity usage at the sites.</li> </ul>	<ul style="list-style-type: none"> <li>WCC takes on zero financial risk but still gains a 10% share of the profits.</li> </ul>

- 11.19 The EVCP Working Group agreed that the recommended option for the initial phase of the EV charger programme is option 2b + the site at Kidmore Lane, Denmead i.e. **Option 3**.
- 11.20 This option is recommended because the working group believes that it strikes the correct balance in providing a range of charging options across the district, when considering capital costs, predicted income and associated risk. This option was supported by the Health and Environment Policy Committee at its meeting on 13<sup>th</sup> January.

### **Estimated income over the 'Term'**

- 11.21 The estimated income over the 'term' is calculated individually for each of the sites but is presented as an overall income across the EVCP network that is being recommended, based on broad assumptions as to the predicted level of usage. JoJu assumes that after the first year there will be a year on year usage increase of 50% for years 2 and 3; 33% for years 4 and 5; and then 25% for year 6 whereupon 20 weekly charges are expected thereafter.
- 11.22 It should be clearly noted that this position, and by extension the recommendations in this report, are based on very broad assumptions in the absence of any available long term EV usage data, and must be considered in this context when trying to forecast the future uptake and use of EVs in the next 5 to 10 years.
- 11.23 Given their own estimated income over the term based upon these broad predictions its is likely that the term will be near to if not exceeding the 15 year period, after which the infrastructure will be passed over to Winchester City Council at no additional cost.
- 11.24 Appendix A details the estimated financial impact of option 3.

### **Possible future expansion and considerations**

- 11.25 Cabinet should be aware that this paper is presenting the initial roll out proposals for EVCPs across the district. Further work will need to be conducted to ensure delivery of infrastructure in the Park and Ride sites, the new leisure centre, as well as work on Council housing estates where high rise accommodation benefits from shared parking areas, for which there are government grant funding opportunities.
- 11.26 Further work needs to be undertaken to resolve extant leasing issues on the park and ride sites and to identify additional sites which would benefit from an EV infrastructure including working with County colleagues to work on 'on street' EVCPs.
- 11.27 Such work will include exploring government grant funding opportunities through the Office of Low Emission Vehicles (OLEV), which will fund on street charging in areas lacking on off street parking and limited off street parking where on street charging is considered impracticable.

11.28 In addition, in recognition of the significant number of private employer parking spaces in the city, officers will continue to work with local business to encourage a private business EVCP infrastructure in the city, and to access government grant funding opportunities.

## 12 OTHER OPTIONS CONSIDERED AND REJECTED

Option 1 The Council fully funds the entire EVCP Infrastructure as proposed by JoJu.

The costs cited for this option are the capital expenditure and management costs for year 1 only. From Year 2 onwards the Council would have to fully fund the year on year electricity, infrastructural and maintenance costs going forward.

Option 2a The Council Co funds all the 'fully fundable' and the 'co fundable only' sites to a achieve a 60% and 50% profit share;

The costs cited for this option, are the equivalent of 65% of the installation costs for a 60% profit share. The reason for this is because this contribution includes all the ongoing maintenance costs which are otherwise covered by JoJu/Vattenfall during the whole of the 'Term'.

Option 2b The Council Co funds all the sites as per Option 2a, with the exception of the 2 rapid charger sites.

The two rapid chargers have significantly higher capital investment and year on year maintenance costs and therefore present a much higher risk and longer ROI period. Both these rapid chargers have been assessed as being 'fully fundable' by JoJu/Vattenfall and it is proposed that they and not the Council fully fund these two sites. Option 3 Recommended option as stated in 11.8.

Option 4 That JoJu/Vattenfall fully funds the delivery of the 14 'fully fundable' sites at zero cost to the Council. This option takes into account that the Council will receive a 10% rebate on the electricity costs used at each EVCP during the Term.

However this option would only deliver 16 EVCPs compared to the 30 EVCPs to be delivered in the previous option.

### BACKGROUND DOCUMENTS:-

#### Previous Committee Reports:-

[CAB2906](#) Adoption of Winchester Air Quality Action Plan 2017 - 2023  
[CAB3120](#) Electric Vehicle Charging Strategy

Other Background Documents:- [Reducing emissions from road transport road to zero strategy](#)

APPENDICES: Appendix A – financial appraisal

### Financial Appraisal - Option 3

Capital Budget Required									
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2027-2036	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Installation of EV chargers	0	120	0	0	0	0	0	0	120
<b>Total</b>	<b>0</b>	<b>120</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>120</b>
<b>Financed by:</b>									
Prudential borrowing	0	120	0	0	0	0	0	0	120
<b>Total</b>	<b>0</b>	<b>120</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>120</b>

Revenue Consequences									
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2027-2036	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Income (net)	0	0	4	8	13	18	25	250	317
Expenditure	0	0	0	0	0	0	0	0	0
<b>Net surplus/(deficit)</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>8</b>	<b>13</b>	<b>18</b>	<b>25</b>	<b>250</b>	<b>317</b>
<b>Financing costs</b>									
Interest payments	0	0	(4)	(4)	(4)	(4)	(3)	(18)	(36)
Minimum Revenue Provision (MRP)*	0	0	(6)	(6)	(7)	(7)	(7)	(87)	(120)
<b>Net impact on the General Fund balance</b>	<b>0</b>	<b>0</b>	<b>(6)</b>	<b>(3)</b>	<b>2</b>	<b>8</b>	<b>15</b>	<b>146</b>	<b>161</b>
<b>Sensitivity - net impact at 50% income</b>	<b>0</b>	<b>0</b>	<b>(8)</b>	<b>(7)</b>	<b>(4)</b>	<b>(1)</b>	<b>2</b>	<b>21</b>	<b>2</b>

\*Borrowing need is reduced over the life of the asset by applying MRP annually from revenue

Net Present Value/(Cost) £000:

129

Discounted payback period:

9 years

Incremental Impact of Capital Investment Decisions*	2019/20 Estimate £	2020/21 Estimate £	2021/22 Estimate £	2022/23 Estimate £	2023/24 Estimate £
General Fund - equivalent to increase/(decrease) in annual band D Council Tax	0.00	0.00	0.13	0.06	(0.04)

\*This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax.

### Assumptions

<b>Appraisal period</b>	15 years	Estimated useful economic life
<b>Discount Factor</b>	3.50%	Estimated cost of capital
<b>Asset type</b>	Plant & equipment	
<b>Income and Expenditure</b>	Based on estimated profit share	Increases over time as usage increases.
<b>Interest</b>	3.50%	Rate based on long term borrowing rates available to WCC
<b>Minimum Revenue Provision</b>	3.50% on annuity basis	As above; applied in the year following asset acquisition over estimated life

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CAB3222  
CABINET

REPORT TITLE: QUARTER 3 FINANCE AND PERFORMANCE MONITORING

12 FEBRUARY 2020

REPORT OF CABINET MEMBER FOR SERVICE QUALITY AND  
TRANSFORMATION: CLLR MARTIN TOD

Contact Officer: Lisa Kirkman Tel No: 01962 848 501 Email  
[lirkman@winchester.gov.uk](mailto:lirkman@winchester.gov.uk)

WARD(S): ALL

## PURPOSE

This report provides a summary of the Council's performance and financial position during the third quarter of 2019/20.

This third report of 2019/20 includes progress updates against project delivery, the previous Council Strategy outcomes and key performance measures covering the period October to December 2019.

A financial summary for the nine month period to 31 December 2019 is also included for the General Fund revenue and capital budgets as well as the Housing Revenue Account (HRA).

## RECOMMENDATIONS:

1. Notes the progress achieved during the third quarter of 2019/20 and endorses the contents of the report

## IMPLICATIONS:

### 1 COUNCIL STRATEGY OUTCOME

- 1.1 This report forms part of the framework of performance and financial monitoring in place to report the progress being made against the projects and programmes supporting delivery of the outcomes included in the now out of date Council Strategy. More specifically, this report supports the council in being open and transparent to the public, partners, stakeholders and residents and covers the period October to December 2019.

### 2 FINANCIAL IMPLICATIONS

- 2.1 The financial implications of this report are detailed in Appendix 1. Almost all the projects included in the former Council Strategy will have financial implications, some significant and these are agreed and reported separately before the commencement of the project.
- 2.2 This report details the council's financial position as at 31 December 2019.

### 3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 The Council is under a duty to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness." s 3 Local Government Act 1999. This report is for noting and therefore correctly forms part of the Council's transparency of such arrangements.
- 3.2 No legal and procurement implications arise directly in this report, though individual projects are subject to review by Legal Services and Procurement, and in particular will require consideration of the Council's Contract Procedure Rules and Public Contracts Regulations 2015 (PCR2015) and governance where required.

### 4 WORKFORCE IMPLICATIONS

- 4.1 None directly, although naturally staff resources will be required to deliver each project.

### 5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 None.

### 6 CONSULTATION AND COMMUNICATION

- 6.1 Cabinet members, Executive Leadership Board, Corporate Heads of Service and Service Leads have been consulted on the content of this report.

### 7 ENVIRONMENTAL CONSIDERATIONS



7.1 Many activities detailed in this report actively protect or enhance our environment and the carbon impact will be considered as part of each detailed business justification case.

## 8 EQUALITY IMPACT ASSESSEMENT

8.1 None required arising from the content of the report, although officers will have regard to the considerations within the Equalities Act 2010 and whether an Equality Impact Assessment will be required to be undertaken as required on any specific recommendations or decisions made. This report is for noting only.

## 9 DATA PROTECTION IMPACT ASSESSMENT

9.1 None required.

## 10 RISK MANAGEMENT

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
<i>Property- none</i>		
<i>Community Support- Lack of consultation on for major projects, affects residents and can cause objections or delay.</i>	Regular consultation and engagement with stakeholders and residents regarding projects or policy changes.	Positive engagement and consultation can bring forward alternative options that might not have otherwise been considered.
<i>Timescales- Delays to project delivery can lead to increased cost and lost revenue.</i>	Regular project monitoring undertaken to identify and resolve slippage.	
<i>Project capacity- Availability of staff to deliver projects.</i>	Resources to deliver projects are discussed at the project planning stage and agreed by the project board.	Opportunities present themselves for staff to get involved in projects outside their normal role enabling them to expand their knowledge and skills base as well as working with others.
<i>Financial / VfM- Budget deficit or unforeseen under or overspends.</i>	Regular monitoring of budgets and financial position including forecasting to year end to avoid unplanned over/underspends.	Early notification of unplanned under/overspends through regular monitoring allows time for plans to be put in place to bring the finances back into line with budget forecast.
<i>Legal</i>	Legal resources are discussed with project leads.	Opportunity for the use of in house resources able to input to through the life of the project with local Winchester

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
		and cross Council knowledge.
<i>Innovation-none</i>		
<i>Reputation- Ensuring that the Council delivers the outcomes as set out in the Council Strategy.</i>	Regular monitoring and reporting of the progress the Council is achieving against its priorities included in the Council Strategy, including this report.	Work with Communications Team on press releases to promote or celebrate success.
<i>Other</i>		

## 11 SUPPORTING INFORMATION:

- 11.1 This report provides the final update covering the progress achieved against the priorities included in the now out of date Council Strategy 2018-20 during the third quarter of 2019/20.
- 11.2 Council at its meeting on 15 January 2020 adopted the Council Plan 2020 – 25 which supersedes the previous strategy with immediate effect.
- 11.3 Quarterly financial and performance monitoring reports will continue to be presented to future Scrutiny Committee and Cabinet meetings and will provide details of the progress achieved against the priorities included in the new Council Plan.
- 11.4 The quarterly Finance and Performance Management Report, attached as Appendix 1 is arranged into four sections with each covering the significant areas of performance that the Council is monitoring. An introduction and summary is also included at the beginning of the report. A summary of the council's financial position as at 31 December 2019 is also provided.
- 11.5 Section three of the appendix provides an update on the progress made against the Council's significant programmes and projects which are being or will be undertaken during the next five years.

## 12 OTHER OPTIONS CONSIDERED AND REJECTED

- 12.1 None

### BACKGROUND DOCUMENTS:-

#### Previous Committee Reports:-

CAB3199 – Q2 Finance and Performance Report, 23 December 2019

#### Other Background Documents:-

None.

APPENDICES:

Appendix 1 – Q3 Finance and Performance Monitoring Report 2019/20



# FINANCE & PERFORMANCE MANAGEMENT REPORT THIRD QUARTER 2019/20



## Contents

### Introduction and Summary

#### Section 1: Financial Update – Third Quarter 2019/20

- General Fund Revenue
- General Fund Capital
- Outcome Based Budgeting – progress update
- Housing Revenue Account

#### Section 2: Council Strategy 2017-20 Progress Update

- Winchester district will be a premier **business** location
- Delivering quality **housing** options
- Improve the **health and happiness** of our community
- Improving the quality of the district's **environment**

#### Section 3: Project Management – Projects Update

- Central Winchester Regeneration
- Climate Emergency response
- Environmental Services Contract
- Local Plan
- New Homes Delivery Programme
- Station Approach
- Winchester Sport and Leisure Park

#### Section 4: Managing the business – Corporate Health Performance Indicators

### Introduction and Summary

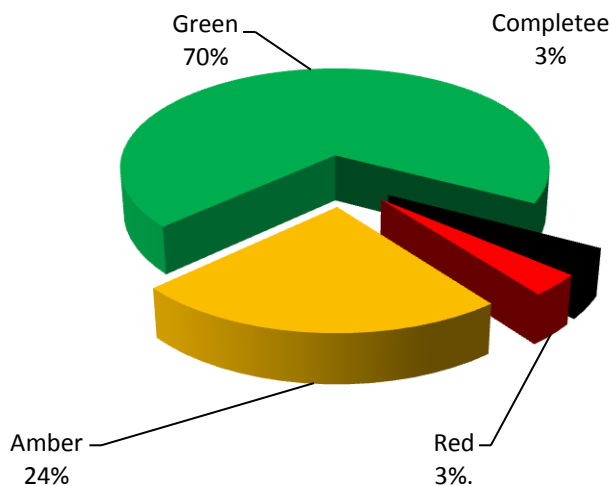
The purpose of this report is to demonstrate the performance of the Council at the end of each quarter throughout the financial year in relation to the aims, objectives and outcomes in the Council Strategy, progress of the Council's projects, the financial position and corporate health performance indicators.

The report does not provide detailed information relating to the numerous activities included in individual team service plans but includes the significant projects that the Council is undertaking.

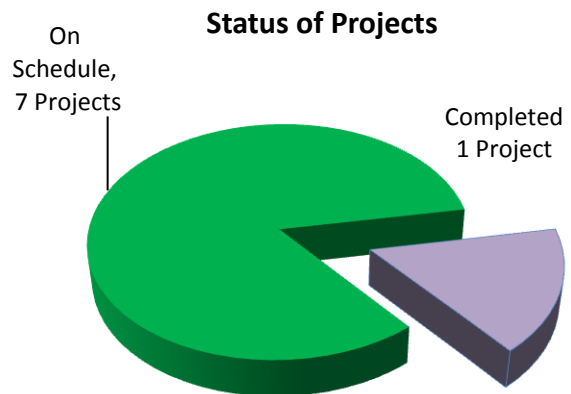
Similarly there are performance measures that are not reported here but support the business of that team and managed by each Corporate Head of Service.

The following diagrams provide a summary of the position of the Council as at the 31 December 2019 (Quarter 3) across the key areas of performance. Further information is provided in the following appendices.

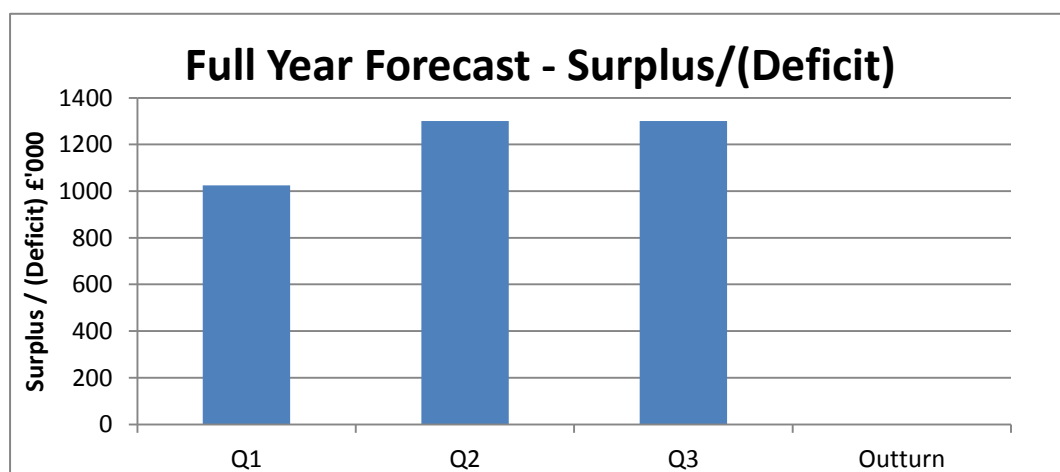
#### Council Strategy Q3 2019/20



#### Project Monitoring Q3 2019/20



### Summary General Fund Revenue Financial Service Forecast



## Section 1 – Financial Update as at 31 December 2019

This section presents a summary of the Council's financial position as at 31 December 2019 with regard to the General Fund and Housing Revenue Account budgets.

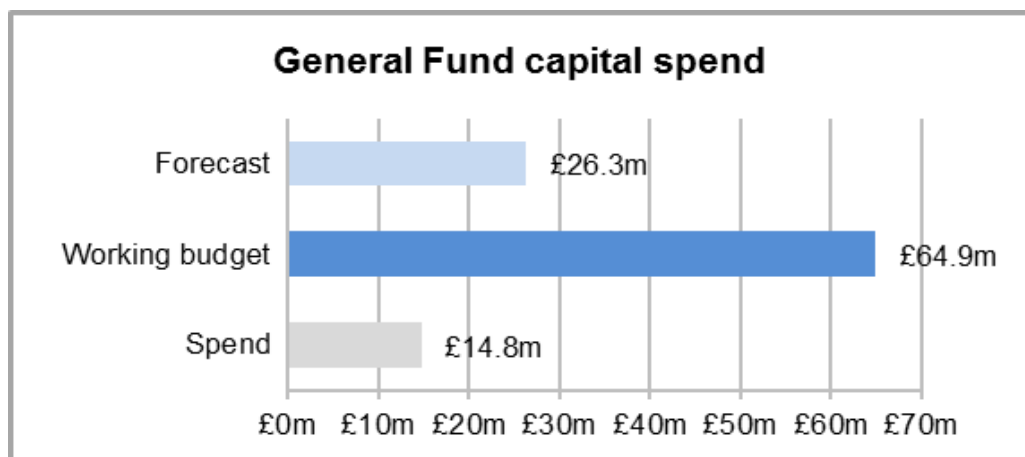
### General Fund Revenue

1. As at the end of Quarter 3 there is a total forecast 2019/20 underspend of £1.3m. Much of this favourable variance flows through from Q4 in 2018/19, after the budget for the year was set, or is a result of one off income achieved.
2. Additional financing and treasury activity net income of £0.75m related to forecast higher net interest receivable due to higher cash balances.
3. Also included in this appendix is a report that shows the progress and status of the 2019/20 Outcome Based Budgeting proposals. The overall target status is green, meaning that overall we are on target to achieve the net savings target of £0.961m.
4. Quarter 3 key variances:
  - i) **Net Interest receivable** – (+£0.75m) higher than budgeted cash balances have been available for investment which has significantly increased the net interest receivable for the year.
  - ii) **Planning Fee Income** – (+£0.3m) higher than planned income for the year relating to major planning applications.
  - iii) **Car Parking Income** – (+£0.35m) additional full year income relating mainly to off street car parking and in particular strong usage of the park and ride sites.
  - iv) **Benefits** – (+£0.10m) higher than planned subsidy and overpayment recovery rates.
  - v) **HRA Recharges** – (+£0.15m) higher planned recharges to the HRA reflecting the 2018/19 outturn for example additional utilisation of the Special Maintenance team.
  - vi) **Guildhall** – (-£0.15m) a target saving of £0.15m was set commencing 2019/20. Whilst plans are progressing it is now expected that the planned savings will not commence until early 2020/21.
  - vii) **Estates Property Income** – (-£0.20m) there are currently a high number of voids within the property portfolio causing an adverse budget forecast for the year. This mainly relates to voids at 72-74 St Georges Street, 11 – 13 Upper Brook Street, 59 Colebrook Street, 9a Parchment Street, 68 St Georges Street, and higher than budgeted garage voids of c17.5%.

### General Fund Capital

1. General Fund capital expenditure to the end of December was £14.8m of which the single largest item was £11.2m on Winchester Sport & Leisure Park.
2. Capital budgets for 2019/20 were revised for brought forward balances and other changes as part of the 2018/19 outturn reported to July Cabinet.
3. Since approval, and as part of the 2020/21 budget setting process, the forecast has been revised down in total by £38.6m with the largest item (£18.0m) being the Strategic Asset Purchase Scheme (SAPS) budget re-profiled to reflect the unlikelihood of a significant new asset purchase completing before the end of the financial year. Other significant items where it is anticipated that a significant element of the budgeted spend will no longer occur in 2019/20 include:
  - Winchester Sports & Leisure Centre (£2.9m) – to reflect revised profile of expenditure;
  - Replacement Surgery (£3.7m) – delayed due to ongoing negotiations with external parties to finalise the lease. Once finalised, the main works will be able to commence;
  - Coitbury House (£2.1m) – options for the overall Central Winchester Regeneration (CWR) site of which Coitbury is part are currently being considered;
  - Station Approach Public Realm (£1.9m) – these works were to be funded by a grant from the Enterprise M3 LEP which is no longer available to the Council;
  - Station Approach Carfax (£1.4m) – no further capital expenditure on this project is currently anticipated;
  - Bishop's Waltham Depot (£1.2m) – the current approval was to proceed once units had been pre-let. However, multiple pre-lets are difficult to achieve for these unit types and a separate paper on this agenda (CAB3205) seeks approval to proceed without pre-letting the units to capitalise on the current interest in the site;
  - Car park at the Dean Alresford (£1.0m) – progress is dependent on developers;
  - King George V Pavilion (£1.0m) – options are currently being considered and works are now expected in 2020/21; and
  - 158-165 High Street (£0.7m) – the proposed refurbishment works have been delayed due to a lack of resource in the Estates team.





4. Key items of expenditure in Q1-3 of 2019/20:

- **Winchester Sport & Leisure Park** Total Budget: £42,861k

Expenditure: Prior years £2,808k      2019/20 £11,231k      Total £19,791k

The Full Business Case was approved by Cabinet in February 2019 and work is underway on site. The centre is due to open in January 2021.

- **Disabled Facilities Grants** Total Budget: £1,468k

Expenditure: recurring      2019/20 £890k

The amount of funding from central government has increased significantly in recent years. Spend is on generally on target and, in addition to expenditure incurred, over £340,000 in commitments have been made.

- **Partnered Home Purchase Scheme** Total Budget: £3,300k

Expenditure: Prior years £499k      2019/20 £1,350k      Total £1,849k

The Partnered Home Purchase Scheme is an innovative open market shared ownership scheme. It provides the Council an ongoing index-linked rental income stream from the share the Council owns whilst enabling homebuyers to enter into a shared ownership arrangement without the restrictions of traditional schemes.

In total 3 purchases completed in 2018/19 and a further 8 purchases completed in the first and second quarter of 2019/20 bringing the total to 11.

**General Fund 2019/20**

	General Fund Revenue					General Fund Capital	
	Budget		Forecast			Budget	Forecast
	Income	Expenditure	Net contribution / (spend)	Full Year Forecast	Variance		
£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Total Housing	284	(2,337)	(2,053)	(2,053)		(2,043)	(1,543)
Total Environment	10,353	(16,909)	(6,556)	(5,906)	650	(3,296)	(1,370)
Total Health & Happiness	360	(2,502)	(2,142)	(2,142)		(25,283)	(19,042)
Total Business	213	(2,104)	(1,891)	(1,891)		(14,504)	(3,786)
Total Operational Delivery	2,239	(5,290)	(3,050)	(2,950)	100	(1,560)	(584)
Total Investment Activity	3,219	(882)	2,337	2,337		(18,009)	0
Total Organisational Management	466	(6,388)	(5,922)	(5,872)	50	(215)	(108)
	<u>17,135</u>	<u>(36,412)</u>	<u>(19,277)</u>	<u>(18,477)</u>	<u>800</u>	<u>(64,910)</u>	<u>(26,433)</u>
Total Tax and Grant Income			15,296	15,296			
Total Financing & Treasury Activity			(677)	(177)	500		
Total Reserve Related Movements			4,658	4,658			
Total Funding			<u>19,277</u>	<u>19,777</u>	<u>500</u>		
Transfer to Major Investment Reserve				1,300	1,300		

**Housing Revenue Account 2019/20**

	Housing Revenue Account				
	Budget		Forecast		
	Income	Expenditure	Net contribution / (spend)	Full Year Forecast	Full Year Forecast Variance
£'000	£'000	£'000	£'000	£'000	
<b>Rent Service Charges &amp; Other Income</b>	27,688	0	27,688	27,903	215
<b>Housing Management General</b>	164	(5,011)	(4,847)	(4,598)	249
<b>Housing Management Special</b>	1,155	(2,552)	(1,397)	(1,656)	(259)
<b>Repairs (including Administration)</b>	101	(5,356)	(5,255)	(5,233)	22
<b>Interest</b>	0	(5,188)	(5,188)	(5,188)	-
<b>Depreciation</b>	0	(6,904)	(6,904)	(8,349)	(1,445)
<b>Capital Expenditure Funded by HRA</b>	0	(8,622)	(8,622)	(2,680)	5,942
<b>Other Income &amp; Expenditure</b>	21	(85)	(64)	(60)	4
	<u>29,129</u>	<u>(33,718)</u>	<u>(4,589)</u>	139	4,728
<b>Working Balance at 1 April 2019</b>			10,666	11,627	961
<b>Add Surplus / (Deficit)</b>			(4,589)	139	4,728
<b>Projected Working Balance at 31 March 2020</b>			<u>6,077</u>	<u>11,766</u>	<u>5,689</u>

**Housing Revenue Account  
Capital 2019/20**

	HRA Capital Programme		
	Budget	Forecast	Variance
	£'000	£'000	£'000
Housing Major Works	(6,853)	(5,960)	893
Improvements and Conversions	(1,090)	(1,240)	(150)
Other Capital Spend	(1,103)	(1,118)	(15)
New Build Programme	(22,407)	(21,576)	831
	<b>(31,453)</b>	<b>(29,894)</b>	<b>1,559</b>

**Notes:**

1. All variances to forecast for both Revenue & Capital reflect the agreed carry forwards from 2018/19 identified in CAB3161 HRA Outturn 2018/19 presented to Cabinet on 17 July 2019.
2. Depreciation is forecast to increase by £1.45m. This is due to a change in the calculation method which assumes a reduced average property lifespan of 60 years. This method is recommended by our auditors (Ernst & Young) and has been reflected in the 2018/19 outturn result.
3. Other revenue forecast changes are due to late changes in the service review exercise at the end of 2018/19.
4. Improvements & Conversions are forecast to increase by £150k. This is recognising an increase in Estate Improvement projects from £250k to £400k. There a number of key projects needing to be carried out in 2019/20 requiring an increase in funding.
5. There are £3.5m of New Build carry forwards from 2018/19. This represents a number of projects where the start on site was delayed into 2019/20, including The Valley and Hookpit.

Outcome Based Budgeting – 2019/20 Progress Monitoring

The General Fund Budget 2019/20 report ([CAB3132](#), 14 February 2018 refers) included a number of budget proposals for 2019/20 that would achieve savings of £0.96m which would enable a balanced budget for 2019/20 and contribute towards savings for future years.

The table below provides an update on the progress achieved against the proposals for savings.

Item	Budget	Achieved	Forecast to year end	Total	Status			Comments
	£'000	£'000	£'000	£'000	Q1	Q2	Q3	
<b>Savings Proposals</b>								
Guildhall	150.0	0.0	0.0	0.0	Red	Red	Red	Cabinet on 23 December approved procurement of a new catering contract for the café. Target will not be achieved in 2019/20 but will be included in 2020/21 projections.
Internal Catering	20.0	6.2	5.0	11.2	Green	Amber	Amber	Part-year savings in 19/20 with the full year targets to be met from 2020/21. Savings are to a large extent reliant on number and type of meetings held during the year.
Salary Sacrifice Employee Benefits	21.5	7.7	2.6	10.3	Amber	Amber	Amber	Savings are based on estimated employee take up and subsequent reduction in Employers National Insurance contributions. Benefits are being actively promoted and take up is expected to increase over the coming months generating higher full year savings for 2020/21.
Business Travel	50.0	26.5	23.5	50.0	Green	Green	Green	
Public Conveniences – Business Rates	25.0	0.0	25.0	25.0	Green	Green	Green	Central Government announced in December 2018 that stand alone

Item	Budget	Achieved	Forecast	Total	Status			Comments
	£'000	£'000	to year end £'000	£'000	Q1	Q2	Q3	
								public conveniences would be exempt from business rates. The savings forecast are based on this policy which is still progressing and it is expected refunds will be actioned before the end of 2019/20.
Occupational Health	10.0	7.5	2.5	10.0	Green	Green	Green	New contract arrangements – budget saving achieved.
Training Hub	17.0	12.8	4.3	17.0	Amber	Green	Green	The £17k savings have been achieved within the Learning and Development budget in 2019/20. Further efficiencies, with a training hub based in Winchester, will be explored. In addition a robust and new approach to learning and development planning is work being undertaken by the new service lead in HR.
Other minor efficiencies	20.0	15.0	5.0	20.0	Green	Green	Green	
Restructure	100.0	75.0	25.0	100.0	Green	Green	Green	Savings achieved under the revised staffing establishment.
Energy Efficiency	20.0			0.0	Amber	Amber	Red	Plans are under development and potential savings will be assessed. The target relates to savings in energy usage in council owned buildings and a number of projects are in progress to achieve this.7.5

Item	Budget £'000	Achieved £'000	Forecast to year end £'000	Total £'000	Status			Comments
					Q1	Q2	Q3	
<b>Asset Management / Income Generation</b>								
Rent Reviews	200.0	50.0	150.0	200.0	Green	Green	Green	
Digitalisation of services – Customer Services / Cash Office	30.0	30.0	0.0	30.0	Amber	Green	Green	Savings achieved through the installation of cash kiosks in reception from January 2019.
Pest Control	35.0	5.0	25.0	30.0	Green	Green	Amber	New fees proposals have been proposed from April 2020. In 2019/20 increased work volumes particularly for the HRA has kept the budget mostly on track for delivery.
Concessions at car parks	50.0	0.0	0.0	0.0	Red	Amber	Red	The focus of car parks has been targeted to support significant increases in usage (and income) particularly at the park and ride sites. The potential use of concessions is being explored to balance what can be delivered against the primary focus of ensuring spaces are available and usage is encouraged at outer car parks such as the park and ride sites.
Street naming and numbering	12.0	23.4	3.0	26.4	Green	Green	Green	
Fees and Charges	50.0	12.0	38.0	50.0	Green	Green	Green	
Car parking income through volume increase	150.0	125.0	375.0	500.0	Green	Green	Green	Additional usage particularly at park and ride sites
<b>TOTAL</b>	<b>960.5</b>	<b>396.1</b>	<b>683.9</b>	<b>1,080.0</b>				

## Section 2: Council Strategy 2018-20 Progress Update

The following chart and tables provide a summary of the progress against the actions included in the refreshed Council Strategy 2018-20, that was adopted at Council on 16 January 2019 (Report CAB3094 refers) as at the end of the third quarter of 2019/20 (31 December 2019).

The Council Strategy 2018-20 includes fifty nine performance measures supporting the delivery of the Council's four strategic outcomes.

Each action, which includes a performance measure, is assigned to a responsible manager, with previously agreed timescales and targets that are set out in the Council Strategy.

Progress against the agreed timescales and targets is presented using a Red/Amber/Green status. These categories are defined as follows:

- **Red** – Unlikely to deliver against agreed timescales and/or budget. Corrective Action Plan required.
- **Amber** – Some slippage or overspend, corrective action required to bring to meet schedule.
- **Green** – On schedule to be delivered on time.

Measures where actions have been completed are shown as complete.

As of 31 December 2019 there were two measures that had been completed and forty one measures on schedule and to be delivered on time (Green).

A further fourteen actions are showing as Amber, with some slippage.

There are two measures showing as having a Red status where the agreed timescale or target has not been met or is unlikely to be met.

Further detailed information against each of the outcomes and performance measures is given in the following pages.



**Council Strategy – Progress Report (Quarter 3 – 2019/20)**

Winchester will be a premier business location

	Aim	How we will deliver our outcomes	Delivery Date	Status			Key Issues / comments
				Q1	Q2	Q3	
1.	Promote a sustainable economy by enabling major regeneration schemes	Support the regeneration of the Central Winchester area. <b>Measure:</b> <i>Develop a long term strategy for the delivery and development of the Central Winchester Regeneration area. Whilst enabling improvements to the existing estate where appropriate in the short term to ensure the area's potential is realised as soon as possible.</i>	July 2020	Green	Green	Green	JLL finalising the delivery roadmap review and now looking at the next steps re scheme options. This involves investigating and testing different options for the site against the SPD objectives and use ranges with a view to developing a scheme option for summer 2020.
		Project manage and support the regeneration of the Station Approach area of Winchester. <b>Measure:</b> <i>Office floor space on the Carfax/ Station Approach site of approximately 140,000ft<sup>2</sup></i>	Carfax 2025	Amber	Amber	Amber	The Administration approved to progress the scheme (CAB 28/8/19) through a leasehold sale. Planning consent (Application number 19/000601/OUT) was quashed with agreement by the Council following identification of technical issue. Options for taking application forward being considered.
2.	Prioritise support for the knowledge-based, creative and tourism sectors	Development of an Economic Strategy <b>Measure:</b> <i>adoption of updated Economic Strategy, including Action Plan and performance measures included in the Strategy</i>	Mar 2020	Green	Green	Green	Strategy Framework has been presented to the Business and Housing Policy Committee. External engagements are now underway to develop the final strategy for consideration by Cabinet early in 2020

Aim	How we will deliver our outcomes	Delivery Date	Status			Key Issues / comments	
			Q1	Q2	Q3		
	Sustain our rural economy by supporting existing businesses to grow and new enterprises to start including Fieldfare LEADER Programme <b>Measure:</b> LEADER support for 70 businesses (WCC only)	Mar 2020	Green	Green	Green	Allocated £739,974.94 of LEADER funds to local, rural businesses across WCC, East Hampshire and Eastleigh generating around 30 jobs Closed 28 projects with claims being paid in full. Six projects which have been contracted and being project managed by WCC. The LEADER programme will end in March 2020	
3.	Utilise our environment to drive business growth and create employment opportunities across the district	Facilitate and support the development and delivery of strategically important sites across the district and working with partners to deliver employment opportunities. <b>Measure:</b> additional floor space identified/ provided	Mar 2020-23	Green	Green	Green	Regular dialogue is undertaken with owners of key development sites, such as Bushfield Camp and Sir John Moore Barracks. The Local Plan review will consider appropriate employment land locations.
		Seek to secure partners for a public service hub to be based around the City Offices/West Wing/Guildhall buildings <b>Measure:</b> Fixed target not appropriate	Mar 2020	Green	Green	Green	Winchester Citizens Advice Bureau opened their new offices next to City Offices early in 2019.
		Use a Strategic Asset Purchase Scheme to generate financial and community returns <b>Measure:</b> Additional £200k net income generated from Strategic Asset Purchase Scheme.	Mar 2020	Amber	Amber	Amber	Potential purchases will be considered by the SAPS Board. There have been no recommendations from the SAPS Board to make further property acquisitions.

Aim	How we will deliver our outcomes	Delivery Date	Status			Key Issues / comments
			Q1	Q2	Q3	
	<p>Adopt and start to implement measures in a new Car Parking Strategy <b>Measure:</b> <i>Adoption of new Winchester Car Parking Strategy by Mar 2020</i></p>	Mar 2020	Green	Green	Green	The draft Winchester Parking and Access Strategy was approved by Cabinet for consultation at its meeting on 23 December 2019. (Report 3201 refers) The public consultation is now live until 6 February 2020. An update will be provided at the March cabinet.
	<p>Develop a plan to deliver the measures needed to achieve the priorities set out in the City of Winchester Movement Strategy <b>Measure:</b> <i>Development of Plan</i></p>	Mar 2020	Green	Green	Green	<p>Update provided to Health and Environment Policy Committee on 13 January 2020. Six individual Phase 1 studies currently underway with draft reports expected early Spring. To be followed by Phase 2 assessment studies, identification / implementation of quick wins and funding opportunities.</p> <p>Second walking and cycling stakeholder workshop to be held 23 January.</p>
	<p>Support new businesses set up in the district with advice to thrive and prosper <b>Measure:</b> <i>Number of new businesses supported, including with grants and advice</i></p>	Mar 2020	Green	Green	Green	During the first six months of the contract to 31 December 2019 with Incuhive, commissioned to provide business support to new businesses, they have conducted 63 one to one mentoring sessions, 23

Aim	How we will deliver our outcomes	Delivery Date	Status			Key Issues / comments	
			Q1	Q2	Q3		
						workshops (with a range of topics delivered) and 12 business networking events. The activity totals 278 hours of support delivered directly to Winchester businesses.	
	Directly develop space to support Small, Medium Enterprises to grow <b>Measure:</b> <i>New net floor space provided for SMEs</i>	Mar 2020	Green	Green	Amber	The redevelopment of the old depot at Bishop's Waltham has received planning permission. The council is currently marketing the units aiming to achieve full pre-letting before initiating development. If full pre-let is not achieved we will need to consider whether to build speculatively.	
4.	Work with strategic partners to deliver digital infrastructure projects across the district	Improve the digital experience and accessibility for residents, businesses and visitors including Wi-Fi enablement of the city centre and development of a smart app. <b>Measure:</b> <i>Baseline assessment for 2019</i>	Mar 2020	Green	Green	Green	Completion of city centre Wi-Fi scheduled to be completed and available by early February. Review of smart app completed at the end of 2019 and decision taken not to proceed with this project.
5.	Be innovative by exploring opportunities to reduce revenue expenditure and maximise key revenue streams	Support the delivery of the ten actions as set out in the Digital Strategy including working with partners to ensure that all Council Services can be accessed online <b>Measure:</b> <i>100% availability of services online</i>	Dec 2019	Green	Green	Amber	96% of council services were available online by the 31 December 2019. The four remaining online forms will be completed by the end of January.

Aim	How we will deliver our outcomes	Delivery Date	Status			Key Issues / comments
			Q1	Q2	Q3	
	<p>Deliver a programme of transformation that will provide an improved customer experience for residents and businesses when contacting the Council</p> <p><b>Measure:</b> <i>Improved customer satisfaction</i></p>	Mar 2020	Green	Green	Green	<p>Cohort 1a (Waste, Print and Office Support and Customer Services teams) and Cohort 1b (housing tenancy, rents, income and allocations) are at the test and learn stage with the benefits being calculated. Cohort 2a (Revenues and Benefits and Historic Environment) are at the test and learn stage and outcomes being completed.</p> <p>Cohort 2b (Tourism, TIC and Land Charges) are ready to start redesign.</p> <p>This programme is overseen by the Transformation Board.</p>
	<p>Explore the opportunities to establish joint-ventures to enable more efficient services</p> <p><b>Measure:</b> <i>Number of joint venture opportunities explored, potential efficiency savings</i></p>	Mar 2020	Green	Green	Green	<p>Opportunities reviewed and considered as they present themselves. Initial proposal of a shared head of HR with West Berks Council has not been pursued. Other avenues of joint or supply of services are being explored with West Berks.</p>
	<p>Carry out improvements to the current City Offices while reviewing the long term options for staff office accommodation</p>	Mar 2020	Green	Green	Amber	<p>Refurbishment to City Offices complete and next phases of work are to West Wing offices and some Guildhall areas. This</p>

Aim	How we will deliver our outcomes	Delivery Date	Status			Key Issues / comments
			Q1	Q2	Q3	
	<p><b>Measure:</b> <i>Refurbishment completed March 2019, Works and longer term study complete March 2020</i></p>					<p>work will commence early in 2020 and will include new lighting, improvements to insulation/ draught proofing and redecoration. The refurbishment is expected to be completed later in 2020. As part of the council's Asset Management Plan, consideration will be given to the future office accommodation needs of the council.</p>

Delivering quality housing options

	Aim	How we will deliver our outcomes	Delivery Date	Status			Key Issues / comments
				Q1	Q2	Q3	
1	Deliver good housing stock condition and energy performance for Council owned dwellings that meet the Decent homes standard	Carry out repairs and maintenance improvements as per the capital repairs programme <b>Measure:</b> 100% of housing stock meets the Decent Homes Standard with and energy performance ratings	Mar 2020	Green	Green	Green	Programme on track. Reached the year-end target of zero Decent Homes failures.
2.	Respond to the need to provide more affordable housing in the district	Significantly increase the number of council houses built in the period 2017 – 2020 <b>Measure:</b> An additional 600 new homes delivered by 2020	Mar 2020	Green	Green	Red	207 units completed with a further 83 on-site. 44 additional homes are expected to start on site in Oct 19. Schemes in Wickham and Winnall will not be on site by March 2019 although are subject to planning approval.
		Bid for grant to support additional development <b>Measure:</b> 50% of New Homes Programme supported by grant	Mar 2020	Green	Green	Amber	Additional Homes England grant of £6.9M awarded to The Valley scheme. Further grants bids to Homes England are planned for 2 schemes
		Housing company be used to support the delivery of sub-market rented housing <b>Measure:</b> Number of units delivered	Mar 2020	Green	Green	Green	Report establishing the Winchester Housing Company was approved by Cabinet on 18 September 2019 (CAB3160 refers). The next phase is to set the company up April 2020.
3.	Drive down homelessness across the district and support	Avoiding reliance on B&B as a housing option by focussing on	Mar 2020	Green	Green	Green	One household currently accommodated in B&B

	Aim	How we will deliver our outcomes	Delivery Date	Status			Key Issues / comments
				Q1	Q2	Q3	
	partner agencies in the drive for an improved life for those in need	preventing homelessness and effective use of temporary accommodation <b>Measure:</b> <i>No use of B&amp;B accommodation (other than in exceptional circumstances)</i>					following a WCC eviction for Anti Social Behaviour. A statutory duty to temporarily accommodate applies with priority to secure alternative move on options.
		Support an increase in the provision of supported housing units/move on accommodation by establishing and leading multi-agency Homelessness/ Social Inclusion forum <b>Measure:</b> <i>Provision of 10 supported/ move-on units</i>	Mar 2019	Green	Green	Green	9 additional supported housing units (Housing First model) ready to let at Sussex Street (council asset) as from 7 January 2020. Project delivered in partnership with HCC and Registered Provider - Two Saints.
4.	Provide good access to affordable housing options across a range of tenures, including affordable and sub market rent (within Local Housing Allowance rates), market rent, shared ownership, student housing etc.	Support and enable development partners/ Registered Social Landlords (RSLs) to develop more affordable housing <b>Measure:</b> <i>Number of affordable homes developed by other organisations in the district</i>	Mar 2020	Green	Green	Green	34 new affordable homes completed by Registered Providers in 2nd quarter 2019/20 bringing total for the year to 45. Further 24 affordable rented homes completed by RPs in Q3
		Develop an effective “shared ownership” programme <b>Measure:</b> <i>At least 30 affordable shared ownership homes developed by March 2020</i>	Mar 2020	Green	Green	Green	The Council has completed 19 shared ownership and sale homes, with a further 23 under construction. 30% of new build homes delivered by RP partners will be for shared ownership
5.	Be proactive in our Tenant engagement, achieving effective representation and insight across all tenant and	Making a more effective use of the Survey of Tenants and Residents through better use of data and wider engagement with a particular	Mar 2020	Green	Green	Complete	Tenant Annual Report presented at TACT AGM – 13.11.19 set out the profile of involved tenants and



	Aim	How we will deliver our outcomes	Delivery Date	Status			Key Issues / comments
				Q1	Q2	Q3	
	customer groups	emphasis on digital engagement <b>Measure:</b> <i>Number of involved tenants from 200 to 400 by March 2020</i>					outcome achieved through the introduction of digital surveys and follow up Focus Groups.
6.	Restrict permitted development rights in Winchester so that new Houses of Multiple Occupation (HMOs) require planning permission	Make an Article 4 Direction(s) where evidence shows the proliferation of HMOs is unbalancing housing stock in Winchester, or parts of the city. <b>Measure:</b> <i>Number of Article 4 Directions approved.</i>	Mar 2020	Green	Green	Green	Directions already made in Winnall and Stanmore. Numbers remain too low in other areas of the city to support a formal direction, although increases in numbers are being kept under review. The Strategic Housing Market Assessment is being finalised and will form part of the new Local Plan baseline work. It will include estimated student accommodation requirements. Survey of Winnall HMOs to be carried in first half of 2020 to improve baseline data.
7.	Support residents to buy their own home.	Develop an effective 'shared ownership' programme (shared target with aim to "Provide good access to affordable housing options") <b>Measure:</b> <i>At least 30 affordable shared ownership homes developed by the Council</i>	Mar 2020	Green	Green	Green	See above comments in 4 above
		Provide access to custom build initiatives <b>Measure:</b> <i>2 custom build plots identified</i>	Mar 2020	Green	Amber	Red	Target to release 2 further plots to custom build market during 19/20 –2 plots sold (subject to planning consent)

Aim	How we will deliver our outcomes	Delivery Date	Status			Key Issues / comments
			Q1	Q2	Q3	
						in previous financial year. No new sites identified to date
	<p>Review the Partnered Home Purchase pilot scheme that enables residents to buy their own home in a shared equity scheme with the Council</p> <p><b>Measure:</b> 20 households utilising the open-market shared ownership scheme (10 households in the pilot scheme)</p>	Mar 2020	Green	Green	Green	By the end of 2019 a total of 11 purchases had been completed.

Improve the health and happiness of our community

	Aim	How we will deliver our outcomes	Delivery Date	Status			Key Issues / comments
				Q1	Q2	Q3	
1.	Work with partners to reduce health inequalities in the district and to promote good mental and physical health	Council grants programme to prioritise sport and physical activity programmes <b>Measure:</b> Maintain or increase level of grants and support using 2017/18 as base line	Mar 2020	Green	Green	Green	Grants priorities related to physical inactivity, isolation and mental health established for the Priority Outcomes Fund and new Crowdfunding Platform.  First round of small grants in September 2019 included grants to four sports clubs.
		Develop the Exercise Referral programme to include classes for adults with long term health conditions <b>Measure:</b> <i>Achieve 270 referrals and class attendance during 2019/20.</i>	Mar 2020	Green	Green	Amber	185 exercise referrals to date and total throughput of 2,594 at community classes.
		Promote and encourage health walks across the district, helping everyone live longer, healthier and happier lives <b>Measure:</b> <i>Increase the number of health walks in the district to 6,000</i>	Mar 2020	Green	Green	Green	5,023 health walks to date and 800 registered walkers
		Target discretionary business rates relief towards sports clubs <b>Measure:</b> Maintain or increase rate relief using 2017/18 as base line	Mar 2020	Green	Green	Green	Discretionary business rates relief for 29 sport club and scout clubs as at October 2019

Aim	How we will deliver our outcomes	Delivery Date	Status			Key Issues / comments	
			Q1	Q2	Q3		
	<p>Increase the number of adults participating in sport or physical activity</p> <p><b>Measure:</b> <i>Number of adults participating in sport and physical activity per week.</i></p> <p><i>Inactive – target 19.5%</i></p> <p><i>Fairly active – target 11.2%</i></p> <p><i>Active – target 69.3%</i></p>	Mar 2020	Green	Green	Green	<p><u>Sport England Active Lives Survey</u></p> <p>Winchester (May 18/19 survey)</p> <p>Inactive – 14.9%</p> <p>Fairly Active – 12.5%</p> <p>Active – 72.6%</p>	
	<p>Invest annually in disabled facilities grants in line with Government funding to help people in their own home</p> <p><b>Measure:</b> <i>100 residents given assistance to remain in their own home</i></p>	Mar 2020	Green	Green	Green	64 residents living with disabilities supported to remain in their home.	
	<p>Support the delivery of the Winchester Health and Wellbeing Action Plan which includes the following high priorities; improving workplace health, reducing the number of 'increasing risk' alcohol drinkers and supporting people with dementia and their carers to lead active and fulfilling lives in their communities for as long as possible.</p> <p><b>Measure:</b> <i>To achieve the targets as set out in the current action plan</i></p>	Mar 2020	Amber	Amber	Amber	<p>New Community &amp; Wellbeing Strategy to be developed during Q1/Q2 of 2020.</p> <p>Older Person Partnership meetings re-established.</p>	
2.	<p>Provide new leisure facilities in Winchester that meet the needs of a broad cross section of our communities for now and the future</p>	<p>Build a new Sport and Leisure Centre at Bar End</p> <p><b>Measure:</b> <i>Start of construction in Spring 2019</i></p>	Jan 2021	Green	Green	Green	Development started in March 2019. Construction of the new Sport and Leisure Centre is currently on programme due to open in

	Aim	How we will deliver our outcomes	Delivery Date	Status			Key Issues / comments
				Q1	Q2	Q3	
							Jan 2021. New operator is appointed following a procurement process.
3.	Encourage volunteering to support and extend local services	Promote and encourage adults to volunteer in community events and sporting activities <b>Measure:</b> <i>Increase to 22% the number of adults volunteering in sport</i>	Mar 2020	Green	Green	Green	<u>Sport England Active Lives Survey</u> May 2018/19 survey Adults volunteering in sport – 27.8%  Notable is the number of Parkrun volunteers, which totals 3,150 in the year to date.
4.	Support the delivery of a programme of festivals and events across the district	Support the Winchester Festivals Group to deliver a range of high quality sustainable events and festivals that are safe, well organised and well attended <b>Measure:</b> <i>Increase participation in each year (baseline 2017/18)</i>	Mar 2020	Green	Green	Green	Winchester Design Festival BID has received support from ELB and will be considered at the upcoming Decision Day (13/1/20).  Approach by potential organisers of a Children's Literary Festival in Winchester and exploratory meeting arranged for January.  Festivals listing in 2020 visitor guide has been refreshed and 2020 festivals details are being inputted into

Aim	How we will deliver our outcomes	Delivery Date	Status			Key Issues / comments
			Q1	Q2	Q3	
						<p>visitwinchester.co.uk / festivalsinwinchester.co.uk</p> <p>Meetings have taken place with co-ordinators of WHOD regarding the 2020 programme, as co-ordinators have confirmed they are stepping back from their current role but will remain involved in the programme. WCC has outlined its commitment and supporting activities for the 2020 programme to all key partners involved. Co-ordinators are setting up a meeting with key partners in January to confirm operational arrangements for the 2020 programme.</p> <p>Ongoing support and promotion of over 30 festivals spanning the whole year including attendance at Festivals in Winchester meetings, co-ordinated by the BID.</p>

	Aim	How we will deliver our outcomes	Delivery Date	Status			Key Issues / comments
				Q1	Q2	Q3	
		Develop the Winchester Criterium and Cyclefest to increase participation and spectators <b>Measure:</b> 13,000 <i>spectators at the 2019 event</i>	Jun 2019	Amber	Amber	Amber	The Criterium and Cyclefest held on 9 June 2019 were attended by 12,000 spectators with 319 amateur and elite riders taking part.  The family cycle ride had 439 participants take part.
5.	Work with partners to achieve significant and sustained change for vulnerable families with multiple, complex and persistent problems	Lead the implementation of the Government's Supporting (Troubled) Families Programme in the Winchester district <b>Measure:</b> <i>To support 73 families (including 12 for intensive support) in Cohort 6 (17/18) and subsequent cohorts</i>	Mar 2020	Complete	Complete	Complete	Programme expected to close in this financial year. Service now "embedded" within Housing team and reporting to Corporate Head.  Annual target already met for this year.

Improving the quality of the district's environment

	Aim	How we will deliver our outcomes	Delivery Date	Status			Key Issues / comments
				Q1	Q2	Q3	
1.	Protect , enhance and respect the district's rich heritage and landscape whilst allowing appropriate development to take place enabling our historic to evolve over time having due regard for the landscape character	Having an adopted up-to-date Local Plan with positive policies which allow development to take place which protects and enhances the heritage associated with the built and natural environment <b>Measure:</b> Progress with Local Plan preparation	Mar 2020	Green	Green	Amber	Preparation of Local Plan 2036 to be carried out in accordance with approved timescales in the Local Development Scheme (agreed December 2018 - <a href="#">CAB3087(LP)</a> ). Work on key evidence studies is well advanced. Some slippage in the programme due to staff vacancies, evidence study delays and election uncertainty. A revised programme for the Local Plan will need to be included in an updated LDS when the new Strategic Planning Manager is in post.
		Explore the options open to the Council to redevelop the RPLC site with feasibility studies and development options. Currently focusing on two major work streams, 1. North Walls / Pavilion Project 2. River park Leisure Centre building and associated sports facilities <b>Measure:</b> RPLC: Produce a detailed project plan outlining next steps and present to	Pavilion: Mar 2020  RPLC: Mar 2020	Pavilion : Amber  RPLC: Green	Pavilion : Amber  RPLC: Green	Pavilion : Amber  RPLC: Green	North Walls/Pavilion Project: Following a successful engagement session held in March in respect of North Walls, a report was presented to Winchester Town Forum on 23 January 2020 considering options for the provision of a new pavilion.  A detailed project plan has been produced outlining the



	Aim	How we will deliver our outcomes	Delivery Date	Status			Key Issues / comments
				Q1	Q2	Q3	
		board.					necessary steps to either safely retain the existing Leisure Centre or demolish it after it closes following the new Sport and Leisure Park opening in early 2021. The potential re-provision of toilets will be considered.
2.	By working with our partners and by using powers available to us, make Winchester a safer and more pleasant place to live, work and visit	Be proactive in tackling incidents reported of fly-tipping within the district <b>Measure:</b> <i>To reduce the overall incidents of fly-tipping across the district, including fly tip hotspots</i>	Mar 2020	Green	Green	Green	<p><b>21</b> cases were investigated and of those <b>19</b> were closed due to lack of evidence. <b>1</b> case was closed because the named person was deceased and no other leads were identified, <b>1</b> case is still open for further investigation.</p> <p><b>3</b> cases were carried over from the previous reporting period and <b>2</b> of those were referred to enforcement panel. Both cases were accepted for prosecution and are now with legal.</p> <p><b>Hot Spot Locations</b> - are largely within the Southern Parishes and include:</p> <ul style="list-style-type: none"> <li>Southwick – Pigeon House Lane, Mill Lane, Ham Lane, Portchester Lane and</li> </ul>

Aim	How we will deliver our outcomes	Delivery Date	Status			Key Issues / comments
			Q1	Q2	Q3	
						<p>Purbrook Heath Lane.</p> <ul style="list-style-type: none"> <li>• Denmead – White Horse Lane and Sawyers Lane</li> <li>• Hambledon – Cams Hill area</li> </ul> <p>Hot spot location activity includes – actively investigating reports for those areas, face to face contact with Southwick Estate Management, Denmead Parish Council and attendance at the County cross authority intelligence group.</p> <p>Overall the hotspots in Southwick have seen a reduction of 20% (25 in 2018 compared with 20 for the same period in 2019). We have also seen reductions in 4 other areas compared to the same period last year.</p> <p><b>Q4 plans include</b> – further data gathering for the above hot spot locations from Environmental Services Contracts Team and a meeting with the managers of</p>

Aim	How we will deliver our outcomes	Delivery Date	Status			Key Issues / comments
			Q1	Q2	Q3	
						an independent fly tip reporting App to encourage collaborative working.
	<p>Always evaluate prosecution as a deterrent to those who fly-tip within the district</p> <p><b>Measure:</b> <i>100% success rate for all fly-tips that have been moved forward as application to the court for prosecution</i></p>	Mar 2020	Green	Green	Green	<p>1 written warning issued and accepted by the offender, this is held by Legal.</p> <p>2 cases with Legal, prosecution case in preparation</p> <p>1 case from Q2 has been withdrawn from the prosecution process because the witness is refusing to attend court.</p>
	<p>Investigate introducing litter fines and other incentives/ penalties (new legislation and not rolled out within the Council yet).</p> <p><b>Measure:</b> <i>Fixed Penalty notices issued for low-level fly-tips</i></p>	Mar 2020	Green	Green	Green	<p>S34 of the Environmental Protection Act 1990 (Household Duty of Care) Fixed Penalty Notice - FPN approved by legal services and policy and procedure updated. The books have been amended and issued to officers for use, with immediate effect.</p> <p>New fines, incentives – will be incorporated as a target in the 2020/21 Team Business Plan.</p> <p>Littering from Vehicles Pro's and Con's report - Complete.</p>

Aim	How we will deliver our outcomes	Delivery Date	Status			Key Issues / comments
			Q1	Q2	Q3	
	<p>Conduct the area specific satisfaction survey to take action to reduce incidents or concerns of Anti-Social Behaviour in priority locations, the first being in 2017</p> <p><b>Measure:</b> <i>Satisfaction levels recorded via the survey</i></p>	Mar 2020	Green	Green	Green	<p>Survey was launched in November with a closing date of 24 December 2019. 44 members of the public who had previously reported ASB and 40 TACT members were invited to participate.</p> <p>A survey of key partner agencies has already been undertaken to capture their views on the Public Space Protection Order as part of a wider review. The results of both surveys will be available to be included in the next report.</p>
	<p>To undertake a thorough review of taxi licensing policy so as to introduce higher standards of public safety and air quality</p> <p><b>Measure:</b> <i>Positive change to the licensing regime to ensure taxi licensing provides a safer service for taxi users and to ensure a higher emissions standard for taxi's licensed by the City Council</i></p>	Jun 2020	Green	Green	Green	<p>Phase 1 - Taxi Licensing policy review completed and a revised policy was reported to Licensing and Regulation Committee and adopted by Cabinet October 2019. Phase 1 now completed. Phase 2 – Policy effecting vehicle sizes, types, ages and livery scoped and consultation to commence in January 2020 for six weeks before presented to Licensing and Regulation Committee in March.</p>

	Aim	How we will deliver our outcomes	Delivery Date	Status			Key Issues / comments
				Q1	Q2	Q3	
		<p>Utilise the tools and powers provided within the ASB, Police and Crime Act 2014 to tackle and reduce crime in the district</p> <p><b>Measure:</b> <i>Number of interventions to reduce incidents of ASB</i></p>	Mar 2020	Green	Green	Green	<p><b>2</b> Community Protection Warnings served (1 for begging and 1 for leaving waste in a communal area (both were breached and resulted in Community Protection Warning Notices being served).</p> <p><b>1</b> breach of CPN presented at Magistrates Court, the offender pleaded not guilty so it goes to trial during Q4.</p> <p><b>1</b> evening Begging Operation undertaken in partnership with the Police.</p> <p>Begging stat's within this period showed more than a 50% reduction in incidents against the same period last year (12 as opposed to 28).</p> <p>The Community Courts have been reinstated after a 4month break. To date there have been 9 hearings.</p>
3.	Protect, enhance and increase the use of open spaces in both the towns and more rural areas of the district	<p>Deliver a rolling programme for estate improvements, including environmental and parking schemes</p> <p><b>Measure:</b> <i>Deliver £250k annually with</i></p>	Mar 2020	Green	Green	Green	<p>Schemes for 2019/20 include: Canford Close, Shedfield (parking) – scheme to be</p>

Aim	How we will deliver our outcomes	Delivery Date	Status			Key Issues / comments
			Q1	Q2	Q3	
	<i>a range of benefits for the local communities</i>					tendered shortly, works to be completed by the end of March 20 Pound Cottages, Meonstoke (parking) – works completed Dec 19 Moors Close, Colden Common (parking) – tender awarded, works to commence on 13 January 20 Chiltern Court, Alresford (parking & environmental) – resident survey sent on 6 Dec 19 and closed on 31 December 19 Trussell Crescent, Weeke (parking) – revisiting plans and to go out for consultation before March 20 Woodman Close, Sparsholt (parking) – drawing up plans to go out to consultation in Jan 20
	Analyse and act upon a visitors user survey on key open spaces to ascertain current use and future demand for such space <b>Measure:</b> <i>Visitor usage and satisfaction rates</i>	Mar 2020	Green	Green	Green	Analysis completed. The data is now being used to inform future planning and decision making in relation to play areas and open space.
	Develop a Green Infrastructure Strategy to facilitate the enhancement of our public amenities and support the management of our environmental	Mar 2020	Amber	Amber	Amber	Following a short delay, discussions underway with the Project Team to identify a temporary resource to

	Aim	How we will deliver our outcomes	Delivery Date	Status			Key Issues / comments
				Q1	Q2	Q3	
		assets <b>Measure:</b> <i>Identify opportunities to reinforce local assets to improve the environmental health of the Winchester district</i>					progress delivery of the Strategy.
4.	Work to change attitudes to waste, fly-tipping and littering and significantly improve recycling levels	Support and encourage residents living in the district to recycle through public awareness campaigns including a focus on reducing the rates of contaminations of materials collected for recycling <b>Measure:</b> <i>Increase recycling from the 2016/17 baseline position</i>	Mar 2020	Green	Green	Green	Initial data following the introduction of kerbside collections indicates a significant increase in the volume of glass being collected.
		We will investigate options for additional income through increased recycling <b>Measure:</b> <i>Income collected through additional channels</i>	Mar 2020	Green	Green	Green	Kerbside glass collection service now in operation since 1 October 2019.
5.	Work with strategic partners to continue to develop flood resilience measures to protect our communities	Support schemes that will protect residents' homes and property from the threat of flooding <b>Measure:</b> <i>Flood scheme assessments on all completed schemes</i>	Mar 2020	Green	Green	Green	Cabinet approval given to progress Phase II of the flood relief scheme at Durngate (report <a href="#">CAB3072</a> , 12 December 2018 refers) with funding approved by Council on 16 January 2019. Planning permissions now granted by Hampshire County Council and South Down's National Park Authority. Access issues with land owners being resolved. Scheme going out to tender. Tree clearance underway on

	Aim	How we will deliver our outcomes	Delivery Date	Status			Key Issues / comments
				Q1	Q2	Q3	
							site. Engineering works on track to commence spring 2020 and should take 3 to 4 months to complete.
		<p>Undertake a Biodiversity Audit to ascertain areas of core concern to be tackled through a Biodiversity Action Plan.</p> <p>Produce a set of core priorities to be included in a refreshed Biodiversity Action Plan.</p> <p><b>Measure:</b> <i>Revision of the action points put forward in the previous Biodiversity Action Plan, and the identification of current priority areas of concern</i></p>	Mar 2021	Green	Green	Green	Additional work undertaken on scoping and timeframe. A Business Case is currently being developed. The timeframe is to have approval Spring 2020 with the document completed Spring 2021.
6.	Improve the environment and reduce harmful emissions through holistic transport planning	<p>Delivery and implementation of the actions included in the Winchester Air Quality Action Plan 2017 – 2023</p> <p><b>Measure:</b> <i>Improved air quality in accordance with the Air Quality Action Plan</i></p>	Mar 2020	Green	Amber	Amber	<p>Work is continuing regarding the implementation of the nine core and nine complimentary measures in the Action Plan with an update report due winter 2019/20. CAB 3217 to provide details of progress against these actions as well as the latest air quality information for the town centre.</p> <p>Electric Vehicle Charging Strategy supported by</p>



Aim	How we will deliver our outcomes	Delivery Date	Status			Key Issues / comments
			Q1	Q2	Q3	
						Cabinet 23 January 2019 ( <a href="#">CAB3120</a> ) and an options appraisal has been completed. February Cabinet to consider report (CAB 3206) to agree the means to implement the strategy.
	<p>Review the Council approach to reducing the district's carbon emissions including 12 actions for a lower carbon Council</p> <p><b>Measure:</b> Total emissions from the Winchester district</p> <p><i>This measure will be updated now that Climate Emergency has been declared.</i></p>	Mar 2020	Amber	Amber	Amber	<p>The Council has determined that the measures included in the route map are not a sufficient response to the risks now identified regarding the impact of climate change. Cabinet on 5 June 2019 declared a 'Climate Emergency' (report <a href="#">CAB3171</a> refers) and committed to making the activities of the Council carbon neutral by 2024, and the district of Winchester carbon neutral by 2030.</p> <p>The Climate Emergency Action Plan was approved at Cabinet on 23 December 2019.</p>
	<p>We will increase the use of P&amp;R to support and encourage parking outside of the city centre</p> <p><b>Measure:</b> <i>An additional 200 Park &amp; Ride spaces created</i></p>	Mar 2019	Green	Green	Green	City of Winchester Movement Strategy includes an objective to extend park and ride for the City. This is now being looked at in more detail to determine the potential for

Aim	How we will deliver our outcomes	Delivery Date	Status			Key Issues / comments
			Q1	Q2	Q3	
						<p>new sites and/or services. The Vaultex site at Bar End is being brought forward to provide additional P&amp;R spaces. The existing building has been demolished and the site is ready for redevelopment. A planning application for an approx. 130 spaces is being progressed. P&amp;R light to be provided at Kings Barton.</p> <p>Timing depends on the house building rate on site. It is currently envisaged that the facility will be delivered in 2023.</p>

### Section 3: Programme Management – Projects Update

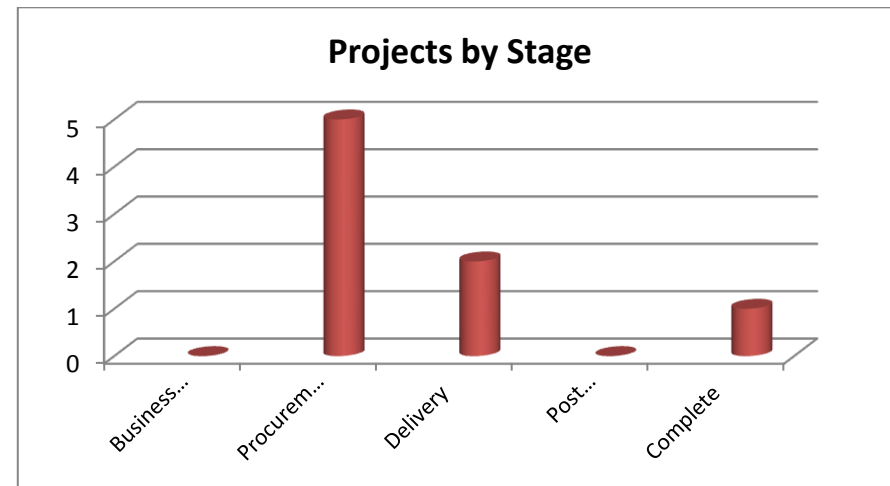
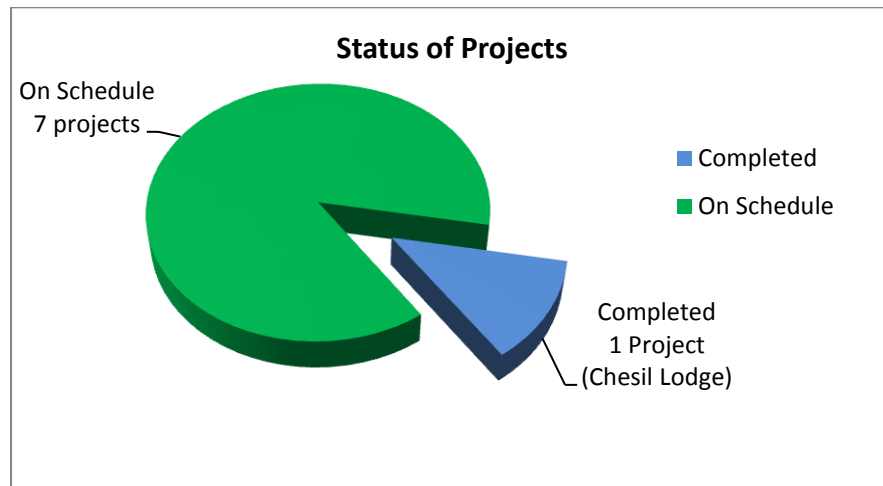
This report provides an update on the progress made against the Council’s significant programmes and projects which are being or will be undertaken during the next five years. These programmes and projects have been selected for inclusion in this report following an exercise to evaluate against a number of criteria the significance, complexity and cost of each of the projects and the need for regular monitoring.

The Council’s Projects include:



- Central Winchester Regeneration
- Climate Emergency response
- Environmental Services contract
- New Local Plan 2036
- New Homes Programme
- Station Approach
- Winchester Sport and Leisure Park

#### Summary Report

The charts below summarise the status of the Council’s significant projects as set out in the report.



Management Report – Projects

Summary		Status & Progress		Project Milestones
<u>Central Winchester Regeneration</u>		<b>Current Quarter</b>	<b>Previous Quarter</b>	<ul style="list-style-type: none"> <li>• 20/06/18 – Cabinet resolution to adopt SPD</li> <li>• 10/07/18 – Cabinet (CWR) Committee approval to proceed with next steps in relation to meanwhile uses and improvements to the existing estate, including setting up advisory panels for three work streams - Coitbury House, Lower High Street and Broadway and Meanwhile uses</li> <li>• 25/09/18 – Present longer term delivery strategy and advisory panel ToRs and memberships for each work stream to Cabinet (CWR) Committee</li> <li>• 27/11/18 – Present estimated costs and timescales for next steps of each work stream to Cabinet (CWR) Committee for approval to proceed</li> <li>• 11/12/18 – Archaeology event</li> <li>• 12/12/18 – Present strategic placemaking consultancy brief to Cabinet for approval to proceed</li> <li>• 18/12/18 – Friarsgate Medical Centre purchased</li> <li>• 22/01/19 – Present draft design brief and est. costs for lower High Street and Broadway to Cabinet (CWR) Committee for approval to proceed</li> <li>• 14/03/19 – Planning permission for Friarsgate Hoardings approved</li> <li>• 19/03/19 – Present concept designs for Coitbury House to Cabinet (CWR) Committee for approval to proceed with next stage</li> <li>• 19/03/19 – Present proposed next steps for archaeology to Cabinet (CWR) Committee including est. timescales and costs</li> <li>• w/c 26/04/19 – Appoint Strategic Placemaking Consultancy</li> <li>• 12/07/19 – First Project Review meeting</li> <li>• 28/08/19 – Cabinet approval of recommended archaeology investigations and costs</li> <li>• 28/08/19 – Final Project Review meeting</li> <li>• 24/09/19 – Open Forum update of progress on each work stream and JLL review of CWR roadmap</li> <li>• End of December– JLL Roadmap Review completed</li> <li>• 07/01/20 – Cabinet workshop to review CWR scheme options</li> <li>• 17/02/20 – Open Forum</li> </ul>
<b>Project Phase:</b> Develop strategy for the delivery and development of the area and improvements to the existing estate				
<b>Project Start:</b> March 2016	<b>Project End:</b> Ongoing			
<b>Project Sponsor:</b> Chas Bradfield	<b>Project Executive:</b> Veryan Lyons			
<b>Project Budget:</b> Revenue: £663,000	<b>Spend to date:</b> £397,843 (includes committed spend)			



## Project Update & Next Steps



### Update:

- Roadmap review completed
- Scheme options for the CWR area presented to Cabinet and feedback received
- Further development and testing of scheme options underway
- Feasibility study and concept design for lower section of the High Street and Broadway completed in liaison with HCC
- Next steps for archaeology investigations underway

### Next Steps



- Agree way forward for Coitbury House / Kingswalk
- Develop and implement stakeholder management plan
- Develop and agree communications plan
- Procure consultant to carry out archaeology investigations
- Complete scheme options testing and seek approval of preferred option
- Develop strategy for the development
- Movement Strategy – continue to liaise with HCC on how best to incorporate emerging themes into the development proposals for the CWR area

Summary		Status & Progress		Project Milestones
<b>Climate Emergency response</b>		<b>Current Quarter</b>	<b>Previous Quarter</b>	<ul style="list-style-type: none"> <li>05/06/2019 - Declaration Climate Emergency, report CAB3171 refers</li> <li>18/09/2019 – WCC members Carbon Neutrality workshop</li> <li>09/10/2019 - Health &amp; Environment Policy Committee</li> <li>12/11/2019 - Leader’s Board</li> <li>11/12/2019 - Cabinet (rescheduled to 23/12/19)</li> <li>Dec - PMG – to commence project</li> </ul> <p>23 December 2019 – Cabinet Approval of Winchester Carbon Neutrality Action Plan 2020-2030 (CAB3203)</p>
<b>Project Phase:</b> Delivery				
<b>Project Start:</b> June 2019	<b>Project End:</b> Dec 2024 / 2030			
<b>Project Sponsor:</b> Richard Botham	<b>Project Executive:</b> Susan Robbins			
<b>Project Budget:</b> To be determined	<b>Spend to date:</b> Nil			
Project Update & Next Steps				
<p><b>Q4 2019/20</b></p> <p>Establish governance arrangements for the delivery of the Action Plan across council services to include an internal officer group, an implementation plan, resource plan and key performance indicators.</p> <p>Hold a public open forum to up-date and inform on district measures.</p> <p><b>Engagement and communications activities</b></p> <p>1 August - Internal WCC officer services workshop</p> <p>5 Sept - External Stakeholder event</p> <p>18 Sept – Members briefing session</p> <p>29 Sept – 6 Oct - Community Green Week and Green Harvest Festival</p> <p>Develop communication messages / channels and branding</p> <p><b>Action Plan</b></p> <ul style="list-style-type: none"> <li>Ratify scope and definition of Climate Emergency</li> <li>Create spreadsheet of projects with evaluation model</li> <li>Develop project business case</li> </ul>				

Summary		Status & Progress		Project Milestones
<b>Environmental Services Contract</b>		<b>Current Quarter</b>	<b>Previous Quarter</b>	<ul style="list-style-type: none"> <li>• Aug 2019 – Invitation to Tender issued</li> <li>• Oct 2019 – Deadline for return of completed Tenders</li> <li>• 01/10/19 – Start of 1 year Waste Collection Services (including introduction of Kerbside glass collection) contract renewal (extension)</li> <li>• 01/10/19 - Environmental Services contract start</li> <li>• Nov/Dec 2019 – New Waste Collection Service contract awarded</li> <li>• Mar 2020 - Contract mobilisation</li> <li>• 26/09/2020 – Start of new Waste Collection Services contract</li> </ul>
<b>Project Phase:</b> Design				
<b>Project Start:</b> January 2018	<b>Project End:</b> December 2020			
<b>Project Sponsor:</b> Laura Taylor	<b>Project Executive:</b> Steve Tilbury			
<b>Project Budget:</b> £225,000	<b>Spend to date:</b> £170,000			
<b>Project Update &amp; Next Steps</b>				
<b>Glass Collection and Date Change</b>				
<p>Page 19 of 20</p> <ul style="list-style-type: none"> <li>• Kerbside glass collection now operating, with significant increase in volume of glass collected before first glass collection</li> <li>• One year waste contract extension with Biffa in effect from 30/9/2019</li> <li>• Extra resources were provided to CSC to manage the high volume of incoming queries over bin collection dates</li> </ul>				
<b>2020 Contract Renewal</b>				
<ul style="list-style-type: none"> <li>• Return of completed Tenders</li> <li>• WC 14 October 2019 - Quality and Cost Evaluation</li> <li>• WC 21 October 2019 - Moderation</li> <li>• Cabinet report prepared for November 2019</li> <li>• Standstill letters issued, with standstill period ending midnight 16<sup>th</sup> December 2019</li> <li>• Award of new 8 year contract to the preferred bidder</li> </ul>				

Summary		Status & Progress		Project Milestones
<b>Local Plan 2036</b>		<b>Current Quarter</b>	<b>Previous Quarter</b>	<ul style="list-style-type: none"> <li>• 18/09/2019 – Cabinet approval of proposals for Local Plan ‘Prospectus’ and commissioning of ‘Vision for Winchester’ update (CAB3191)</li> <li>• Commissioning of key evidence studies (e.g. Housing requirements, SHLA, Employment, Transport)</li> <li>• Reporting of evidence base – Feb/March 2020</li> <li>• Production of a “prospectus” of issues and options arising from the technical evidence and options – Spring 2020</li> <li>• Engagement and consultation on the prospectus – Spring/Summer 2020</li> <li>• Draft Local Plan published for consultation – Spring 2021</li> <li>• Consultation responses assessed and updated – Summer 2021</li> <li>• Pre submission plan consultation – Late 2021</li> <li>• Draft plan submitted – Spring 2022</li> <li>• Examination in public – Summer 2022</li> <li>• Modifications – Summer 2022</li> <li>• Local Plan 2036 adopted – December 2022</li> </ul>
<b>Project Phase:</b> Planning		✓	✓	
<b>Project Start:</b> 2018	<b>Project End:</b> 2021			
<b>Project Sponsor:</b>	<b>Project Executive:</b>			
<b>Project Budget:</b> £600,000	<b>Spend to date:</b> £146,000			
<b>Project Update &amp; Next Steps</b>				
<ul style="list-style-type: none"> <li>• Update to WTF January 2019</li> <li>• July/August 2019 – commissioning of technical evidence.</li> <li>• Parish Council workshops held October 2018 and March 2019.</li> <li>• Duty to Cooperate meetings July - December 2019</li> <li>• Completion of key evidence studies – Jan 2020</li> <li>• Production of a “Prospectus” of issues and options arising from the technical evidence and options – Spring 2020</li> </ul> <p><b>Next Steps:</b></p> <ul style="list-style-type: none"> <li>• To implement the actions as set out in Cabinet report considered in September 2019 (CAB3191) relating to the means of engagement on the Local Plan, including producing a “Prospectus,” and updating the “Vision for Winchester.” Resources also agreed to fund the commissioning of the work for a new Vision for the city and a brief for tender purposes was published in December 2019.</li> <li>• Hold workshops with Members and Parishes leading to production of the ‘Prospectus’ in Spring 2020.</li> <li>• Review and agree a revised Local Plan programme to reflect recent slippage and future resources and revise the Local Development Scheme accordingly.</li> </ul>				



Summary		Status & Progress		Project Milestones
<b><u>New Homes Programme</u></b>		<b>Current Quarter</b>	<b>Previous Quarter</b>	<ul style="list-style-type: none"> <li>• The Valley – work started on site. On time and on budget</li> <li>• Mitford Rd – completed and new homes now occupied</li> <li>• Bailey Close – completed November 2018, fully let and official opening event held</li> <li>• Hillier Way – homes occupied.</li> <li>• Victoria House – rented units completed and now let. All shared ownership units sold</li> <li>• Knowle - Started on site and works progressing in line with project plan, Shared ownership properties completed and reserved, 5 rented houses completed in August 19.</li> <li>• Rowlings Rd – started on site Oct 19</li> <li>• Dolphin Hill, Twyford – started on site Oct 19</li> </ul>
<b>Project Phase:</b> Delivery				
<b>Project Start:</b> December 2012	<b>Project End:</b> December 2022			
<b>Project Sponsor:</b> Richard Botham	<b>Project Executive:</b> Andrew Palmer			
<b>Project Budget:</b> Capital: £43,942,000	<b>Spend to date:</b> Capital: £22,550,189 to 31 December 2019			
<b>Project Update &amp; Next Steps</b>				
<p>2019 2018 2017</p> <ul style="list-style-type: none"> <li>• Mitford Rd – Flats handed over on 28<sup>th</sup> August 2018.</li> <li>• Bailey Close – completed November 2018</li> <li>• Hillier Way – completed (November 2017)</li> <li>• Victoria House – Completed January 2019, rented properties let and SO sold.</li> <li>• Knowle – on-site, final 6 flats progressing well and scheduled for completion in Dec 19.</li> <li>• The Valley – Building contract signed and scheme has started on site – due for completion by March 2021. Homes England has confirmed additional grant has been approved to enable rented properties to be let at Social Rent levels.</li> <li>• Architect appointed to provide design options for Wykeham Place, Stanmore.</li> <li>• Further schemes planned at Micheldever, Abbots Barton, Withybed Lane, Winnall and Stanmore.</li> </ul>				

Summary		Status & Progress		Project Milestones																										
<u>Station Approach</u>		Current Quarter	Previous Quarter	Approvals/ Milestones	Date of decision	Decision body																								
Project Phase: Procurement and Design		-	X	- RIBA Stage 0-1- Carfax site	27 February 2018	CAB3021(SA)																								
Project Start: February 2015	Project End Date: Q3 2025			- Masterplan Framework																										
- Public Realm Strategy																														
Project Sponsor: Chas Bradfield	Project Executive: Ian Charie	- RIBA Stage 2 (Concept Design) - Carfax site		25 March 2019	CAB3144(SA)																									
- Outline Business Case																														
- Sale of site with leasehold, Public Realm RIBA Stage equivalent 3 design works		28 August 2019	CAB3172																											
- Grant of Outline Planning Permission with conditions. 19/00601/OUT		12 September 2019	Planning Committee																											
- Purchaser selection process (further information requested for 23 Oct Cabinet)		18 September 2019	CAB3188																											
- Enter into LEP Agreement and £5m grant		25 September 2019	Full Council (CAB3172)																											
- Carfax : Project on hold following application for judicial review High Court agreement to quash planning application. Route to progress planning to be considered by project board on 19 December 2019.		19 December 2019	Project Board																											
- Public Realm: On hold pending future funding becoming identified/secured																														
<table border="1"> <thead> <tr> <th></th> <th>Budget</th> <th>Expenditure</th> <th>Planned and Committed</th> </tr> </thead> <tbody> <tr> <td colspan="4"><b>Carfax</b></td> </tr> <tr> <td>Capital</td> <td>£1,800,000</td> <td>£321,234</td> <td>£0</td> </tr> <tr> <td>Revenue</td> <td>£2,110,000</td> <td>£1,774,781</td> <td>£181,875</td> </tr> <tr> <td colspan="4"><b>Public Realm</b></td> </tr> <tr> <td>Revenue</td> <td>£225,000</td> <td>£225,000</td> <td>Covered in Carfax budget</td> </tr> </tbody> </table>			Budget	Expenditure	Planned and Committed	<b>Carfax</b>				Capital	£1,800,000	£321,234	£0	Revenue	£2,110,000	£1,774,781	£181,875	<b>Public Realm</b>				Revenue	£225,000	£225,000	Covered in Carfax budget					
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Project Update & Next Steps

Milestones	Start date	Due date	Risks	Risk Summary
<b>Planning</b>				
Planning permission	1/4/19	12/9/19	<b>ISSUE</b>	<b>Risk 80: Planning application decision challenge has become an issue.</b> There has been a legal challenge to the Council's award of outline planning permission for the redevelopment of the Station Approach scheme. With the agreement of the Council, the High Court has now quashed the planning consent, and marketing of the site to potential developers has been paused while the board consider the options for moving forward with the planning stage.
Decision on how to proceed with project	1/10/19	tbc	<b>High</b>	There are high risks around further legal challenge to the process and the Council's reputation ( <b>risks 73 and 80</b> ) and the longer term economic impact for the City and District ( <b>risk 26</b> ). There is also significant financial risk to the Council ( <b>risks 76 and 80</b> ). These risks will need to be considered and managed as part of the consideration on how to proceed with the project.

**Next steps:**










The project board will consider how to proceed with the planning stage. A plan for a resubmission option has been drawn up and resource requirements identified. If this option is taken forward, it is considered that no additional revenue budget will be needed to resubmit the application and undertake a future marketing stage. Risks linked to a new resubmission stage are being identified for consideration by the project board.

Summary		Status & Progress		Project Milestones
<u><a href="#">Winchester Sport &amp; Leisure Park</a></u>		<b>Current Quarter</b>	<b>Previous Quarter</b>	<ul style="list-style-type: none"> <li>• Options appraisal – 2013 to 2015 - Completed</li> <li>• Feasibility assessment of preferred option – 2016 - Completed</li> <li>• Prepare Outline Business Case for preferred option - 2016/17 - Completed</li> <li>• Outline Business Case – 16 January 2018 - Completed</li> <li>• Prepare and seek planning permission – 2018 - Completed</li> <li>• Operator procurement process– January 2019 - Completed</li> <li>• Full Business Case – February 2019 - Completed</li> <li>• Sign contract with construction contractor and operator – March 2019 - Completed</li> <li>• Start on site – March 2019 – Completed</li> <li>• <b>Construction period – March 2019 to December 2020 – current stage</b></li> <li>• Completion – Spring 2021</li> </ul>
<b>Project Phase:</b> Construction		✓	✓	
<b>Project Start Date:</b> 01 May 2013	<b>Projected End Date:</b> Spring 2021			
<b>Project Sponsor:</b> Chas Bradfield	<b>Project Executive:</b> Andy Hickman			
<b>Project Budget:</b> <u>Capital:</u> £42,900,000 <u>Revenue:</u> £759,402	<b>Total Actual Spend:</b> Total: £14,202,279.46			
<b>Project Update &amp; Next Steps</b>				
<b>Project Update</b>				
<p>Works on site ongoing and progressing well –steel frame nearing completion, works to external walls commenced and hydrotherapy and learner pool walls complete. Roof sheeting over the sports hall has commenced and ground floor slab being prepared for the first concrete pour. Car park works continuing to progress with kerbs in place, drainage well progressed and access routes set out</p> <ul style="list-style-type: none"> <li>• Continuing progress on RIBA stage 5, including ongoing engagement with utilities and HCC</li> <li>• Continuing progress on offsite works for temporary and permanent access around the park</li> </ul> <p><b>Next Steps</b></p> <ul style="list-style-type: none"> <li>• Completion of erection of steel frame, continuation of ground floor slab, continuation of roof deck installation, preparation to the hydrotherapy pool to allow the filling of water to test it</li> <li>• Utility diversions are required and there will be roadworks on Bar End Road between January and March 2020 to enable these to happen, with traffic being signal controlled during off peak periods. Barfield Close will become a Park and Stride facility for this time and Bar End Road will become one lane only inwards</li> <li>• Ongoing discharge of planning conditions</li> <li>• Continued delivery of offsite access works</li> <li>• Ongoing engagement with users of the centre</li> <li>• Ongoing working meetings with operator</li> <li>• Next Open Forum taking place 17th January 2020</li> </ul>				








Page 204

### Section 4 – Managing the business (performance indicators)

The table below provides an update on the performance the Council is making against a set of ‘corporate health’ indicators.

Performance Indicator	2018/19				2019/20			Annual Target	Current Status
	Q1	Q2	Q3	Q4	Q1	Q2	Q3		
Average Sickness per member of staff ( <i>days</i> ) – (Figures for Q1, Q2 and Q3 2019/20 are calculated for each quarter only)	7.7	8.6	9.5	8.7	5.70	5.12	6.19	7.50	
Staff Turnover – quarterly	4.44%	5.26%	4.76%	5.38%	5.19%	3.65%	3.61%	No target set	No target set
Average processing time of new Housing Benefit claims ( <i>days</i> )	14.36	14.76	16.79	17.95	11.08	11.73	12.08	14.00	
Average processing time of new Council Tax Reduction claims ( <i>days</i> )					24.37	24.52	24.80	26.00	
Average processing time of changes in circumstances for Housing Benefit claimants ( <i>days</i> )	4.22	4.87	5.05	4.26	3.17	3.35	3.61	5.00	
Average processing time of changes in circumstances for Council Tax Reduction claimants ( <i>days</i> )					3.48	3.82	4.05	5.00	
Number of overdue/ outstanding internal audit actions ( <i>end of quarter</i> )	14	15	15	12	13	21	22	10	
Number of High Priority Overdue Internal Audit Management Actions	0	0	0	0	0	2	6	0	
Number Internal Audit Reports issued with ‘No Assurance’ opinion	0	0	0	0	0	0	0	0	
Accounts Payable – invoices paid within 30 days	96%	96%	94%	95%	96%	96%	96%	100%	

SPT

Performance Indicator	2018/19				2019/20			Annual Target	Current Status
	Q1	Q2	Q3	Q4	Q1	Q2	Q3		
Invoices processed with a Purchase Order	100%	100%	100%	99%	99%	100%	100%	100%	
Number of complaints recorded on corporate complaints system	136	167	125	167	171	189	139	No Target Set	Not Applicable
Percentage of FOI requests responded to within 20 working days	72.19%	76.00%	90.00%	90.00%	91.60%	86.80%	89.02%	90.00%	
Number of Fly-Tipping Incidents reported	183	194	179	214	194	165	260	No Target Set	Not Applicable
Percentage of household waste sent for reuse, recycling and composting - quarterly	38.98%	37.03%	34.89%	30.94%	38.70%	38.60%	37.09%	35.87%	
Percentage of Major applications determined within 13 weeks or Agreed Extension of Time	87.50%	100.00%	100.00%	100.00%	86.67%	77.78%	100.00%	60.00%	
Percentage of Non Major applications determined with 8 weeks or Agreed Extension of Time	96.91%	93.94%	95.08%	97.51%	96.96%	96.32%	96.98%	65.00%	
Number of Enforcement Cases Opened	76	81	58	80	107	94	61	No Target Set	Not Applicable
Number of Enforcement Cases Closed	73	80	59	84	100	105	46	No Target Set	Not Applicable
Voids – Average re-let time (general needs and sheltered)	13.80	14.99	16.43	14.86	14.13	13.55	13.24	13	
Arrears - Number of tenants owing more than 4 weeks rent	206	222	231	232	261	254	312	No Target Set	Not Applicable
Housing repairs – average number of w/days to complete responsive repairs (reported to completed)	5.96	6.88	6.34	6.39	9.43	8.47	7.50	8.00	

Performance Indicator	2018/19				2019/20			Annual Target	Current Status
	Q1	Q2	Q3	Q4	Q1	Q2	Q3		
Homelessness – numbers presenting to Council as being at risk of homelessness	360	385	378	496	490	521	453	No Target Set	Not Applicable

**Key to symbols:**



performance indicator is on target

performance indicator is below target but within 5% of the target

performance indicator is more than 5% of the target

**Key Variances:**

**Number of overdue/ outstanding internal audit actions**

The increase in the number of overdue actions is largely due to the significant number of internal audit reports issued since the beginning of the year. There have been 18 audit reports issued since 1 January 2019 that included a total of 92 management actions of which 56 actions have been completed. There are 22 management actions that are pending and not reached their due date, however there are 14 actions that are showing as passed their due date. Regular monitoring of the progress of these actions takes place and action owners receive reminders once the due date has passed.

**Number of High Priority Overdue Internal Audit Management Actions**

The number of high priority overdue internal audit management actions reflects the number of internal audits that have been issued since the beginning of the year. Progress against the management actions that are included in the internal audit reports are reviewed regularly by managers and reported to Audit and Governance Committee. A new approach to the management of actions included in internal audit reports has been introduced with increased Executive Leadership Board (ELB) visibility.

**Housing repairs – average number of days to complete responsive repairs**

The increase in the average number of days taken to complete responsive repairs is due to fewer “high priority” jobs when compared to the same time last year. In general because of their nature high priority jobs are completed much quicker than general repairs. The reduction in “High Priority” repair requests reflects the level of investment in “planned maintenance” programmes in recent years.

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Fax: 01962 848 472  
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**website** [www.winchester.gov.uk](http://www.winchester.gov.uk)

## Forward Plan of Key Decisions

March 2020

The Forward Plan is produced by the Council under the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012. The purpose of the Plan is to give advance notice of Key Decisions to be made by the Cabinet, Cabinet Members or officers on its behalf. This is to give both Members of the Council and the public the opportunity of making their views known at the earliest possible stage.

This is the Forward Plan prepared for the period **1 - 31 March 2020** and will normally be replaced at the end of each calendar month.

The Plan shows the Key Decisions likely to be taken within the above period. Key Decisions are those which are financially significant or which have a significant impact. This has been decided, by the Council, to be decisions which involve income or expenditure over £250,000 or which will have a significant effect on people or organisations in two or more wards.

The majority of decisions are taken by Cabinet, together with the individual Cabinet Members, where appropriate. The membership of Cabinet and its meeting dates can be found [via this link](#). Other decisions may be taken by Cabinet Members or Officers in accordance with the Officers Scheme of Delegation, as agreed by the Council (a list of Cabinet Members used in the Plan is set out overleaf).

The Plan has been set out in the following sections:

**Section A** – Cabinet

**Section B** - Individual Cabinet Members

**Section C** - Officer Decisions

Anyone who wishes to make representations about any item included in the Plan should write to the officer listed in Column 5 of the Plan, at the above address. Copies of documents listed in the Plan for submission to a decision taker are available for inspection on the Council's website or by writing to the above address. Where the document is a committee report, it will usually be available five days before the meeting. Other documents relevant to the decision may also be submitted to the decision maker and are available on Council's website or via email [democracy@winchester.gov.uk](mailto:democracy@winchester.gov.uk) or by writing to the above



Regulation 5 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 refers to the requirement to provide notice of an intention to hold a meeting in private, inclusive of a statement of reasons. If you have any representations as to why the meeting should be held in private, then please contact the Council via [democracy@winchester.gov.uk](mailto:democracy@winchester.gov.uk) or by writing to the above address. **Please follow this link to definition of the paragraphs** (Access to Information Procedure Rules, Part 4, page 32, para 10.4) detailing why a matter may be classed as exempt from publication under the Local Government Acts, and not available to the public.

If you have any queries regarding the operation or content of the Forward Plan please contact David Blakemore (Democratic Services Manager) on 01962 848 217.

**Cllr Lucille Thompson**

Leader of the Council  
31 January 2020

<b>Cabinet Members:</b>	<b>Title</b>
• Cllr Lucille Thompson	Leader & Cabinet Member for Communications
• Cllr Neil Cutler	Deputy Leader & Cabinet Member for Finance & Risk
• Cllr Kelsie Learney	Housing & Asset Management
• Cllr Lynda Murphy	Environment
• Cllr Jackie Porter	Built Environment & Wellbeing
• Cllr Malcolm Prince	Sport, Leisure & Communities
• Cllr Martin Tod	Service Quality & Transformation
• Cllr Anne Weir	Local Economy

	Item	Cabinet Member	Key Decision	Wards Affected	Lead Officer	Documents submitted to decision taker	Decision taker (Cabinet, Cabinet Member or Officer)	Date/period decision to be taken	Committee Date (if applicable)	Open/private meeting or document? If private meeting, include relevant exempt paragraph number
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**Section A**

**Decisions made by Cabinet**

1	Winchester Parking & Access Strategy	Cabinet Member for Service Quality and Transformation	Significantly effects 2 or more wards	All Wards	Andy Hickman	Cabinet Report	Cabinet	Mar-20	11-Mar-20	Open
2	Revision and update of Discretionary Housing Payments Policy	Deputy Leader and Cabinet Member for Finance and Risk	Significantly effects 2 or more wards	All Wards	Terri Horner	Cabinet Report	Cabinet	Mar-20	11-Mar-20	Open
3	Procurement and Contract Management Strategy	Deputy Leader and Cabinet Member for Finance and Risk	Significantly effects 2 or more wards	All Wards	Amy Tranah	Cabinet Report	Cabinet	Mar-20	11-Mar-20	Open
4	Land Transaction	Cabinet Member for Housing and Asset Management	Expenditure > £250,000	All Wards	Geoff Coe	Cabinet Report	Cabinet	Mar-20	11-Mar-20	Part exempt 3

	Item	Cabinet Member	Key Decision	Wards Affected	Lead Officer	Documents submitted to decision taker	Decision taker (Cabinet, Cabinet Member or Officer)	Date/period decision to be taken	Committee Date (if applicable)	Open/private meeting or document? If private meeting, include relevant exempt paragraph number
<b>Section B</b>										
Decisions made by individual Cabinet Members										
5	None									
<b>Section C</b>										
Decisions made by Officers										
9 Page 212	Treasury Management - decisions in accordance with the Council's approved strategy and policy	Deputy Leader and Cabinet Member for Finance and Risk	Expenditure > £250,000	All Wards	Hampshire County Council (HCC) Finance Department on behalf of WCC	Designated Working Papers	Designated HCC Finance staff, daily	Mar-20	Mar-20	Open
7	Delivery of the Development Management service on behalf of the South Downs National Park Authority	Cabinet Member for Built Environment and Wellbeing	Financial > £250,000	All Wards	Julie Pinnock	Officer Decision Report	Strategic Director: Services	Not before Mar-20	Not before 2nd-Mar-20	Open

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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