



<b>Meeting</b>	Cabinet
<b>Date and Time</b>	<b>Thursday, 11th February, 2021</b> at 9.30 am.
<b>Venue</b>	This meeting will be held virtually and a live audio stream can be listened to via <a href="http://www.winchester.gov.uk">www.winchester.gov.uk</a> .

**Note:** *Owing to the ongoing Covid-19 pandemic and government guidance, it will not be possible to hold this meeting in person. The Council has therefore made arrangements under the Coronavirus Act 2020, and subsequent Regulations permitting remote meetings, to hold the meeting virtually. If you are a member of the public and would like to listen to the audio stream of the meeting you may do so via [www.winchester.gov.uk](http://www.winchester.gov.uk)*

## 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.
- 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.**  
*Note: Councillors wishing to speak about a particular agenda item are required to register with Democratic Services three clear working days before the meeting (contact: [democracy@winchester.gov.uk](mailto:democracy@winchester.gov.uk) or 01962 848 264). Councillors will normally be invited by the Chairperson to speak during the appropriate item (after the Cabinet Member's introduction and questions from other Cabinet Members).*



## BUSINESS ITEMS

5. **Minutes of the previous meeting held on 20 January 2021.** (Pages 5 - 12)

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

*NB members of the public are required to register with Democratic Services three clear working days before the meeting (contact: [democracy@winchester.gov.uk](mailto:democracy@winchester.gov.uk) or 01962 848 264).*

Members of the public and visiting councillors may speak at Cabinet, provided they have registered to speak three working days in advance. Please contact Democratic Services **by 5pm on Friday 5 February 2021** via [democracy@winchester.gov.uk](mailto:democracy@winchester.gov.uk) or (01962) 848 264 to register to speak and for further details.

7. **Leader and Cabinet Members' Announcements**

8. General Fund budget 2021/22 (Pages 13 - 38)

**Key Decision** (CAB3289)

9. Capital Investment Strategy 2021-2031 (Pages 39 - 80)

**Key Decision** (CAB3283)

10. Treasury Management Strategy 2021/22 (Pages 81 - 108)

**Key Decision** (CAB3282)

11. Housing Revenue Account budget 2021/22 and procurement of term maintenance contracts (Pages 109 - 128)

**Key Decision** (CAB3290)

12. Annual Council Plan refresh 2021/22 (Pages 129 - 154)

**Key Decision** (CAB3286)

13. Minute extract from Winchester Town Forum held 28 January 2021 (Pages 155 - 158)

(CAB3294)

14. Meadowside Leisure Centre – Update on Operator Tender (less exempt appendices) (Pages 159 - 172)

**Key Decision** (CAB3285)

15. To note the future items for consideration by Cabinet as shown on the March 2021 Forward Plan. (Pages 173 - 178)

16. 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.

17. Meadowside Leisure Centre – Update on Operator Tender (exempt appendices) (Pages 179 - 184)

**Key Decision**

(CAB3285 - exempt appendices)

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

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3 February 2021

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 2020/21**

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>
Ferguson	-	Cabinet Member for Local Economy
Learney	-	Cabinet Member for Housing and Asset Management
Murphy	-	Cabinet Member for Climate Emergency
Porter	-	Cabinet Member for Built Environment and Wellbeing
Prince	-	Cabinet Member for Sport, Leisure and Communities
Tod	-	Cabinet Member for Service Quality and Transformation

**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 at virtual meetings**

Representations will be limited to a maximum of 3 minutes, subject to a maximum 15 minutes set aside for all questions and answers.-

To reserve your place to speak, you are asked to **register with Democratic Services three clear working days prior to the meeting** – please see public participation agenda item below for further details. People will be invited to speak in the order that they have registered, subject to the maximum time period allowed for speaking not being exceeded. Public Participation is at the Chairperson’s discretion.

### **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](#).

### **Terms Of Reference**

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

## CABINET

Wednesday, 20 January 2021

Attendance:

Councillor Thompson (Chairperson)	– Leader and Cabinet Member for Communications
Councillor Cutler (Vice-Chair)	– Deputy Leader and Cabinet Member for Finance and Risk
Councillor Ferguson	– Cabinet Member for Local Economy
Councillor Learney	– Cabinet Member for Housing and Asset Management
Councillor Murphy	– Cabinet Member for Climate Emergency
Councillor Porter	– Cabinet Member for Built Environment and Wellbeing
Councillor Prince	– Cabinet Member for Sport, Leisure and Communities
Councillor Tod	– Cabinet Member for Service Quality and Transformation

Others in attendance who addressed the meeting:

Councillors Bell, Brook, Horrill, Lumby, Miller and Pearson

[Full audio recording and video recording](#)

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1. **MEMBERSHIP OF CABINET BODIES ETC.**

There were no changes to the membership of cabinet bodies to be made.

2. **DISCLOSURE OF INTERESTS**

Councillors Porter and Tod declared personal (but not prejudicial) interests in respect of reports due to their role as a County Councillors.

3. **MINUTES OF THE PREVIOUS MEETING HELD ON 16 DECEMBER 2020.**

RESOLVED:

That the minutes of the previous meeting held on 16 December 2020 be agreed as a correct record.

#### 4. **PUBLIC PARTICIPATION**

Three members of the public/representatives of local groups spoke during public participation as summarised briefly below.

##### Patrick Davies

Queried why report CAB3278 appeared to make no reference to comments and discussion at the Local Plan Action Group meeting that was held on 11 January 2021. Reiterated points made at that meeting including regarding the relevance of the background work listed at Appendix 1 of CAB3278 and the necessity to take account of the impact of the Covid pandemic. Believed that the Council should be cautious about including its carbon neutrality work as it was not directly relevant to the Local Plan and might downgrade its standing. With regard to report CAB3279, considered that undertaking the consultation on the Air Quality Supplementary Planning Document at the same time as the Local Plan consultation might cause confusion.

##### John Beveridge (City of Winchester Trust)

Noting the current Ministry of Defence consultation regarding the future of the St John Moore Barracks, requested that no planning application be approved without full consideration of the implications of the Local Plan and what was required for the Winchester district. Emphasised the importance of agreeing a strategic plan for the whole of Winchester town, particularly in the light of ongoing proposals for major developments.

##### John Tippett-Cooper

Commended the work of Unit 12, Winnall as a community interest group hosting a number of key charities, community groups and a dance school. A community food pantry had also recently been established, with the support of the Council. Hoped that, with the help of the Council, the community cohesion and groups established in response to the Covid pandemic could continue longer term.

In response, the Leader noted that comments regarding CAB3278 would be considered further under the relevant agenda item. In addition, the Winchester Town Forum was leading on the Vision for Winchester document. An announcement on the community food pantry would be made under the minute below.

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

The Leader and Cabinet members made a number of announcements as summarised briefly below.

##### Councillor Thompson

Announced the award of two grants of £12,500 to assist with the set up costs of two community food pantries – one at Unit 12 Winnall and another at Wickham Community Centre. The payments would be made from the local authority emergency assistance grant.

Councillor Porter

Provided an update on the proposals for the Aquind Interconnector and the ongoing public examination.

The consultation on the M3 Junction 9 proposals would be delayed until Summer 2021 and parish councils would be consulted at this time.

The consultation on the proposals for a new model of healthcare and new hospital would also be delayed until Summer 2021.

Councillor Tod

Provided an update on the new waste contract and garden waste recycling scheme. Highlighted that the new contract to come into effect from 1 February 2021 would also allow kerbside recycling of batteries and small electrical appliances. Opportunities to explore more “carton bins” to collect tetra Pac recycling were also being examined.

Councillor Learney

Announced that the Central Winchester Regeneration project consultation had recently ended with higher levels of contributions than for previous events, with a broader range of participants. A full report on the consultation responses would be given at the Central Winchester Regeneration Open Forum to be held on Tuesday 26 January 2021. Further details available [here](#).

6. **CONSULTATION ON THE STRATEGIC ISSUES & PRIORITIES**  
(CAB3278)

Councillor Porter introduced the report highlighting that the document would be consulting on the principles for the district and not specific sites. She responded to the points raised during the public participation, including confirming that the meeting of the Local Plan Advisory Group (LPAG) on 11 January 2021 had been very useful and comments and suggestions made had been reflected in the Strategic Issues and Priorities document appended to the report. In addition, a joint piece of work had been commissioned to investigate employment in the district with regard to the impact of the Covid pandemic.

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

Councillor Bell

Welcomed the announcement of the start date for the consultation and also the inclusion of carbon neutrality in the local plan. Highlighting the public concern regarding the recent Royal Down land owner proposal, emphasised the importance of continuing to explain the status of the Strategic Housing and Employment Land Availability Assessment (SHELAA).

Councillor Brook

Agreed with comments made during public participation that points made at the meeting of the LPAG did not appear to have been taken into account. Believed that the consultation was Winchester town centre focussed with over regard for the Winchester Town Forum as opposed to parish councils. In general, considered that the proposed consultation

would not be meaningful and was a “tick box exercise”.

Councillor Horrill

Requested specific assurance from the Cabinet Member that the comments made at LPAG would be taken into account prior to the publication of the document. Queried whether the Council could take a more innovative approach to the definition of brownfield sites, similar to that adopted by Hounslow Council (she offered to share this work with Officers and the Cabinet Member which was welcomed). Considered that the information provided to residents in order to effectively respond to the consultation could be improved.

The Head of Regulatory, the Strategic Planning Manager and the Cabinet Member responded to comments made including reiterating that the points raised at LPAG by both Councillors, members of the public and parish councils had been very useful and been taken into account. The wording of the consultation documents would be carefully considered to ensure it was readily understandable and “jargon free”. It was noted that the consultation period would run for eight weeks and agreed that the report recommendations be amended to reflect this.

The Head of Regulatory and Strategic Planning Manager also answered Cabinet Member queries in relation to the definition and allocation of brownfield sites, the details of the consultation proposed (including with parish councils) and the process for any designation of a green belt.

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

RESOLVED:

1. That the Strategic Issues & Priorities Document, as attached at Appendix 1, and publication and eight week public consultation under Regulation 18 of the Town and Country Planning (Local Planning) (England) Regulations 2012 be approved.

2. That authority be delegated to the Strategic Planning Manager, in consultation with the Cabinet Member for Built Environment & Well Being, to undertake updating, drafting of any amendments and the visualization of the Strategic Issues & Priorities document required prior to publication and consultation on the document.

3. That authority be delegated to the Strategic Director - Services, in consultation with the Cabinet Member for the Built Environment & Wellbeing, to amend the Local Development Scheme (LDS) to include consultation on the Strategic Issues & Priorities document.

7. **AIR QUALITY SUPPLEMENTARY PLANNING DOCUMENT (AQ SPD)**  
(CAB3279)

Councillor Murphy introduced the report highlighting that the production of an AQ SPD was a core action of the Air Quality Action Plan and in addition to improving



air quality, it could also attract investment in green technology and sustainable travel. The Service Lead: Public Protection outlined the background and detail of the proposals.

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

Queried why the AQ SPD only applied to the Winchester town area and did not cover the wider district? Believed that the document was a useful starting point to improving air quality but in view of proposals set out in the current Environment Bill, he questioned whether it went far enough to control particulate emissions.

The Service Lead: Public Protection responded to questions raised, including confirming that the Council did monitor air quality across the district, but it was only in the Winchester town area that Nitrogen Dioxide levels exceeded national standards which is why there is a designated air quality management area. The Head of Regulatory confirmed that preparation for the new local plan could examine whether other policies to address air quality matters were required.

Cabinet agreed that the proposed public consultation period be extended to eight weeks to coincide with the consultation on the Strategic Issues and Priorities document and the report's recommendation be amended accordingly.

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

RESOLVED:

That an eight week public consultation on the proposed Air Quality Supplementary Planning Document be commenced, as set out within Appendix A of report CAB3279, the findings of which will then be reported back to a future Cabinet meeting.

8. **BIODIVERSITY ACTION PLAN**  
(CAB3280)

Councillor Murphy introduced the report which set out the strategic direction for how the Council would deliver actions which protect, enhance and restore key biodiversity within the district. The Natural Environment and Recreation Manager outlined the report in more detail and emphasised that the Plan contained realistic targets and would focus on the Council's own operations.

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

Welcomed the Plan as a useful document in providing a guide for development and the protection of vital habitats within the district. Emphasised the crucial importance of protecting biodiversity in the context of tackling climate change.

During debate, Cabinet Members welcomed the Plan and highlighted that it be a useful resource for young people and schools within the district. The Natural Environment and Recreation Manager agreed to examine how this idea could be taken forward as an addition to the action plan for 2022.

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

**RESOLVED:**

That the draft Biodiversity Action Plan be approved, as set out in appendix A-C of report CAB3280 and that the Natural Environment and Recreation Team Manager be authorised to make minor changes to enable updates that may occur from the cabinet meeting and any other minor editing changes, in consultation with Cabinet Member for Climate Emergency.

9. **CAR PARKS MAJOR WORK PROGRAMME**  
(CAB3284)

Councillor Tod and the Service Lead: Environmental Services introduced the report which set out the proposed programme for 2021/22 together with the indicative programme for 2022/23. It also outlined work achieved during the current financial year.

At the invitation of the Leader, Councillors Miller and Lumby addressed Cabinet as summarised briefly below.

Councillor Miller

Welcomed the inclusion of the project at The Dean, New Alresford which would offer vital additional parking to support a market town. Also welcomed the work on the new Carfax park and ride site.

Councillor Lumby

Believed the programme was confused and ill-considered with regard to the declared climate emergency and in recommending significant expenditure on car parks with no evidence that this would be self-funded. There was also little consideration of market towns. Considered that the introduction of Sunday and evening parking charges during a pandemic was misguided. Disputed that the Ringo mobile parking system was free to users.

Councillor Tod responded to comments made including highlighting that the vast majority of capital expenditure items related to the whole district and there was no evidence that parking charges had reduced footfall in the city centre. In addition, the Ringo service was free to users unless they required a receipt or reminder.

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

## RESOLVED:

1. That, subject to Full Council approval of the Budget and Capital Investment Strategy in February 2021 expenditure of £368,000 for the car park major works programme 2021/22 be approved as outlined in appendix A of report CAB3284.

2. That the indicative programme for 2022/23 totalling £410,000 be noted as a basis for planning and preparing future works.

3. That authority be delegated to the Head of Programme in consultation with the Corporate Head of Asset Management and Cabinet Member for the Service Quality and Transformation, to make minor adjustments to the programme in order to meet maintenance and operational needs of the car park service throughout the year, as required.

10. **FUTURE ITEMS FOR CONSIDERATION BY CABINET**

## RESOLVED:

That the list of future items, as set out in the Forward Plan for February 2021, be noted.

The meeting commenced at 9.30 am and concluded at 11.40 am

Chairperson

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REPORT TITLE: GENERAL FUND BUDGET 2021/22

11 FEBRUARY 2021

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

WARD(S): ALL

## PURPOSE

The Council is facing very significant financial pressures as a result of Covid 19 and the impact this has had to council services. CAB3276 dated December 2020 highlighted a forecast deficit of £3.7m. The latest “lockdown” will only add pressure to these forecasts.

This report sets out the current challenge, updates members on the impact of the recent Government Settlement, on progress with work to reduce net operating costs and includes proposals to ensure a balanced budget can be maintained in 2021/22 whilst supporting the delivery of the key priorities of the Council Plan

The budget sets the revenue financial resources for the 2021/22 financial year with which the Council can utilise to provide public services, including any changes to Council Tax levels. 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.

The current tax is £143.09 at Band D for City Council services, and £71.27 for Winchester Town. It is proposed to increase the District tax for 2021/22 by three percent to £147.38 and the town forum have proposed a three percent increase to £73.41 (Band D equivalent).

RECOMMENDATIONS:

That Cabinet recommend that Council:-

1. Agree the level of General Fund Budget for 2021/22, and recommend the summary as shown in Appendix A.
2. Support the investment proposals set out in section 15 of this report, including:
  - a. Additional staff provision to support the delivery of the Movement Strategy at an annual cost of £60,000
  - b. £60,000 per annum in to cover potential additional costs in relation to Meadowside leisure centre
  - c. Increased provision for Local Council Tax Support, with £169,000 additional one off provision to the Council's Hardship Fund, funded directly from Government grant
  - d. Provision of £250,000 to meet Covid related/recovery costs in 2021/22 funded from the "tranche 5" Covid grant confirmed in the Government Settlement.
  - e. Additional revenue budget provision, funded from the Major Investment Reserve, of £2m required to fund Central Winchester Regeneration project work in 2021/22 and 2022/23, subject to the approval of the business case which will be brought to Cabinet later in the year.
  - f. Additional revenue provision, funded from the Major Investment Reserve of £250,000 to fund the creation of an interim open space at the Friarsgate site in Winchester
3. Approve the savings proposals set out in section 16 of the report, including:
  - a. The implementation of "cashless parking", phased over 2 years.
  - b. Fees and charges for services to be increased by an average of 3% (not including parking charges or garden waste, where no increase is proposed for April 2021)
  - c. Building Control fees increase by 10% on average.
  - d. That no additional revenue contributions be made to the Property and Asset Reserve and that use of the reserve be reviewed as part of the refresh of the Asset Management Strategy in 2021.
  - e. That the annual revenue contribution to the Car Park and Transport reserve be reduced to £150,000 per annum for the next four years

- f. The budget for “small grants” is reduced by £15,000
  - g. A one year grant agreement based on a maximum grant of £147,200 for “Play to the Crowd”.
  - h. That financial support for the annual Criterium event is not continued
4. That £1.5m be transferred from the Transitional Reserve to the Major Investment Reserve to ensure sufficient resources are available to cover major investment after accounting for the CWR provision set out in recommendation 2 e) above.
  5. That the policy as previously agreed by the Council on 14 July 1999 (min 186 refers) is confirmed 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 £1,061,591 be treated as Special Expenses under Section 35 of the Local Government Finance Act 1992 in respect of the Winchester Town area, Appendix D.
  6. That the Council Tax for the Special Expenses in the Winchester Town area at Band D for 2021/22 be increased to £73.41.
  7. That the deficit balance on the Council Tax Collection Fund for distribution to this Council, calculated in January 2021 of £153,843.75, be approved.
  8. Recommend the level of Council Tax at Band D for City Council services for 2021/22 be increased to £147.38.
  9. Note the Council Tax requirements per parish area, listed in Appendix E.

IMPLICATIONS:1 COUNCIL PLAN OUTCOME

1.1 Key priorities set out in the Council Plan remain unchanged. A “refresh” of the Strategy is set out in CAB3286 elsewhere on this agenda. The proposed “refresh” takes account of the budget constraints but maintains a focus on:

- a) Carbon neutrality programme – The budget includes both revenue and capital funding to support this programme which remains central to all Council work.
- b) Central Winchester regeneration – Proposals for future phases will be set out in a report to Cabinet scheduled for March 2021
- c) Economic recovery – The Council continues to play a critical role in supporting the economic recovery of the district.
- d) Maintaining high quality services - Whilst this report recommends measures to reduce net operating costs, maintaining the existing high quality services remains a key priority and can be supported by the budget.
- e) Living Well – A focus on Health and Wellbeing – Proposals to refresh the Health and Wellbeing strategy have been reviewed by the Health and Environment Policy Committee and will be considered by Cabinet later in the year. This will include an increased emphasis on working with partners rather than focussing on direct delivery of programmes by Council teams
- f) Homes for All – Targets for New Homes Delivery are fully funded through the Housing Revenue Account Business Plan. Funding to support the establishment of the Housing Company is included in the budget as agreed in September 2020.

1.2 To balance the need to maintain a focus on these key priorities whilst achieving a balanced budget, the forecast deficit will be addressed by:

- a) Careful use of reserves (funding key projects/provision for risk)
- b) A review of fees and charges
- c) An ongoing transformation and efficiency programme
- d) Effective asset management
- e) Supporting and enabling partners through grant funding



## 2 FINANCIAL IMPLICATIONS

- 2.1 The detail behind the proposed 2021/22 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 CAB3276 dated 16 December 2020 highlighted the potential budget shortfall in 2021/22 of £3.7m, based on the assumption that the current economic pressures will result in income which funds council services reducing by up to 20% in the next year, offset by additional Government support announced in the Spending Review. This assumption is subject to significant potential variance and this is reviewed later in the report.
- 2.3 The final Government Settlement was more positive than predicted in CAB3276. The detail is included in section 18 of this report but reduces the forecast deficit to £3m for 2021/22. It also provided additional support for Covid related work and for local Council Tax Support.
- 2.4 A summary of vacancy management and operational savings that are currently being implemented were set out in CAB3276 and totalled £2.4m (£1.1m from staffing/vacancy management and a further £1.3m of other operational changes see Appendix B). It also set out a further £648,000 of additional options for savings, all of which are recommended for approval as part of this report (although £10,000 will be retained in 2021 only to support the transition of delivering sports and physical activity programmes from the council to other partners in 2021 – see section 16.2 h)).
- 2.5 With the uncertainty associated with the pace of economic recovery, it is proposed to address any actual shortfalls in excess of £3m from the Transitional Reserve, which was established in October 2019 (CAB3178 refers) specifically to mitigate against future funding pressures.
- 2.6 Some unavoidable additional expenditure is required to support the delivery of the Council Plan priorities, as set out in section 15 and including:
- a) £120,000 additional annual base budget costs in relation to delivery costs for the Movement Strategy and the Meadowside Leisure Centre operating costs.
  - b) Provision of up to £2m to support the delivery of the next phase of Central Winchester (CWR) Regeneration works, subject to a full business case being approved. In addition, it is proposed to fund the provision of an interim open space at the Friarsgate site at a cost of £250,000. Both of these items are to be funded from the Major Investment Reserve.

- c) £250,000 to support additional costs in relation to responding to and recovering from the impact Covid 19, funded from the Government Settlement Covid “tranche 5” grant
- d) £169,000 additional contribution to the Council Tax Hardship Fund funded directly from the Government Settlement grant issued for this purpose.

### 3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 Under section 151 of the Local Government Act 1972 a local authority has to make proper arrangements for the administration of its financial affairs. Under s28 of the Local Government Act 2003 a local authority has to review its budget calculations from time to time during the financial year and take appropriate action if there is any deterioration of its budget.
- 3.2 The Council is required under Chapter 3 of the Local Government and Finance Act 1992 to set a council tax for the forthcoming year along with its budget estimates. The decision must be made by 11 March of the preceding year. The Council's prospective income from all sources must be equal to its proposed expenditure.
- 3.3 The Council is also required to set a balanced budget, taking into account a range of factors, including consultation feedback and decisions must be taken in accordance with the Council's duties in the Equality Act 2010.
- 3.4 The approval of the budget and setting of the Council Tax is a decision reserved to Full Council under the Local Government Act 2000 and the Local Authorities (Functions and Responsibilities) Regulations 2000 (as amended). Under these regulations, the Cabinet makes recommendations as to the setting of the council tax and budget to Full Council.

### 4 WORKFORCE IMPLICATIONS

- 4.1 The proposals set out in this report have no direct impact on the workforce. However, as set out in CAB3276, the £1.1m reduction in the council's salary costs through changes currently being implemented does result in a reduction in the overall establishment by 28 posts across a range of services. A number of these posts are currently vacant although the changes have resulted in 12 staff being at risk of redundancy. Severance costs are projected at £300,000 but are expected to be significantly less than this, as a number of vacant posts are being retained and provide redeployment opportunities for the "at risk" staff. It is proposed that these costs will be met from capital receipts (CAB3283 elsewhere on this agenda refers) with any remainder being funded from revenue in the 2020/21 financial year.
- 4.2 Capitalisation of Redundancy Costs - When making redundancies in order to make ongoing revenue savings, there are often considerable one-off costs which can adversely impact the revenue budget. Ordinarily capital resources, such as capital receipts, can only be used on capital expenditure (i.e. the

creation or enhancement of a capital asset). However, in 2018 the MHCLG Secretary of State issued a direction to local authorities in order to give local authorities the freedom to use capital receipts from the sale of their own assets (excluding Right to Buy receipts) to help fund the revenue costs of transformation projects and release savings, including through redundancy. By using capital receipts, the council is able to avoid the negative impact on its annual revenue budget of one-off costs but this will reduce the available resources for future capital projects.

- 4.3 It is recommended that the council adopts this flexible approach to the use of capital receipts to cover final severance costs in relation to the staff changes.
- 4.4 The Spending Review made announcements in relation to the "Public Sector Pay Freeze". However, provision for pay inflation has been retained in the base budget.

## 5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 A key strand of the council's financial and treasury strategies is to maximise income from its assets and seek to manage risk by achieving a balanced portfolio of assets. Achieving a balanced budget is not reliant on additional disposals of assets. However, a number of "rent reviews" are due and these could impact on income projections. Other projects included in the capital programme will aim to generate income, such as Bishops Waltham Depot and the Goods Shed proposals.

## 6 CONSULTATION AND COMMUNICATION

- 6.1 A range of options were considered as part of CAB3276 – General Fund Budget Options and Medium Term Financial Strategy dated 16 December 2020 aimed at addressing future shortfalls and at supporting key Council Plan priorities whilst addressing the financial pressures arising from Covid. 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 publication of a Budget Summary and an on line budget consultation which received over 70 responses broadly supporting the proposals set out in the summary and this report. In response to questions regarding savings proposals set out in the report, responses were mixed but with more agreement than disagreement for all proposals with the exception of reductions to small grants. A link to the results is included as a background paper to this report.
- 6.3 The Scrutiny Committee discussed the report at its meeting held on 2 February 2021. A number of questions were raised, particularly in relation to the staffing changes summarised in Appendix B, which form part of executive decisions already subject to implementation and included in this report for information. At the conclusion of questions and debate, the Committee

agreed that there were no particular matters that it wished to raise for Cabinet to consider further.

## 7 ENVIRONMENTAL CONSIDERATIONS

7.1 Whilst proposals in this report recommend budget savings from service efficiencies and reductions, the commitment to carbon neutrality remains. Revenue budget provision approved in October 2019 has been retained in full and the capital programme includes proposals specifically aimed at reducing carbon emissions.

7.2 Reducing the operating footprint of the council's Winchester operations will directly result in a reduction in carbon emissions from council buildings. "Work at home" arrangements have also resulted in a significant reduction in travel to work mileage. The impact of both of these measures is currently being assessed.

## 8 EQUALITY IMPACT ASSESSEMENT

8.1 This document is part of the budget consultation process and the public sector equality duty is considered alongside any relevant budget options.

## 9 DATA PROTECTION IMPACT ASSESSMENT

9.1 All projects set out in this report and the Capital Programme will be subject to individual data protection impact assessments.

## 10 RISK MANAGEMENT

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
<p><i>Property</i> <i>Commercial tenants unable to pay rents or subject to business failure</i></p> <p><i>Slowdown in commercial property investment, meaning that the council's development schemes achieve less interest or less income than expected</i></p>	<p>Rent abatement process established to support tenants, although deferrals of rent remain the main option where appropriate.</p> <p>The council's advisors are reviewing the property investment market and will provide advice as to timing of any marketing.</p>	
<p><i>Legal</i> <i>The council is unable to balance the revenue budget resulting in the issuing of a S114 notice</i></p>	<p>Proposals set out in this report, including the strategy for management of reserves mitigate</p>	<p>Present a balanced budget in difficult circumstances</p>

	against this.	
<i>Timescales Slower than projected economic recovery affecting income received by the council</i>	The council is actively supporting high street recovery through a EM3 LEP grant working with local partners The council has £12m uncommitted revenue reserves available to support further increases to the projected deficit	
<i>Financial The council is unable to balance the revenue budget</i>	Proposals set out in this report, including the strategy for management of reserves mitigate against this.	
<i>Risk of lower than projected demand for income generating services specifically parking as well as leisure centre operations</i>	The council has around £12m of uncommitted revenue reserves available which can be utilised as a last resort.	

## 11 SUPPORTING INFORMATION:

- 11.1 CAB3276 dated December 2020 set out the Medium Term Financial Strategy and proposed a 2021/22 budget based on a forecast of 20% reduction in income to reflect current and emerging market conditions. It projected a potential £3.7m deficit and set out proposals to reduce operating costs by £3m, funding any remaining deficit from the Transitional Reserve.
- 11.2 Since December, the full detail of the Government settlement has now been confirmed and is set out in paragraph 17 below. This has resulted in an additional £1m grant funding for the council, allowing a balanced budget for 2021/22 without a contribution from the Transitional reserve. However, £494,000 of the grant is to cover additional Covid related expenditure in 2021/22 and whilst initially a proportion of this will be retained in the

Transitional reserve, it will be drawn down throughout the year if and when required to offset losses and additional expenditure.

- 11.3 Despite the additional grant included in the Government settlement the forecast deficit remains at £3m for 2021/22 and £12m total deficit over the next four years. The need to urgently reduce net expenditure is unavoidable. A programme of efficiencies is currently being implemented and the recommendations set out in this report will support that.
- 11.4 Relying wholly on reserves to fund the projected deficits would severely impact on the overall sustainability of council finances and services and cannot be recommended. However, the report does recommend some reliance on reserves, both to support key projects and services, fund a proportion of the projected deficit by reducing the annual contribution to reserves and, in the case of losses being higher than forecast, to mitigate the risk of higher deficits.
- 11.5 Rather than focussing purely on reducing net costs, it is essential that any budget report underpins key priorities. Whilst it is essential to ensure a balanced budget can be achieved and the projected deficits addressed, the budget options set out in this report aim to maintain high quality services; support the delivery of key programmes such as the Climate Emergency, the Movement Strategy and Central Winchester Regeneration; and also supports economic recovery and the health and wellbeing of residents across the district.

## 12 Income Projections

- 12.1 Accurately projecting income levels for 2021/22 with any certainty is not possible. Receipts will be subject to so many potential factors beyond the council's control, including the extent of future controls/lockdowns; the pace of economic recovery; consumer confidence; and future trends in working practices.
- 12.2 Income losses from sales, fees and charges in the current year are projected to be in the region of 60% and have in part been covered by Government grant and the "co-payment" scheme, which covers 75% of losses to June 2021.
- 12.3 The spending review announcements on the 25 November 2020 confirmed that the co-payment scheme will continue to the end of Q1 2021/22. This gives some greater assurance into 2021/22. However, in the event of further "lockdowns" and/or income losses being well in excess of 20%, some further Government intervention will be needed to assist councils in avoiding the need for section 114 notices.
- 12.4 CAB3276 modelled income scenarios which set out the impact if income losses exceeded 20% ranging between £3.7m if losses amounted to 20% of net income to £5.5m if losses reached 30%. Whilst the risk of losses being

higher than forecast has increased as a result of the latest lockdown announcements, it is likely that additional Government support would be available should this be realised. Therefore, rather than assume higher losses at this stage and propose further budget cuts to fund them, reducing the council's capacity to support the recovery, it is recommended that the savings proposals set out in CAB3276 be implemented, but that any additional losses be covered from the Transitional reserve.

- 12.5 In order to address this risk, very tight control of all spend will be maintained throughout the year with a detailed monthly review of actual spend and income. It is proposed that Cabinet will have to consider the need for revising the budget at least once during 2021/22 and more frequently if significant variances are realised.

13 2020/21 Revised General Fund Budget

- 13.1 The revised budget approved by Council in September 2020 (CAB3256 refers) highlighted the risk of increased deficits should a further "lockdown" occur. However, it is currently projected that the revised budget can be funded without additional demand on reserves in the 202/21 financial year. Collection Fund arrears remain lower than projected and Government support for income losses as well as additional grants received should result in a balanced budget by the end of March 2021.

14 General Fund budget forecast and proposals

- 14.1 Appendix A shows the budget proposals for 2021/22 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.
- 14.2 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 continues be added to the transitional reserve to help mitigate the impact of the shortfalls rather than be removed from longer term baselines.
- 14.3 The summary financial position shown in appendix A explains how the budget has been balanced for 2021/22, 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.

## 15 Budget Recommendations – Proposals for Additional Expenditure

15.1 Despite the pressures currently faced and the projected deficit, some additional spend is required in 2021/22, including:

- a) Movement Strategy – CAB3276 set out proposals to make the fixed term transport surveyor post permanent to ensure the ongoing delivery of the Movement Strategy proposals at a cost of £60,000 per annum.
- b) Meadowside Leisure Centre – The proposals for a new operator contract for the centre are set out in report CAB3285 which will be considered by Cabinet in February 2021. The report will set out options in relation to the future service, potential operating costs and further investment in the building. Pending a decision on the matter, a base budget provision of £60,000 per annum has been included in this report. If a new contract is approved, operating costs in 2021 may be higher as a direct result of Covid 19. This would be assessed later in the year and additional costs would need to be met from Covid related grants or reserves.
- c) Local Council Tax Support – The Government Settlement included additional provision of £169,000 to cover additional Local Council Tax support. It proposed to add this provision to the Hardship Fund approved by Council in May 2020 (report CL156 refers) to cover the potential for increased demand on this fund in 2021.
- d) Covid related costs/recovery – The Government Settlement included £494,000 as the 5<sup>th</sup> tranche of Government Covid related support. It is recommended to set aside £250,000 to cover additional cost of delivering the business and community related programmes (predominantly short term staff related demands). The remaining £244,000 will be retained in the Transitional reserve and drawn down if required.
- e) No increase to parking charges – Report CAB3211 dated February 2019 approved the principle of annual inflation increases to parking charges. However, with parking charges only increased in October 2020, it was agreed by Cabinet in December 2020 to not implement a further increase in April 2021. However, this will result in the budgeted income increase of £100,000 per annum not being realised and so additional provision is required to account for this. It is proposed to refresh the Parking and Access Strategy later in 2021.

15.2 In addition to the additional spend detailed above, there will be significant costs in relation to the Central Winchester Regeneration work (CWR) (bringing forward the procurement of partners for delivering/managing key elements of the scheme as well as other property related costs). Up to £2m will be required to support this work and final figures will be confirmed in a detailed report that will be brought to Cabinet in March. It is proposed that this be funded from the Major Investment Reserve (MIR), subject to the formal



approval of the business case. It is also proposed to fund the provision of an interim open space at the Friarsgate site at a cost of £250,000 from this reserve.

- 15.3 There is also a risk of higher than budgeted operating costs for the new leisure centre in the short term due to social distancing and Covid related impact on demand. The potential for additional costs is currently being assessed, as is the potential for any additional costs to be covered by Government grant. An application for over £200,000 has already been made to cover additional operator costs to March 2021
- 15.4 The proposal for CWR costs to be met from the MIR would commit almost the whole of that important reserve. With the additional risks in relation to leisure operating costs, it is proposed to move £1.5m from the Transitional reserve to the Major Investment reserve. Over £2.5m will be retained in the Transitional reserve which would continue to provide mitigation against the risk of overall costs being higher than forecast over the next year. The summary of reserves included at Appendix 3 takes account of this change.

## 16 Budget Recommendations – Proposals for reducing operating costs

- 16.1 To achieve a balanced budget, CAB3276 set out a range of efficiency measures currently being implemented. These were set out in detail in Appendix B of that report and included vacancy management and staffing changes to reduce overall staffing costs by £1.1m and a range of operational changes which reduced net expenditure by a further £1.3m. The appendix is repeated again in this report for information.
- 16.2 In addition to the above operational savings, additional savings options were included in the December report. The following changes are recommended:
- a) Council Tax – As set out in paragraph 17 below, it is recommended that Council tax be increased by 3%
  - b) Fees and Charges – It is recommended that fees and charges for services be increased by an average of 3% (not including parking charges – see 15.1 e) above or the new garden waste service).
  - c) Building Control fees – Building Control fees do not currently recover the cost of delivering chargeable services. A 10% increase would ensure appropriate costs are recovered and therefore not subsidised by general council tax payers.
  - d) Cashless Parking – The last year has seen a very significant drop in cash being used to pay for off street parking. However, the costs of collecting it remain high. It is proposed to install contactless machines to supplement the new “Ringo” phone and app payment options achieving a saving of £75,000 per annum by 2023 and a £30,000 saving in 2021/22.

- e) Reduced annual contributions to reserves - The existing base budget assumes additional annual contribution to reserves including £350,000 to the Parking and Transport reserve and £300,000 to the asset reserve. The parking reserve currently totals £2,500,000 and it is proposed to reduce annual contributions to £150,000 for the next four years, which is considered appropriate in light of the existing parking investment programme. The Asset Management reserve currently totals £3,500,000. This is considered to be a reasonable provision in light of the existing Asset Management Strategy. The need for further contributions to the reserve will be reviewed during 2021 when the strategy is reviewed and refreshed.
- f) Small grants – The council’s small grants programme has been undersubscribed in the last two years and it is recommended to reduce the provision by £15,000.
- g) Core Grants – It is proposed to review all core grants with a view to reducing provision by 20% over the next two years. For 2021/22, the “Play to the Crowd” grant is due for renewal and it is recommended that this be reduced by 20% to £147,200.
- h) Delivery of Sports and Physical Activity Programmes/Criterium – The annual criterium event did not take place in 2020 and it is recommended that the council’s financial support for the event be discontinued. Some resource will be retained to support the transition of delivering sports and physical activity programmes from the council to other partners in 2021. However, this will achieve a saving of £19,000 in 2021/22 and £29,000 per annum for future years.

## 17 Collection Fund

- 17.1 Business Rates – The business rates collection fund forecast balance is due for return at the end of January and this section will therefore be updated before the report is dispatched for Cabinet. Government have confirmed that any losses in 2020/21 are to be spread over a three year period.
- 17.2 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 £184,426 resulted from 2019/20 and £1,013,058 is estimated for 2020/21, totalling £1,197,484. This is shared between the County Council (£856,786.81), the Police & Crime Commission (£140,852.80), the Fire & Rescue Authority (£46,000.64) and this Council (£153,843.75). Under new guidance introduced due to Covid the 2020/21 deficit must be spread over the three year period from 2021/22 to 2023/24.
- 17.3 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.

- 17.4 Therefore, to assist in addressing short to medium term projected shortfalls, the proposed budget set out in Appendix A assumes a 3% increase in council tax for the district and an estimated increase of 3% for the Winchester town area, in 2021/22.
- 17.5 The current level of tax for the District is £143.09 (Band D equiv.). The proposed tax for 2021/22 is £147.38, an increase of £4.29.
- 17.6 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.
- 17.7 The current level of tax for the town is £71.27 (Band D equiv.). An increase of 3% would increase this to £73.41.
- 17.8 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 2021/22. The current precept table is awaiting confirmation from a number of parishes who have their budget meetings w/c 27th January 2021 so a precept table will be dispatched for Council meeting.
- 18 Government Funding – 2021/22
- 18.1 The fair funding review is now planned for implementation from April 2022. 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 council's budget over the medium term.
- 18.2 The Government funding settlement was released just before Christmas. This included additional "one off" funding, over and above the estimates included in CAB3276 dated December 2020 of just over £1m, for 2021/22 only. The additional funding is detailed below. Final confirmation of the settlement is expected in February.
- a) Lower Tier Services Grant - £461,000 – This is a new grant for 2021/22 using "New Homes Bonus" returned surplus. This provision has no spending obligations and it is recommended that it be used to reduce the deficit forecast for 2021/22.
  - b) COVID funding Tranche 5 - £494,000, – Demands on council teams in responding to the impact of Covid19 and the recovery process has been significant. Section 15 above recommends that £250,000 of this provision be used initially to create a budget to support that process. The remainder will be retained in the Transitional reserve until clear spending plans are brought forward.
  - c) Local Council Tax Support Grant - £169,000 – This provision gives additional support to the cost of the Local Council Tax Support scheme at a time when demand is high. It is therefore recommended that this be added to the existing Hardship Fund.

### 18.3 Business rates retention:

- a) The baseline funding level (BFL) will remain at £2.23m.
- b) In addition to the BFL, growth in retained rates is forecast at £4.92m, giving a total business rates retention of £2.69m.
- c) The forecast in Appendix A assumes a full reset of business rates retention from April 2022.

### 18.4 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 2021/22 reward of £1.938m (£0.556m relates specifically to 2021/22). This provision was reflected in CAB3276 in December 2020.

### 18.5 Other government grants (2021/22, £0.349m):

- a) The rural services delivery grant which will be £49,000.
- b) Homelessness reduction grant will be £300,000 and again will be used directly to address homelessness and rough sleeping.
- c) New burdens payments relating to Universal Credit and other changes have not yet been confirmed.
- d) The Sales, Fees and Charges compensation for lost income grant is currently confirmed until the end of June 2021. As this scheme is based on actual lost income there is not currently an estimate of the amount to be claimed.

## 19 Winchester Town charge – Section 35

19.1 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 2020.

19.2 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.

19.3 The services currently covered by special expenses are listed in Appendix D.

19.4 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

2020/21 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 £1,061,591 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.

- 19.5 The Winchester Town Forum are due to meet on 28 January 2021 in order to recommend the budget which is currently set out in Appendix D, including a proposed Council Tax increase of 3% for 2021/22.

## 20 Earmarked Reserves

- 20.1 The strategy for managing reserves was set out in CAB3276 dated December 2020 and forms part of the overall Medium Term Financial Strategy that was approved as part of that report.

- 20.2 Total General Fund earmarked reserves, including proposals in this paper, are forecast to reduce from £28.4m at 01 April 2020 to £20.1m at 31 March 2025. The forecast closing balances (31 March 2025) of key earmarked reserves are summarised below;

- a) Operational reserves (£2.5m), 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 (£4.3m), 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 (£6.7m), 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 (£6.6m), 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.

- 20.3 An updated 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.

## 21 Balances / risk reserves

- 21.1 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.

- 21.2 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.

## 22 Adequacy of reserves and robustness of estimates

- 22.1 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.

- 22.2 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.

- 22.3 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.

- 22.4 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.

## 23 OTHER OPTIONS CONSIDERED AND REJECTED

- 23.1 The option to fund a greater percentage of potential shortfalls from reserves has been considered. However, this is not recommended. The Transitional Reserve has been established to mitigate the risk of future budget shortfalls and is proposed to be used for this purpose if required. However, greater reliance on reserves would severely weaken the council's capacity to manage projects moving forward.

- 23.2 The option of taking a harder line on budget savings and identifying more than the £3m included in this report has also been considered. Scope for achieving this does exist but would have a direct impact on service levels and service quality. With the uncertainty that exists regarding future funding, the recommended balance between savings and use of reserves to achieve a balanced budget is considered reasonable.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

[CAB3211 dated 12 February 2020 - Medium Term Financial Strategy, Budget and Council Tax 2020/21](#)

[CAB3256 dated 16 September 2020 - Revised General Fund Budget 2020/21](#)

[CAB3276 dated 16 December 2020 - General Fund Budget Options and medium Term Financial Strategy](#)

Other Background Documents:-

Winchester City Council Budget 2021-22 consultation results

APPENDICES:

Appendix A: General Fund Medium Term Financial Projections

Appendix B: Budget Consultation Proposals

Appendix C: Reserves

Appendix D: Winchester Town Account

General Fund Medium Term Financial Projections

Council Tax Base		1.2%	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%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Contractual Inflation	1.0%	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%	2.0%
<b>Reduction in Income</b>	<b>20.0%</b>	<b>10.0%</b>	<b>5.0%</b>	<b>0.0%</b>							
<b>General Fund Revenue (£m)</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</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>2030/31</b>	
<b>Funding</b>											
Council Tax (excluding Parish Precepts)	8.519	8.849	9.192	9.467	9.750	10.043	10.345	10.656	10.976	11.307	
Retained Business Rates	4.918	2.707	2.423	2.436	2.387	2.387	2.387	2.387	2.387	2.387	
New Homes Bonus	1.938	0.970									
<b>COVID Tranche 5</b>	<b>0.494</b>										
<b>Lower Tier Services Grant</b>	<b>0.461</b>										
<b>Local Council Tax Support</b>	<b>0.169</b>										
Damping Forecast		1.752	1.217	0.717							
Other Grants	0.349	0.349	0.349	0.349	0.349	0.349	0.349	0.349	0.349	0.349	
	<b>16.848</b>	<b>14.626</b>	<b>13.180</b>	<b>12.969</b>	<b>12.487</b>	<b>12.779</b>	<b>13.081</b>	<b>13.392</b>	<b>13.713</b>	<b>14.044</b>	
<b>Investment Activity</b>	1.876	1.319	1.803	1.762	1.740	1.718	1.696	1.672	1.648	1.634	
<b>Resources available</b>	<b>18.724</b>	<b>15.945</b>	<b>14.983</b>	<b>14.730</b>	<b>14.227</b>	<b>14.498</b>	<b>14.777</b>	<b>15.064</b>	<b>15.361</b>	<b>15.678</b>	
<b>Baseline Net Expenditure</b>											
Gross Income	11.727	13.825	16.048	17.464	17.366	17.566	17.657	17.870	17.957	18.153	
Gross Expenditure	-29.101	-29.664	-31.191	-31.974	-32.772	-33.545	-34.333	-35.126	-35.923	-36.741	
No Increase in car parking fees 21/22	-0.100	-0.100	-0.100	-0.100	-0.100	-0.100	-0.100	-0.100	-0.100	-0.100	
Meadowside Tender	-0.137	-0.066	-0.056	-0.068	-0.043	-0.042	-0.063	-0.052	-0.050	-0.050	
Unavoidable Growth - Movement Strategy	-0.060	-0.060	-0.060	-0.060	-0.060	-0.060	-0.060	-0.060	-0.060	-0.060	
<b>Baseline resource requirements</b>	<b>-17.671</b>	<b>-16.065</b>	<b>-15.359</b>	<b>-14.739</b>	<b>-15.609</b>	<b>-16.181</b>	<b>-16.899</b>	<b>-17.468</b>	<b>-18.176</b>	<b>-18.798</b>	
<b>One-off budgets &amp; Reserve Related Movements</b>	<b>-1.055</b>	<b>-0.209</b>	<b>-0.175</b>	<b>-0.619</b>	<b>-0.769</b>	<b>-0.769</b>	<b>-0.630</b>	<b>-0.181</b>	<b>-0.177</b>	<b>-0.177</b>	
<b>Total net resource requirements</b>	<b>-18.726</b>	<b>-16.274</b>	<b>-15.534</b>	<b>-15.358</b>	<b>-16.378</b>	<b>-16.950</b>	<b>-17.529</b>	<b>-17.648</b>	<b>-18.353</b>	<b>-18.975</b>	
<b>Budget Surplus / (Shortfall)</b>	<b>-0.000</b>	<b>-0.329</b>	<b>-0.550</b>	<b>-0.628</b>	<b>-2.151</b>	<b>-2.452</b>	<b>-2.752</b>	<b>-2.584</b>	<b>-2.992</b>	<b>-3.298</b>	
<i>% of Gross Expenditure</i>	0.0%	1.1%	1.8%	2.0%	6.6%	7.3%	8.0%	7.4%	8.3%	9.0%	



**Budget 2021/22 - Summary of Proposals**

**Table 1 - Summary of Staff Changes**

<b>Team</b>	<b>Saving</b>	<b>Comment/Impact</b>
Special Maintenance – drainage	£42,300	Team restructure. One vacant post not replaced. No impact on service
Parking restructure	£33,400	Team restructure/review of enforcement team. Positive impact on overall service
Environmental Health	£28,000	Team restructure. 0.5 vacant post not replaced. Some impact but overall service maintained
Planning	£149,600	Team restructure. 3.5 posts not replaced. Some impact on DM service but currently top quartile performance and aim to maintain this. Enforcement team strengthened.
Transformation	£173,500	Revised approach to Transformation agenda is proposed. 3 staff will be “at risk” and an additional vacant Policy Officer post will not be recruited to. No immediate impact on services.
Estates	£98,000	Team restructure inc. merging with Housing Property and New Homes Delivery. Overall service improvement and increased capacity can be achieved by the changes.
Finance	£37,000	New Corporate Head of Finance to be part HRA funded. 0.45 fte vacant post not replaced. Limited impact on service
Revs/Bens	£124,700	3 vacant posts (currently agency) to be deleted once current pressures on team resolved. Impact on service dependent on demand in 2021.
Land Charges	£38,000	Team restructure. 1.43 fte to be deleted (inc. one currently vacant). Limited impact on service
Democratic Services	£10,000	Team restructure. 1 fte to be deleted. Some impact but overall service maintained.

Housing	£194,000	Team restructure focussing on more generic approach to Housing Options service. Outreach work to be undertaken by partner agencies. 4 technician roles to be deleted (2 currently vacant) and two posts recharged to HRA (to reflect work now wholly with council tenants). Limited impact on service.
Engagement/Sports	£67,300	Team restructure to reflect deletion of Sports/Physical Activity services. 2 posts deleted (manager retained – lead of Health and Wellbeing). Also, 0.5 fte project support post to be deleted. Direct impact on discretionary service - no delivery of Physical activity events/functions (100+ events annually) + GP Referral scheme discontinued (or funded by Health/CCG).
Engineering	£35,000	Not replacing vacant post. No impact on service. Cost of team recharged to external customers (although operated at net cost when this post was filled).
Communications	£83,000	Team Restructure – Vacant Service lead not replaced. 2 vacant posts recruited at more senior grade. 1.6fte net reduction overall but capacity maintained.
	<b>£1,113,800</b>	

**Table 2 - Operational Non Staff Savings**

Option	Other Savings	Comment
Waste Changes	£300,000	Net impact of latest HCC announcements re waste charges/credits
Reduced provision for "Contingencies"	£121,000	Contingency budget - no longer considered to be required (not spent in 19/20 or 20/21)
Reduced spend on Officer Training (emphasis on webinars)	£50,000	Whilst the commitment to staff development and training remains a key theme of the Council's employment offer, training costs have reduced significantly in recent years as a result of increased emphasis on on-line tutorials and webinars to support "continuous professional development".

Estates - Rent and lease renewals	£78,000	Further increased income potential but this figure recognises current market conditions
West Wing remains closed	£50,000	Net impact of extended closure (savings relate to utilities/cleaning etc). No provision for additional letting included in this figure
Contract Inflation	£78,000	MTFS assumes 1% for 21/22. However, key contracts only subject to 0.2% this year achieving a net saving on assumed base budget.
Guildhall	£500,000	Net saving from changes approved in CAB3256 (£200k through staff changes and reduced net operating costs + £300k per annum est. income from venue only hire/business leasing)
Other	£131,000	A number of smaller operational changes across a range of support services
<b>Total</b>	<b>£1,308,000</b>	

**Table 3 - Additional Recommended Savings Options**

<b>Option</b>	<b>Other Savings</b>	<b>Comment</b>
Council Tax	-	Budget has been prepared assuming a 3% increase.
Fees and Charges	£40,000	3% increase to all fees and not including parking. MTFS assumes Council tax at 3%
Building Control - Review of fees (10% average increase)	£48,000	Review of charges has identified current charges do not recover full costs and are on average 10% too low, resulting in Gen. Fund subsidy. Market challenge but still considered to be competitive
Car Parking - move to full cashless parking	£30,000	A complete move away from cash payments. With no additional charge and simplified phone payment, alongside “contactless” machines, cash payments avoided completely with no cash collection arrangements (machines constantly subject to theft/damage). Full year savings will increase to £75,000 by 2024.

£200k per year to parking reserve (rather than £350k)	£150,000	Income significantly down which this contribution was to be funded from. £200k annually sufficient to support a positive parking/transport investment programme.
No contribution to asset reserve	£300,000	£300k annual payment but no clear spending plan for reserve. Proposed to suspend revenue contribution for 4 years – but keep under review
Events - Cease support for annual Criterium	£29,000 (£10k to be retained in 21/22 – see comment)	Do not co-ordinate and organise the event. Most cost is associated with hiring the infrastructure (barriers/stewards). Possible family fun cycle element to be delivered in other ways through links with external partners. £10k of this saving will be retained in 2021/22 to support the transition of delivering sports and physical activity programmes from the council to other partners in 2021 (reducing overall saving in 21/22 to £19k).
Grants - Play to the Crowd	£36,000	One year grant agreement with 20% reduction on 20/21 grant
Grants - Reduced provision for small grants	£15,000	These support one off expenditure by local organisations. Demand in recent years has been less than the available budget so reduce by 50%.
	<b>£648,000</b>	

<b>Total Staff</b>	<b>£1,113,800</b>
<b>Total Operational Non-Staff Savings</b>	<b>£1,308,000</b>
<b>Total Additional Savings Options</b>	<b>£648,000</b>
<b>Total 2021/22 Savings Proposals</b>	<b>£3,069,800</b>

<b>GENERAL FUND EARMARKED RESERVES (£000)</b>	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	Outturn	Forecast end of year balances										
<b>OPERATIONAL RESERVES</b>												
Major Investment Reserve	(7,616)	(6,120)	(3,782)	(2,238)	(1,616)	(1,465)	(1,465)	(1,465)	(1,465)	(1,465)	(1,465)	(1,465)
Transformation	(593)	(466)	(430)	(430)	(430)	(430)	(430)	(430)	(430)	(430)	(430)	(430)
Council Plan Support	(145)	(47)	(47)	(47)	(47)	(47)	(47)	(47)	(47)	(47)	(47)	(47)
Community Grants & Commissions	(363)	(301)	(301)	(301)	(301)	(301)	(301)	(301)	(301)	(301)	(301)	(301)
Flood Support Schemes	(67)											
Landscape Mitigation	(14)											
Local Development Framework (LDF)	(382)	(199)										
New Burdens	(389)	(216)	(216)	(216)	(216)	(216)	(216)	(216)	(216)	(216)	(216)	(216)
	<b>(9,569)</b>	<b>(7,349)</b>	<b>(4,775)</b>	<b>(3,231)</b>	<b>(2,609)</b>	<b>(2,458)</b>	<b>(2,458)</b>	<b>(2,458)</b>	<b>(2,458)</b>	<b>(2,458)</b>	<b>(2,459)</b>	<b>(2,459)</b>
<b>ASSET RESERVES</b>												
Property - Asset Management Reserve	(3,310)	(3,494)	(3,394)	(3,294)	(3,194)	(2,894)	(2,594)	(2,294)	(1,994)	(1,694)	(1,394)	(1,094)
Car Parks Property	(2,427)	(2,352)	(2,402)	(2,532)	(2,662)	(2,612)	(2,562)	(2,512)	(2,462)	(2,412)	(2,362)	(2,312)
Information Management and Technology	(532)	(646)	(739)	(907)	(1,073)	(1,236)	(1,279)	(1,171)	(1,185)	(1,245)	(1,203)	(1,265)
	<b>(6,269)</b>	<b>(6,492)</b>	<b>(6,535)</b>	<b>(6,733)</b>	<b>(6,929)</b>	<b>(6,742)</b>	<b>(6,435)</b>	<b>(5,977)</b>	<b>(5,641)</b>	<b>(5,351)</b>	<b>(4,959)</b>	<b>(4,671)</b>
<b>RESTRICTED RESERVES</b>												
2006 (Interest)	(184)	(184)	(184)	(184)	(184)	(184)	(184)	(184)	(184)	(184)	(184)	(184)
Community Infrastructure Levy - General Fund	(8,928)	(8,339)	(6,114)	(6,114)	(6,114)	(6,114)	(6,114)	(6,114)	(6,114)	(6,114)	(6,114)	(6,114)
Community Infrastructure Levy - Winchester Town	(875)	(775)	(180)	(180)	(180)	(180)	(180)	(180)	(180)	(180)	(180)	(180)
Winchester Town Reserve	(387)	(327)	(97)	(192)	(249)	(187)	(174)	(161)	(161)	(161)	(161)	(161)
	<b>(10,373)</b>	<b>(9,624)</b>	<b>(6,574)</b>	<b>(6,669)</b>	<b>(6,726)</b>	<b>(6,664)</b>	<b>(6,651)</b>	<b>(6,638)</b>	<b>(6,638)</b>	<b>(6,638)</b>	<b>(6,638)</b>	<b>(6,638)</b>
<b>RISK RESERVES</b>												
Municipal Mutual Insurance	(139)	(139)	(139)	(139)	(139)	(139)	(139)	(139)	(139)	(139)	(139)	(139)
Transitional Reserve	(1,037)	(2,981)	(2,277)	(3,129)	(3,129)	(3,129)	(3,129)	(3,129)	(3,129)	(3,129)	(3,129)	(3,129)
Business Rates Retention	(1,000)	(1,536)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
	<b>(2,176)</b>	<b>(4,656)</b>	<b>(3,416)</b>	<b>(4,268)</b>	<b>(4,268)</b>	<b>(4,268)</b>	<b>(4,268)</b>	<b>(4,268)</b>	<b>(4,268)</b>	<b>(4,268)</b>	<b>(4,268)</b>	<b>(4,268)</b>
<b>Total General Fund Earmarked Reserves</b>	<b>(28,387)</b>	<b>(28,121)</b>	<b>(21,300)</b>	<b>(20,902)</b>	<b>(20,533)</b>	<b>(20,132)</b>	<b>(19,812)</b>	<b>(19,341)</b>	<b>(19,005)</b>	<b>(18,716)</b>	<b>(18,323)</b>	<b>(18,036)</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	(4,530)	(3,838)	(2,022)	(2,032)	(1,809)	(1,959)	(2,297)	(2,639)	(2,984)	(3,333)	(3,685)	(4,041)

Winchester Town Account

WINCHESTER TOWN ACCOUNT - Financial Projections							
	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		1%	2%	2%	2%	2%	2%
Utilities		5%	5%	5%	5%	5%	5%
Percentage increase in tax		3%	0%	0%	0%	0%	0%
Tax Base	14,126	14,461	14,635	14,810	14,988	15,168	15,350
	£	£	£	£	£	£	£
<b>Cost of Services</b>							
<b>Recurring Budgets:</b>							
Allotments	(1,864)	(1,864)	(1,864)	(1,864)	(1,864)	(1,864)	(1,864)
Bus Shelter Cleaning / Maintenance / New Provision	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Cemeteries	46,286	38,339	40,661	43,043	45,485	47,990	50,559
Christmas Lights	9,115	9,287	9,463	9,642	9,825	10,012	10,202
Neighbourhood Service Officers (Contribution)	45,000	45,000	45,000	45,000	45,000	45,000	45,000
Footway Lighting	20,927	21,226	21,540	21,870	22,216	22,580	22,962
Grants	27,000	27,000	27,000	27,000	27,000	27,000	27,000
Grants Bidding Process and Vision Delivery	33,000	33,000	33,000	33,000	33,000	33,000	33,000
- Theatre Royal (Contribution)	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Support Costs for Grant Scheme	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Maintenance Work to Council Owned Bridges	5,500	5,500	5,500	5,500	5,500	5,500	5,500
Night Bus Contribution	10,119	10,220	10,424	10,633	10,846	11,062	11,284
Public Conveniences (Contribution)	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Recreation Grounds & Open Spaces	642,359	647,324	656,611	666,098	675,790	685,692	695,808
Town Forum Support	5,000	5,000	5,000	5,000	5,000	5,000	5,000
<b>Total Recurring Budgets</b>	<b>924,442</b>	<b>922,032</b>	<b>934,335</b>	<b>946,922</b>	<b>959,798</b>	<b>972,972</b>	<b>986,451</b>
<b>One-off Budgets:</b>							
St Maurice's Covert	5,787						
Community Infrastructure	100,000	100,000					
<b>Local Plan</b>	<b>25,000</b>						
<b>Tree Survey Works</b>	<b>30,704</b>	<b>30,935</b>					
<b>Total One-off Budgets</b>	<b>161,491</b>	<b>130,935</b>					
<b>Total Cost of Services</b>	<b>1,085,933</b>	<b>1,052,967</b>	<b>934,335</b>	<b>946,922</b>	<b>959,798</b>	<b>972,972</b>	<b>986,451</b>
<b>Taxation and Non-specific grant income</b>							
Council Tax Income	(1,006,776)	(1,061,591)	(1,074,330)	(1,087,222)	(1,100,269)	(1,113,472)	(1,126,833)
Interest on Balances	(3,865)	(3,401)	(1,022)	(2,032)	(2,655)	(2,086)	(2,012)
<b>Total Taxation and Non-specific grant income</b>	<b>(1,010,641)</b>	<b>(1,064,992)</b>	<b>(1,075,352)</b>	<b>(1,089,254)</b>	<b>(1,102,924)</b>	<b>(1,115,558)</b>	<b>(1,128,846)</b>
<b>Transfers to/(from) Earmarked reserves</b>							
(Surplus added to Reserves) / Deficit taken from Reserves	75,292	(12,026)	(141,016)	(142,332)	(143,126)	(142,586)	(142,395)
Capital Expenditure funded by Town Reserve	84,000	350,000	40,000	80,000	200,000	150,000	150,000
Release from Town Community Infrastructure Levy Reserve	(100,000)	(100,000)					
<b>Opening Reserve Balance (at 1st April)</b>	<b>(386,526)</b>	<b>(340,141)</b>	<b>(102,167)</b>	<b>(203,183)</b>	<b>(265,515)</b>	<b>(208,641)</b>	<b>(201,227)</b>
<b>Closing Reserve Balance (carried forward)</b>	<b>(327,234)</b>	<b>(102,167)</b>	<b>(203,183)</b>	<b>(265,515)</b>	<b>(208,641)</b>	<b>(201,227)</b>	<b>(193,622)</b>
Closing Reserves forecast as % of net expenditure (Target = 10%)	30%	10%	22%	28%	22%	21%	20%
<b>TAX</b>							
Tax at Band D	£71.27	£73.41	£73.41	£73.41	£73.41	£73.41	£73.41
Increase over previous year (£)	£2.08	£2.14	£0.00	£0.00	£0.00	£0.00	£0.00
<b>Sensitivity</b>							
Council tax % increase required to fund £10,000 expenditure		0.97%					
Council tax £ increase required to fund £10,000 expenditure		£0.69					
+/- 1% increase in Council Tax (£'000s)		10,306					
Band D equivalent (£) per +/- 1% increase in Council Tax		£0.71					

CAB3283  
CABINET

REPORT TITLE: CAPITAL INVESTMENT STRATEGY 2021-2031

11 FEBRUARY 2021

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 priorities 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 Flexible Use of Capital Receipts Strategy (Appendix G) including the proposed use of capital receipts towards severance costs be approved.
4. The Prudential indicators detailed in the report and its appendices be approved.

That Cabinet:

5. Subject to Council approval of the capital programme, approves IMT equipment and software expenditure (£534,000 in 2021/22) as detailed in paragraph 11.8.6.
6. Subject to Council approval of the capital programme, approves additional expenditure of £250,000 on essential repairs to the Weirs as detailed in paragraph 11.2.2.
7. Delegates authority to the S151 officer to approve expenditure of up to £260,000 on decarbonisation works to City Offices, as outlined in paragraph 11.2.2, subject to a satisfactory business case and Council approval of the capital programme.
8. 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 2030/31 totals £403 million of which £62.3 million is General Fund and £340.7 million is Housing Revenue Account.
- 2.2. The proposed financing is made up of £191.5 million of prudential borrowing, £106.6 million from revenue including earmarked reserves, £66.4 million of capital receipts and £38.5 million 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 will need to increase its external borrowing but the amount and timing of this is dependent on 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 (CAB3282).
- 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, which now reflects the investment required to deliver 1000 new homes over the next 10 years in line with the "Homes for All" Council Plan priority.

- 2.7. From 2021/22 the strategy includes remaining unallocated funding for the Strategic Asset Purchase (SAP) scheme of £19.5m as well as £1.0m for the provision of parking at the Dean in Alresford. There is a strong governance programme around the process for purchases made through the scheme, ensuring a positive contribution to the Council Plan as well as an investment return where possible. 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% reduction in the Public Works Loans Board borrowing rate will improve the affordability of schemes subject to borrowing and the opportunities considered as part of the SAP scheme. There have been no purchases within the 2020/21 financial year; however, the scheme remains an important element of the Strategy.
- 2.9. Over the next ten years, the strategy forecasts up to £402.5m of capital spend. Within this financial context and the Council's balance sheet (£596.7m of fixed assets as at 31 March 2020), the Council has a long history of managing and acquiring assets to support its objectives. 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

Programme and Capital Board (PAC) 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. Appropriate engagement and consultation is undertaken for all individual projects and schemes.
- 6.2. The Scrutiny Committee discussed the report at its meeting held on 2 February 2021. At the conclusion of questions and debate, the Committee agreed that there were no particular matters that it wished to raise for Cabinet to consider further.

## 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 priorities	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 for key projects to ascertain community and stakeholder views	Engagement with the community ensures the council's capital programme meets the needs of the district's citizens and businesses
<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 regular review by the Programme and Capital (PAC) Board and quarterly by Scrutiny/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 individual capital schemes	Strategy includes new schemes to innovate
<i>Reputation</i>	Considered as part of the approval process for individual capital schemes	None
<i>Other</i>		

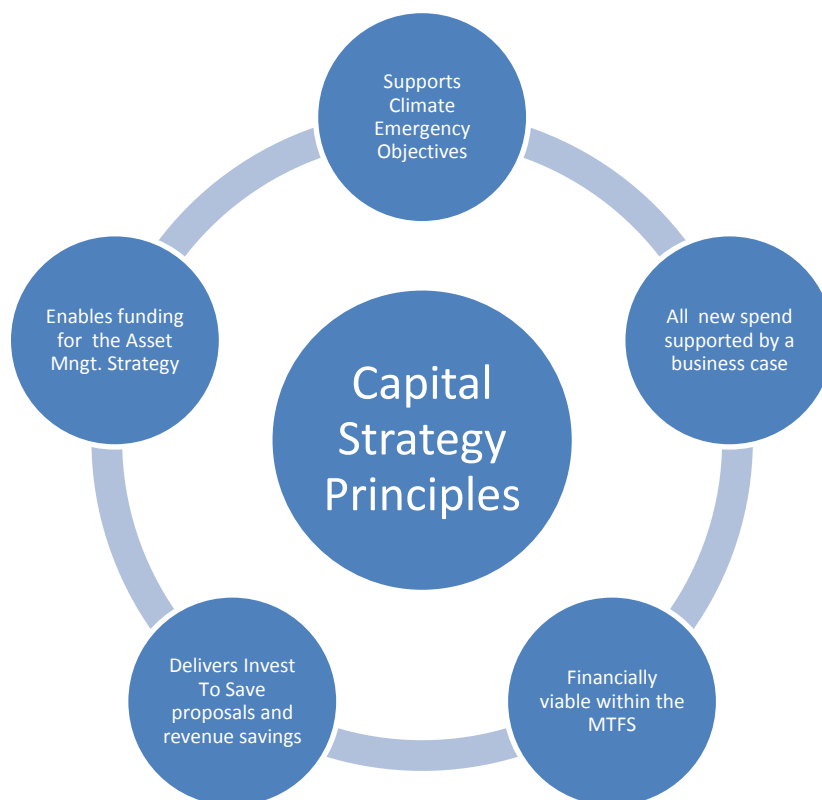
## 11. SUPPORTING INFORMATION:

### 11.1. Purpose

- 11.1.1. The primary purpose of this strategy is to identify and progress schemes to help deliver the Council Plan 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.

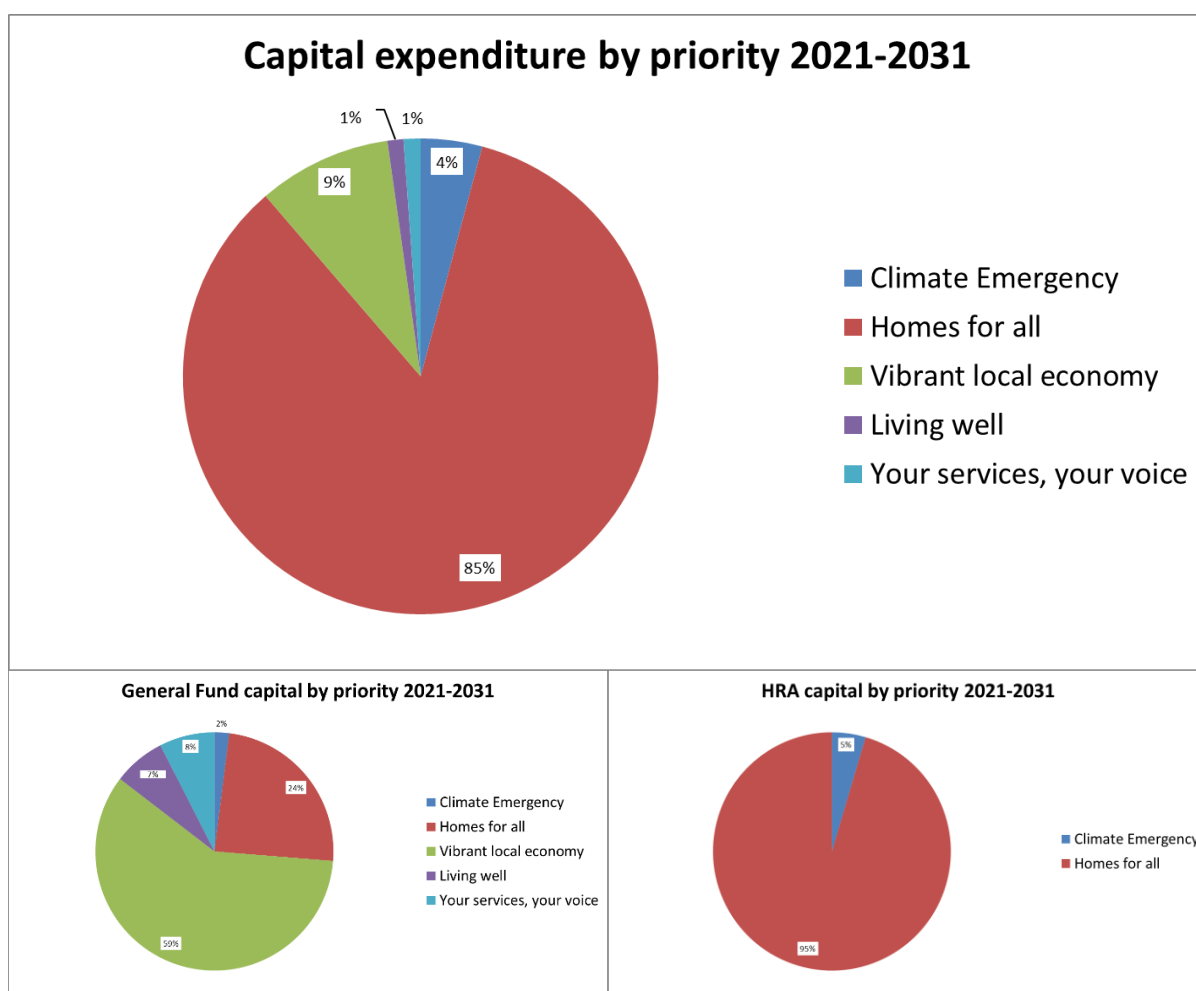
- 11.1.2. The Strategy sets out the council's capital spending programme and the principles which underpin this to deliver the Council Plan:



- 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 Plan, Housing Business Plan, Asset Management Plan, IMT strategy and Medium Term Financial Strategy. This capital investment 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. 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 Plan details how the council will deliver its five strategic priorities: 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 priorities 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 charts illustrate the percentage of total capital expenditure forecast for each of the council's priorities (NB the charts are based on the main priority for each project or scheme; however, many meet more than one priority):



11.2. The Capital Programme

11.2.1. Over the period 2021 to 2031, the council's total estimated capital expenditure is £403m of which £62.3m is General Fund and £340.7m 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 2021 - 2031	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	TOTAL Est. £m
General Fund	39.9	8.4	2.0	2.0	1.6	1.7	1.6	1.7	1.7	1.6	62.3
HRA	36.9	57.2	40.1	30.7	28.5	29.5	30.7	31.6	32.1	23.5	340.7
<b>Total Expenditure</b>	<b>76.8</b>	<b>65.6</b>	<b>42.1</b>	<b>32.7</b>	<b>30.1</b>	<b>31.2</b>	<b>32.3</b>	<b>33.3</b>	<b>33.8</b>	<b>25.1</b>	<b>403.0</b>

11.2.2. The programme includes the following **key projects** (quoted budget figures are for the period 2021-2031 and do not include prior years):

### **Priority: Tackling the Climate Emergency & creating a greener district (£17.1m)**

Tackling the Climate Emergency is a theme that is integral to *all* that the council does.

- More than £15.5m budget has been allocated over the next 10 years to invest in the **council's housing stock to improve energy efficiency and reduce emissions**.
- A total of £279,000 expenditure has been approved in 2020/21 to carry out **energy management projects** such as the installation of solar PV. In addition, a further £1m budget has been allocated over 3 years from 2021/22 funded by prudential borrowing. Expenditure will be subject to a business case as new 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 over and above the cost of borrowing.
- 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.
- The installation of up to 36 **Electric Vehicle (EV) charging points** in car parks across the district commenced in 2020/21 following the approval of £120,000 expenditure.
- In November 2020, WCC were successful in securing a grant from the Salix Decarbonisation Fund (SDF) in order to undertake a feasibility study to **decarbonise City Offices** and the public conveniences in line with the council's target to be carbon neutral by 2024. The feasibility study was undertaken in December 2020 by GEP who recommended that the following works are undertaken:
  - LED lighting upgrade (toilets)
  - Replacement of hand dryers (toilets)
  - Double glazing (city offices)

- Additional solar PV (city offices)
- Ceiling insulation (city offices)
- Air source heat pump (city offices)

An application for a further grant of £260,000 from the SDF to undertake these works has been applied for. If the council is successful in securing the grant the works must be completed by September 2021 in line with the grant conditions. In addition, a grant application for £55,000 has been submitted to secure funding for a heat decarbonisation plan (feasibility work) for the Guildhall and West Wing.

- In addition to the projects outlined above, measures to tackle the climate emergency are included in other projects. For example, additional EV charging points and solar PV are being installed as part of the new Sport & Leisure Park project, at the new decked car park at the former Vaultex site, and as part of the redevelopment of Bishop's Waltham depot.

#### **Priority: Homes for all (£340m)**

- Over the next 10 years, £239m has been allocated to the council's New Build programme to enable the delivery of **one thousand council homes**.
- A total of £70m has been allocated to major repairs and maintenance of our existing housing stock in addition to £1.7m to improve fire safety.
- £4m for the establishment of a **Housing Company** to support the delivery of sub-market rented housing and alternative tenures.
- An estimated £11m of Disabled Facilities Grant to provide necessary adaptations to private homes in addition to £9.1m for adaptations to the council's own stock.

#### **Priority: Vibrant local economy (£36.7m)**

- 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 £19.5m 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 budget of £0.5m has been allocated for the demolition of **Friarsgate medical centre** and the installation of an interim open space prior to further development. Demolishing the building now rather than waiting for



the main development will bring forward estimated savings on business rates and ongoing maintenance (circa £64,000 per annum).

- Works to **Kings Walk** at an overall cost of £0.2m including: ground floor & public realm - external greening, lighting, internal alterations to create a refreshed image; loading bay activation - create external event space for letting and/or regeneration of the area; and to enhance connectivity and visibility between Kings Walk and the High Street..
- A total budget of £270,000 has been allocated to convert **eighteen71 café** into 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.
- A provisional budget of £5m has been included to redevelop the **former Goods Shed site** which would provide several small business units. After borrowing costs, this could generate an estimated surplus income of between £50,000 and £70,000 per annum. Feasibility work is currently under way and the results of this are expected early in 2021.
- The redevelopment of the **depot at Bishop's Waltham** is expected to be completed in 2021 and involves the construction of three new terraced industrial units, including hard and soft landscaping, and will provide much needed entry level accommodation for small businesses.
- Following a successful bid for Local Enterprise Partnership (LEP) funding, total expenditure of £6.3m has been approved to build a decked car park of up to 300 spaces at the former **Coventry House (Vaultex)** site following its acquisition and demolition.
- In addition, a total of £3m has been identified for various car park improvements throughout the district including refurbishment works at **Chesil car park**, and provision of a new **car park at the Dean in Alresford**.
- Following the successful completion of phase 1 **essential repairs to the Weirs**, the level of deterioration is far more significant than first estimated and consequently an additional budget of £250,000 (bringing the overall total to £550,000) has been allocated for the remaining phases. The increased budget will be funded by an additional contribution of £100,000 from Hampshire County Council and by prudential borrowing at an estimated cost of £8,000 per annum over the expected life of the works.

#### Priority: Living Well (£4.6m)

- The construction of a state of the art **Sports & Leisure Park** in the Bar End area will be completed in spring 2021. £0.4m has also been approved 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 £1.4m has been allocated to replace the **King George V Pavilion** and £0.8m to replace **North Walls pavilion**. The council is working closely with key stakeholders and is exploring funding sources such as external grants.
- Over the next 4 years, £790,000 has been allocated for the **replacement or refurbishment of several play areas and a skate park**.
- **Community Infrastructure Levy (CIL) – Community projects**. In addition to previous years, £0.6m of CIL funded capital grants have been awarded to community groups for projects expected to take place in 2021/22. The scheme allows community groups to apply for a share of between £10,000 and £200,000 for essential infrastructure projects. £250,000 remains unallocated.

**Priority: Your services Your voice (£4.5m)**

- The final **transfer of HRA Garages to the General Fund** in 2020/21 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 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 council's declaration of a **Climate Emergency** and its goal of becoming carbon neutral as a council by 2024 and as a district by 2030, significant work was undertaken in 2020/21 and two projects to install solar panels, including on a third party building, were approved in year. More such projects are expected in the next 12 to 24 months and several buildings in the council's stock have been identified for potential retro-fitting to reduce carbon emissions. In some cases, such as with the installation of solar panels, the projects pay for themselves and deliver a small surplus to the council. However, some projects may not provide sufficient income or savings to cover the associated cost of borrowing and will therefore increase the overall revenue costs to the council; there are a number of possible sources of grant funding for these projects and the council will explore these opportunities where appropriate in order to reduce the financial impact.
- **Central Winchester Regeneration (CWR)** – the council continues to consider options to regenerate the city centre. The CWR project aims to deliver a mixed use, pedestrian friendly quarter that is 'distinctly Winchester' and supports a vibrant retail and cultural/heritage offer; set within an exceptional public realm. Ultimately, it will support business and

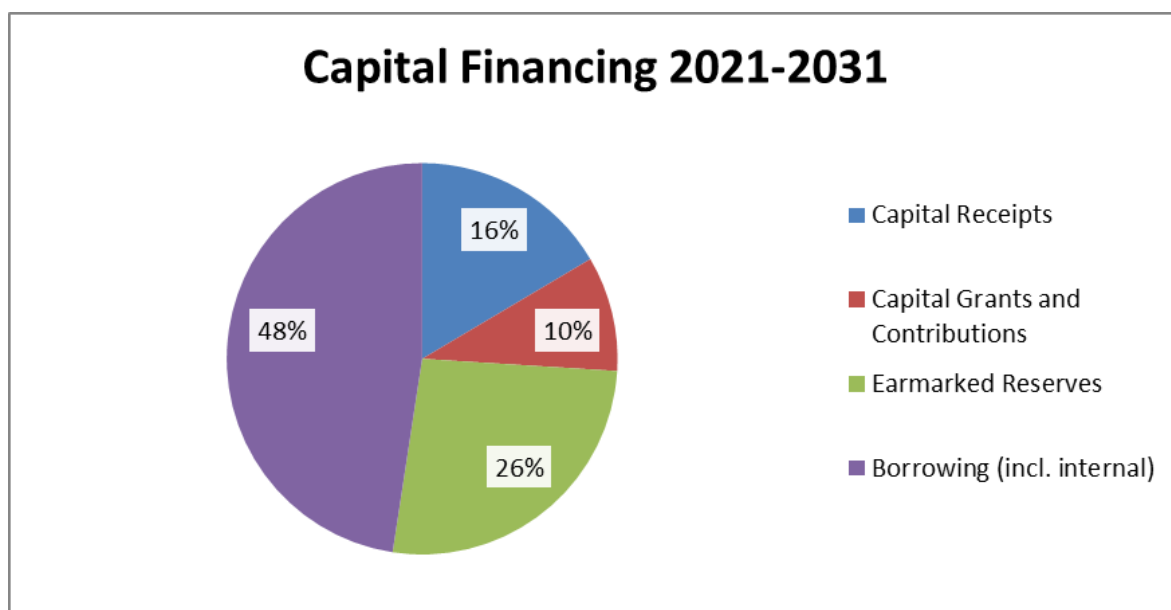
the city centre economy, and make it a more attractive place for residents and visitors alike.

- A number of potential schemes will be required following the publication of the **Winchester Movement Strategy** Phase 2 report. Where possible, external funding sources will be explored including Community Infrastructure Levy (CIL) contributions and grant funding such as the Local Enterprise Partnership (LEP).
- Once the recently commissioned scoping report for the council's **Green and Blue Infrastructure** is published, the next stage, still to be fully determined, will look at an action plan for future green and blue related infrastructure projects that will ensure the incorporation of future tree planting; creation of accessible to all open spaces; and the biodiversity action plan as well as providing stronger guidance/policy for planning when determining applications.
- North Walls Park Plan – the recreation ground will be facing new challenges as a result of closure of River Park Leisure Centre and therefore the council has commissioned a consultant to develop a complete park plan for the site. There will be a report to Winchester Town Forum (WTF) in early 2021 with an update. Budget requirements will be brought to the forum in due course for the required improvements to the site.

### 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 internally (also known as the “Capital Financing Requirement”).

11.3.3. Full details of the proposed financing for the 2021-2031 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. In recent years the council has had sufficient cash and investment balances to be able to internally borrow but will now need to increase its external borrowing 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 and the Housing Revenue Account business plan. The council works closely with its external treasury advisors (Arlingclose) to identify the optimum borrowing strategy to provide a balance between achieving certainty of future costs (i.e. locking-in on long-term fixed rates) and the overall cost of borrowing.

11.3.5. Before committing the council to borrowing, consideration is giving 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 additional contributions from revenue or from the sale of assets (capital receipts). Planned MRP is as follows:

*Replacement of debt finance in £ millions*

	2019/20	2020/21	2021/22	2022/23	2023/24

	actual	forecast	budget	budget	budget
Minimum Revenue Provision (GF)	0.5	0.5	0.6	1.2	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>0.6</b>	<b>1.2</b>	<b>1.2</b>

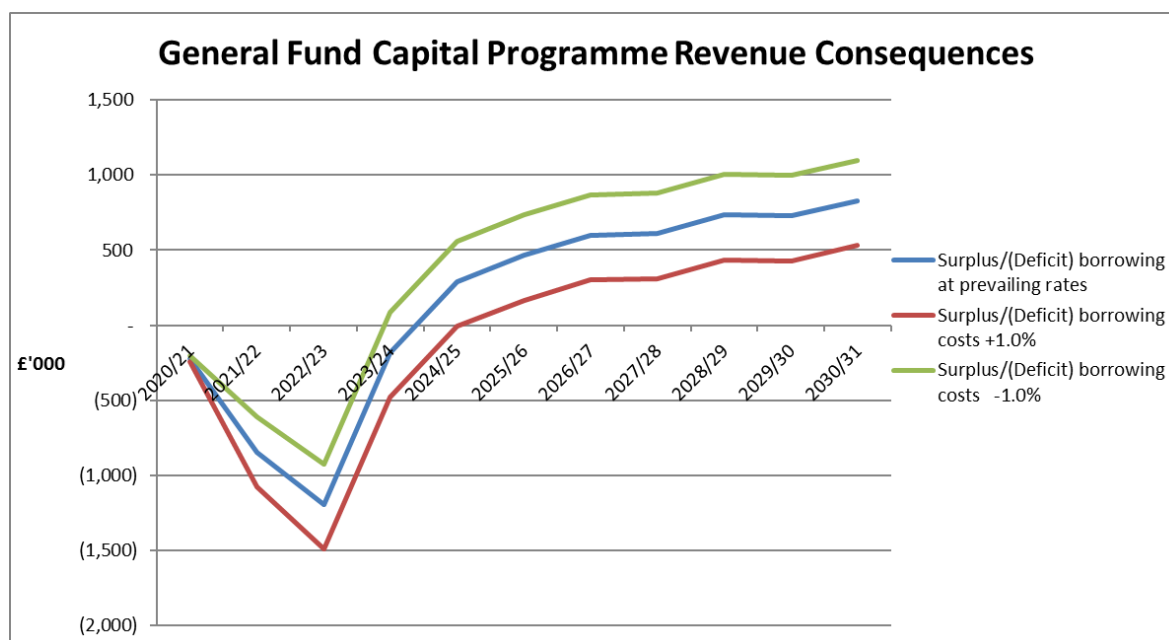
The council's full MRP statement is available at Appendix E.

- 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 up to £65.7m during 2021/22 subject to full delivery of the Capital Programme.

*Estimates of Capital Financing Requirement (CFR) in £ millions*

	31.3.2020 actual	31.3.2021 forecast	31.3.2022 budget	31.3.2023 budget	31.3.2024 budget
General Fund	41.2	69.9	94.9	94.1	93.1
Housing Revenue Account	162.8	166.4	192.1	236.5	256.8
<b>TOTAL CFR</b>	<b>204.0</b>	<b>236.3</b>	<b>287.0</b>	<b>330.6</b>	<b>349.9</b>

- 11.3.7. Further information including borrowing forecasts and borrowing limits are set out in the Treasury Management Strategy (CAB3282).
- 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 2024/25. 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 early where it is advantageous to do so and by taking out a basket of loans of mixed duration including 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*

	2019/20 actual	2020/21 forecast	2021/22 budget	2022/23 budget	2023/24 budget
GF financing costs (£m)	(0.2)	0.1	1.0	1.7	1.8
GF proportion of net revenue stream	-1.0%*	0.6%	6.3%	11.5%	13.7%
HRA financing costs (£m)	5.2	5.2	6.0	6.2	6.7
HRA proportion of net revenue stream	17.3%	18.3%	20.7%	20.9%	21.2%

\*in 2019/20 investment income exceeded interest payable and MRP

- 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 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. Ordinarily capital resources, such as capital receipts, can only be used to finance capital expenditure (i.e. the creation or enhancement of a capital asset). However, in 2018 the MHCLG Secretary of State issued a direction to local authorities in order to give local authorities the freedom to use capital receipts from the sale of their own assets (excluding Right to Buy receipts) to help fund the revenue costs of transformation projects and release savings, including through redundancy. By using capital receipts, the Council is able to avoid the negative impact on its annual revenue budget of significant one-off costs. The council has £194,000 in qualifying receipts available that it plans to use for severance costs in 2020/21. Further detail is provided in the Flexible Use of Capital Receipts Strategy at Appendix G.
- 11.5.3. 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 Programme and Capital Board (PAC). This is then considered in relation to the whole programme of projects to determine the cumulative impact of delivery on staff resources. This can have an impact on resourcing in key service areas such as identifying project managers, and other key areas such as the 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 internally.

11.6.3. The PAC Board, the role of which is to monitor the programme and project delivery together with identifying and addressing resource issues, meets on a regular basis to consider such issues.

11.6.4. Cabinet and Performance Panel 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. Due to the covid-19 pandemic, rental income in 2020/21 and in the immediate term is under pressure. There remains the risk that, particularly with respect to retail properties within the council's portfolio, the economic impact of covid-19 may be prolonged. However, one of the council's priorities is to ensure the district continues to have a vibrant local economy once the pandemic is over through the schemes outlined in the capital investment strategy and other initiatives. The value of the council's portfolio can be unlocked by undertaking prudent development or refurbishment schemes on existing property to be let 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 ten 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 Asset Management Plan 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 Asset Management Plan 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, offering further advances, will be considered and may give greater benefits for the same investment.
- 11.8.6. The following table sets out the proposed IMT capital expenditure for 2021/22 to be financed from the IMT reserve:

<b>IMT Capital 2021/22</b>	<b>£'000</b>
Equipment	104
Corporate Network	170
Remote working investments	60
Telephony replacement	180
Software	20
<b>Total</b>	<b>534</b>

11.9. Housing Revenue Account (HRA)

- 11.9.1. The HRA capital programme 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 2021/22 and forecasts to 2030/31. Further detailed information can be found in the Housing budget paper (CAB3290).

## 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**)

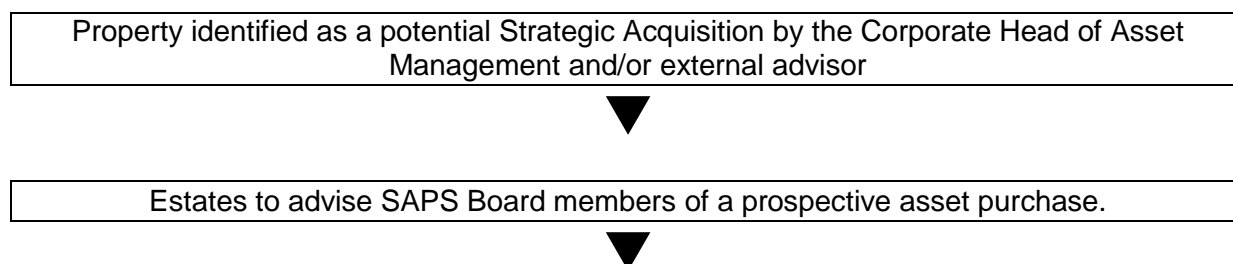
11.10.2. The council's Treasury Management Strategy, and associated limits and indicators, is reported in CAB3282. Further detail on service and commercial investments including total investment indicators is provided in Appendix F.

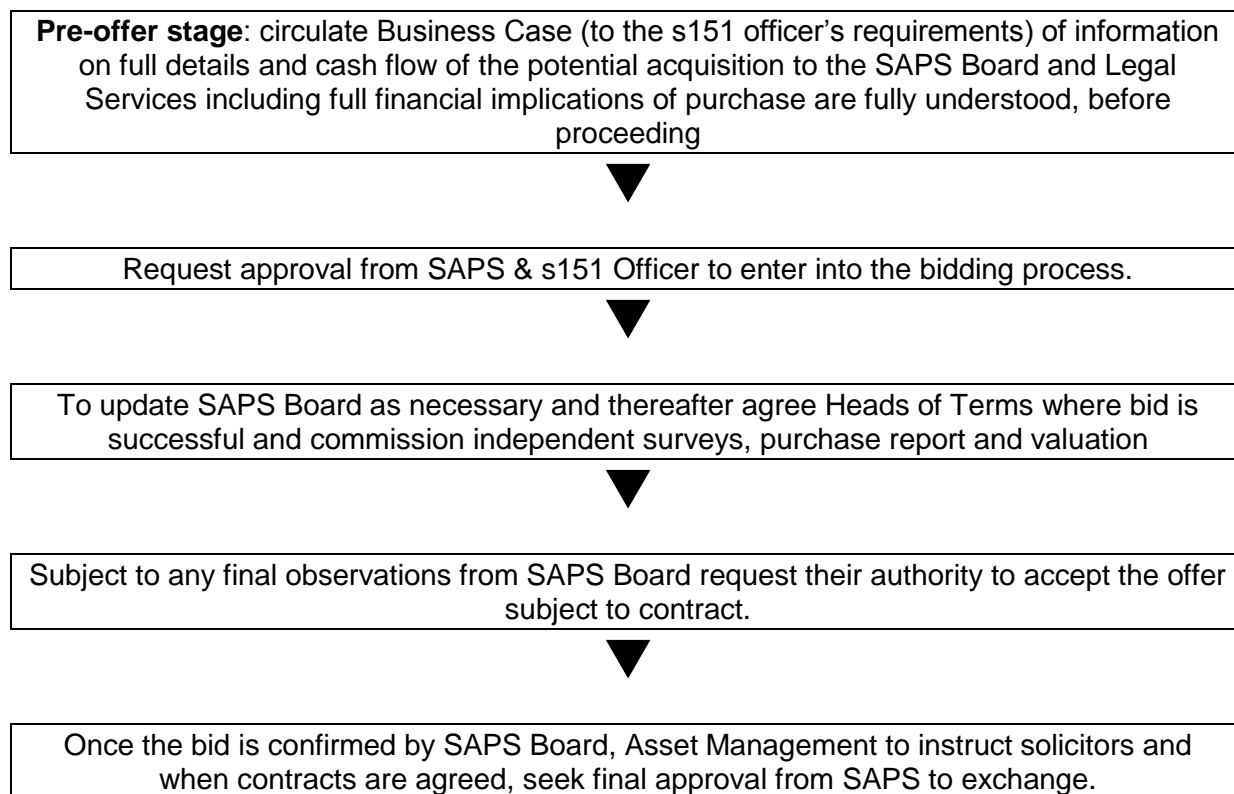
11.10.3. As noted elsewhere in this report, the council's Asset Management Plan seeks to develop the estate to assist economic development and provide both capital receipts and revenue income streams.

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 (CAB2872 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 officer 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:





#### 11.11. Risk Appetite

- 11.11.1. The council's Risk Appetite Statement is an integral part of the council's Risk Management Policy. It ensures that the opportunities the council is willing to take to achieve its strategic priorities and objectives are measured, consistent and compatible with the council's capacity to accept and manage risk; and that they do not expose the Council to unknown, unmanaged or unacceptable risks. The Policy was most recently updated and approved in September 2019 (CAB3176) and is due to be updated again in March 2021.
- 11.11.2. During the course of the year the council will take fair, measured and targeted levels of risk to achieve the priority objectives included in the Council Plan. 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 training, 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. A risk management workshop for members, facilitated by Protector Insurance, took place in

October 2020. In December 2020 several members attended a briefing session provided by the council's treasury advisors Arlingclose.

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 2021-2031

Appendix B – Capital Programme Financing 2021-2031

Appendix C – Revenue Consequences of General Fund Capital Programme 2021 to 2031

Appendix D – Capital Receipts Reserve Forecast

Appendix E – Minimum Revenue Provision Statement 2021/22

Appendix F – Investment activities

Appendix G – Flexible Use of Capital Receipts Strategy

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Capital Programme 2021 to 2031

	Priority	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	TOTAL
		Revised Estimate	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	2021-2031 Forecast
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>General Fund</b>													
<b>Approved*</b>													
Disabled Facility Grants	Homes for all	1,094	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	11,000
Decked car park at former Vaultex site	Vibrant local economy	524	5,553	250	-	-	-	-	-	-	-	-	5,803
IMT Assets	Your services, your voice	35	534	68	175	185	117	265	140	90	190	85	1,849
Car Parks	Vibrant local economy	46	200	50	180	180	180	180	180	180	180	180	1,690
Bishop's Waltham Depot	Vibrant local economy	300	1,408	-	-	-	-	-	-	-	-	-	1,408
SAPS - Car Park at the Dean, Alresford	Vibrant local economy	-	1,005	-	-	-	-	-	-	-	-	-	1,005
North Walls Pavilion	Living well	90	710	-	-	-	-	-	-	-	-	-	710
CIL funded community projects	Living well	440	575	-	-	-	-	-	-	-	-	-	575
The Weirs - Essential Repairs	Vibrant local economy	150	400	-	-	-	-	-	-	-	-	-	400
River Park Leisure Centre site	Living well	10	400	-	-	-	-	-	-	-	-	-	400
West Wing Refurbishment	Your services, your voice	100	385	-	-	-	-	-	-	-	-	-	385
Chess Multi Storey car park	Vibrant local economy	51	299	-	-	-	-	-	-	-	-	-	299
Flood Prevention Works	Climate Emergency	1,055	231	-	-	-	-	-	-	-	-	-	231
Guildhall café	Vibrant local economy	120	150	-	-	-	-	-	-	-	-	-	150
Garden waste bins	Your services, your voice	277	123	-	-	-	-	-	-	-	-	-	123
Garrison Ground drainage improvements	Living well	50	100	-	-	-	-	-	-	-	-	-	100
Bishop's Waltham footpath & cycle link	Living well	-	50	-	-	-	-	-	-	-	-	-	50
Guildhall microphones	Your services, your voice	-	40	-	-	-	-	-	-	-	-	-	40
Winchester Sport & Leisure Park	Living well	25,158	-	-	-	-	-	-	-	-	-	-	0
Energy Management Projects	Climate Emergency	279	-	-	-	-	-	-	-	-	-	-	0
EV charging points	Climate Emergency	120	-	-	-	-	-	-	-	-	-	-	0
Chilcomb Pavilion improvements	Living well	94	-	-	-	-	-	-	-	-	-	-	0
Hyde HA Waltham Chase Grant	Homes for all	75	-	-	-	-	-	-	-	-	-	-	0
Meadowside Leisure centre	Living well	65	-	-	-	-	-	-	-	-	-	-	0
Hampshire Community Bank	Vibrant local economy	62	-	-	-	-	-	-	-	-	-	-	0
Coitbury House - LOWE Guardians	Homes for all	50	-	-	-	-	-	-	-	-	-	-	0
Winchester Hospice grant	Living well	50	-	-	-	-	-	-	-	-	-	-	0
Broadway bus shelters	Your services, your voice	40	-	-	-	-	-	-	-	-	-	-	0
Digital Signage Pilot	Your services, your voice	35	-	-	-	-	-	-	-	-	-	-	0
Coach Park	Vibrant local economy	35	-	-	-	-	-	-	-	-	-	-	0
SAPS - Friarsgate Medical Centre	Vibrant local economy	33	-	-	-	-	-	-	-	-	-	-	0
SAPS - Central Winchester 158-165 High St	Vibrant local economy	28	-	-	-	-	-	-	-	-	-	-	0
Winchester Science Centre grant	Living well	25	-	-	-	-	-	-	-	-	-	-	0
Garrison Ground Pitch & Boxing Club	Living well	11	-	-	-	-	-	-	-	-	-	-	0
<b>Total Approved*</b>		<b>30,502</b>	<b>13,263</b>	<b>1,468</b>	<b>1,455</b>	<b>1,465</b>	<b>1,397</b>	<b>1,545</b>	<b>1,420</b>	<b>1,370</b>	<b>1,470</b>	<b>1,365</b>	<b>26,218</b>

Capital Programme 2021 to 2031

		2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	TOTAL
	Priority	Revised Estimate	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	2021-2031 Forecast
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Subject to Appraisal*</b>													
Goods Shed, Barfield Close	Vibrant local economy	-	500	4,500	-	-	-	-	-	-	-	-	5,000
Housing Company	Homes for all	-	2,000	2,000	-	-	-	-	-	-	-	-	4,000
Asset Management Plan	Your services, your voice	-	200	200	200	200	200	200	200	200	200	200	2,000
King George V Pavilion	Living well	-	1,400	-	-	-	-	-	-	-	-	-	1,400
Energy Management Projects	Climate Emergency	-	500	250	250	-	-	-	-	-	-	-	1,000
Open Spaces & Recreational Facilities	Living well	40	470	40	80	200	-	-	-	-	-	-	790
Public Realm - Station Approach CIL funded	Vibrant local economy	-	500	-	-	-	-	-	-	-	-	-	500
Friarsgate - demolition and interim open space	Vibrant local economy	-	500	-	-	-	-	-	-	-	-	-	500
Meadowside Leisure centre	Living well	-	177	-	-	22	-	-	-	101	-	-	300
City Offices decarbonisation	Climate Emergency	-	260	-	-	-	-	-	-	-	-	-	260
CIL funded community projects	Living well	-	250	-	-	-	-	-	-	-	-	-	250
King's Walk improvements	Vibrant local economy	-	200	-	-	-	-	-	-	-	-	-	200
59 Colebrook Street	Vibrant local economy	-	200	-	-	-	-	-	-	-	-	-	200
Replacement printers	Your services, your voice	-	-	-	-	93	-	-	-	-	-	-	93
SAPS - Transfer of HRA Garages to GF	Your services, your voice	4,000	-	-	-	-	-	-	-	-	-	-	0
<b>Subject to Appraisal*</b>		<b>4,040</b>	<b>7,157</b>	<b>6,990</b>	<b>530</b>	<b>515</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>301</b>	<b>200</b>	<b>200</b>	<b>16,493</b>
<b>Total General Fund</b>		<b>34,542</b>	<b>20,420</b>	<b>8,458</b>	<b>1,985</b>	<b>1,980</b>	<b>1,597</b>	<b>1,745</b>	<b>1,620</b>	<b>1,671</b>	<b>1,670</b>	<b>1,565</b>	<b>42,711</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.

The Strategic Asset Purchase Scheme (SAPS) is subject to separate governance procedures as outlined in the Capital Investment Strategy

SAPS - unallocated	Vibrant local economy	-	19,528	-	-	-	-	-	-	-	-	-	19,528
<b>Total SAPS - unallocated</b>		<b>-</b>	<b>19,528</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,528</b>

<b>Housing Revenue Account</b>													
New Build	Homes for all	15,716	25,861	46,775	31,222	21,668	19,011	19,687	20,618	21,283	22,009	10,403	238,538
Major repairs	Homes for all	4,021	6,678	6,775	5,993	6,173	6,462	6,656	6,856	7,062	7,274	10,230	70,159
Improvements & Loft Conversions	Homes for all	500	642	523	485	500	515	530	546	562	-	-	4,303
Disabled Adaptations	Homes for all	700	797	899	830	855	881	907	934	962	991	1,021	9,076
Fire Safety provision	Homes for all	400	1,016	660	-	-	-	-	-	-	-	-	1,676
Climate Change Emergency	Climate Emergency	100	1,587	1,428	1,415	1,457	1,501	1,546	1,592	1,640	1,689	1,740	15,595
Other Capital Spend	Homes for all	106	308	108	111	114	118	121	125	129	133	133	1,399
<b>Total Housing Revenue Account</b>		<b>21,543</b>	<b>36,888</b>	<b>57,169</b>	<b>40,056</b>	<b>30,768</b>	<b>28,487</b>	<b>29,448</b>	<b>30,671</b>	<b>31,638</b>	<b>32,096</b>	<b>23,527</b>	<b>340,747</b>

<b>Grand Total</b>		<b>56,085</b>	<b>76,836</b>	<b>65,627</b>	<b>42,041</b>	<b>32,748</b>	<b>30,084</b>	<b>31,193</b>	<b>32,291</b>	<b>33,309</b>	<b>33,766</b>	<b>25,092</b>	<b>402,986</b>
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Capital Programme Financing 2021 to 2031

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>General Fund</b>												
<i>Externally Funded</i>												
Government Grants	1,223	6,500	1,350	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	16,650
External Contributions												0
Non governmental grants	2,100	1,065	0	0	0	0	0	0	0	0	0	1,065
Open Space Fund	46	438	0	0	0	0	0	0	0	0	0	438
Developer's Contributions	75	349	0	0	0	0	0	0	0	0	0	349
<b>Total Externally Funded</b>	<b>3,444</b>	<b>8,352</b>	<b>1,350</b>	<b>1,100</b>	<b>1,100</b>	<b>1,100</b>	<b>1,100</b>	<b>1,100</b>	<b>1,100</b>	<b>1,100</b>	<b>1,100</b>	<b>18,502</b>
<i>Earmarked Reserves</i>												
Car Parks Property	0	0	0	0	180	180	180	180	180	180	180	1,260
Community Infrastructure Levy (CIL)	999	2,225	0	0	0	0	0	0	0	0	0	2,225
Town CIL	0	495	0	0	0	0	0	0	0	0	0	495
Information, Management, and Technology	0	78	0	0	0	117	265	140	90	190	85	965
Landscape Mitigation	0	0	0	0	0	0	0	0	0	0	0	0
Major Investment Reserve	0	250	0	0	0	0	0	0	0	0	0	250
Property - Asset Management Reserve	0	0	0	0	200	200	200	200	200	200	200	1,400
Winchester Town	84	350	40	80	200	0	0	0	0	0	0	670
<b>Total Earmarked Reserves</b>	<b>1,083</b>	<b>3,398</b>	<b>40</b>	<b>80</b>	<b>580</b>	<b>497</b>	<b>645</b>	<b>520</b>	<b>470</b>	<b>570</b>	<b>465</b>	<b>7,265</b>
<i>Capital Receipts</i>												
General fund	820	2,141	318	555	185	0	0	0	0	0	0	3,199
Right to buy allowable	0	500	500	0	0	0	0	0	0	0	0	1,000
<b>Total Capital Receipts</b>	<b>820</b>	<b>2,641</b>	<b>818</b>	<b>555</b>	<b>185</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,199</b>
<i>Revenue Contribution to Capital</i>	0	0	0	0	0	0	0	0	0	0	0	0
<i>Capital Financing Requirement</i>	29,195	25,557	6,250	250	115	0	0	0	101	0	0	32,273
<b>Total General Fund</b>	<b>34,542</b>	<b>39,948</b>	<b>8,458</b>	<b>1,985</b>	<b>1,980</b>	<b>1,597</b>	<b>1,745</b>	<b>1,620</b>	<b>1,671</b>	<b>1,670</b>	<b>1,565</b>	<b>62,239</b>
<b>Housing</b>												
Capital Grants and Contributions	1,548	2,254	1,281	1,600	3,500	2,600	1,400	4,400	3,000	0	0	20,036
Major Repairs Reserve	8,701	119	3,711	8,891	9,330	9,563	12,970	9,042	9,739	24,258	11,663	99,285
Capital Receipts	4,286	8,787	7,812	9,266	6,187	3,824	4,878	5,229	5,400	5,574	5,220	62,176
Revenue Contribution to Capital	0	0	0	0	0	0	0	0	0	0	0	0
<i>Capital Financing Requirement</i>	7,008	25,728	44,364	20,300	11,750	12,500	10,200	12,000	13,500	2,264	6,643	159,249
<b>Total Housing Revenue Account</b>	<b>21,543</b>	<b>36,888</b>	<b>57,168</b>	<b>40,056</b>	<b>30,768</b>	<b>28,487</b>	<b>29,448</b>	<b>30,671</b>	<b>31,638</b>	<b>32,096</b>	<b>23,526</b>	<b>340,747</b>
<b>Total Financing of Capital Programme</b>	<b>56,085</b>	<b>76,836</b>	<b>65,626</b>	<b>42,041</b>	<b>32,748</b>	<b>30,084</b>	<b>31,193</b>	<b>32,291</b>	<b>33,309</b>	<b>33,766</b>	<b>25,091</b>	<b>402,986</b>

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## Revenue Consequences of General Fund Capital Programme 2021 to 2031

**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	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Surplus/(Deficit) - approved*	(243)	(902)	(1,470)	(547)	(44)	126	254	259	373	362	458
Surplus/(Deficit) - subject to appraisal*	20	58	276	365	333	338	344	349	360	365	371
<b>TOTAL SURPLUS/(DEFICIT)</b>	<b>(223)</b>	<b>(844)</b>	<b>(1,194)</b>	<b>(183)</b>	<b>290</b>	<b>464</b>	<b>598</b>	<b>608</b>	<b>732</b>	<b>727</b>	<b>829</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%)	(23)	(235)	(294)	(297)	(297)	(297)	(297)	(297)	(297)	(297)	(297)
Difference to TOTAL SURPLUS/(DEFICIT) (-1.0%)	21	233	270	271	271	271	271	271	271	271	271

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**Capital Receipts Reserve Forecast**

<b>CAPITAL RECEIPTS RESERVE</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>2030/31 Forecast £000</b>
<b>Consolidated Opening Balance</b>	<b>(13,450)</b>	<b>(11,209)</b>	<b>(5,537)</b>	<b>(3,574)</b>	<b>(3,351)</b>	<b>(3,501)</b>	<b>(3,839)</b>	<b>(4,181)</b>	<b>(4,526)</b>	<b>(4,875)</b>	<b>(5,228)</b>
<b>GENERAL FUND</b>											
<b>Opening Balance</b>	<b>(4,530)</b>	<b>(3,838)</b>	<b>(2,022)</b>	<b>(2,032)</b>	<b>(1,809)</b>	<b>(1,959)</b>	<b>(2,297)</b>	<b>(2,639)</b>	<b>(2,984)</b>	<b>(3,333)</b>	<b>(3,685)</b>
Forecast receipts	(322)	(325)	(6,258)	(332)	(335)	(338)	(342)	(345)	(349)	(352)	(356)
Forecast utilisation	1,014	2,141	6,248	555	185	0	0	0	0	0	0
<b>Closing Balance</b>	<b>(3,838)</b>	<b>(2,022)</b>	<b>(2,032)</b>	<b>(1,809)</b>	<b>(1,959)</b>	<b>(2,297)</b>	<b>(2,639)</b>	<b>(2,984)</b>	<b>(3,333)</b>	<b>(3,685)</b>	<b>(4,041)</b>
<b>HOUSING REVENUE ACCOUNT</b>											
<b>Opening Balance</b>	<b>(8,920)</b>	<b>(7,371)</b>	<b>(3,515)</b>	<b>(1,542)</b>	<b>(1,542)</b>	<b>(1,542)</b>	<b>(1,542)</b>	<b>(1,542)</b>	<b>(1,542)</b>	<b>(1,542)</b>	<b>(1,543)</b>
Forecast receipts	(2,737)	(4,931)	(5,839)	(9,266)	(6,187)	(3,824)	(4,878)	(5,229)	(5,400)	(5,574)	(5,754)
Forecast utilisation	4,286	8,787	7,812	9,266	6,187	3,824	4,878	5,229	5,400	5,574	5,220
<b>Closing Balance</b>	<b>(7,371)</b>	<b>(3,515)</b>	<b>(1,542)</b>	<b>(1,542)</b>	<b>(1,542)</b>	<b>(1,542)</b>	<b>(1,542)</b>	<b>(1,542)</b>	<b>(1,542)</b>	<b>(1,543)</b>	<b>(2,077)</b>
<b>Consolidated Closing Balance</b>	<b>(11,209)</b>	<b>(5,537)</b>	<b>(3,574)</b>	<b>(3,351)</b>	<b>(3,501)</b>	<b>(3,839)</b>	<b>(4,181)</b>	<b>(4,526)</b>	<b>(4,875)</b>	<b>(5,228)</b>	<b>(6,118)</b>

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## Annual Minimum Revenue Provision Statement 2021/22

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 basis 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 2021/22 will not be subject to an MRP charge until at least 2022/23 or the year following which an asset becomes operational.

Based on the Council's latest estimate of its Capital Financing Requirement on 31st March 2021, the budget for MRP has been set as follows:

	<b>31.03.2021 Estimated CFR £m</b>	<b>2021/22 Estimated MRP £</b>
Unsupported capital expenditure after 31.03.2008	<b>69.9</b>	504,000
Finance leases and Private Finance Initiative	<b>0.0</b>	Nil
<b>Total General Fund</b>	<b>69.9</b>	<b>504,000</b>
Assets in the Housing Revenue Account	166.4	Nil
<b>Total Housing Revenue Account</b>	<b>166.4</b>	<b>Nil</b>
<b>Total</b>	<b>236.3</b>	<b>504,000</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 as when income is received in advance of expenditure (known as **treasury management investments** – further detail including associated limits and indicators is reported in CAB3282);
- 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 council, 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	31.3.2020 actual			2021/22
	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 CAB3282*

Accounting standards require the council to set aside a loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the council's statement of accounts are shown net of this loss allowance. However, the council 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. In 2020/21 one of these assets was sold and £51,500 repaid to the council.

**Risk assessment:** The council 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 before the end of 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 £61.5m as at 31 March 2020 and generated gross income of £2.9m and net income after costs of £2.3m in 2019/20. This income helps contribute to the Council Strategy priorities.

In 2020/21 £4.0m of capital expenditure is budgeted for the phased transfer of garages from the HRA and £0.3m for enhancements to existing investment properties.

Table 3: Property held for investment purposes in £ millions

<b>1 April 2019</b>	<b>53.8</b>
Acquisitions	1.3
Garage transfer from HRA	1.8
Enhancements	0.0
Gains/(losses) in fair value	4.6
Transfers (to)/from PPE (operational assets)*	0.0
<b>31 March 2020</b>	<b>61.5</b>
<b>Budgeted</b>	
Acquisitions	0.0
Garage transfer from HRA	4.0
Enhancements	0.3
Gains/(losses) in fair value**	-
Transfers (to)/from PPE (operational assets)*	0.0
<b>31 March 2021</b>	<b>65.8</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 2020	Retail	Offices	Industrial	Residential / Garages	Other	Total
Value £000s	31,759	9,152	4,459	14,963	1,126	61,459

**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 2020, the Council had £6.1m 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*

	2019/20 Actual £000	2020/21 Forecast £000	2021/22 Budget £000	2022/23 Budget £000	2023/24 Budget £000
Gross service expenditure	35,128	34,307	34,081	30,690	32,073
Investment income*	3,097	3,020	3,065	3,103	3,710
Proportion	8.8%	8.8%	9.0%	10.1%	11.6%

*\*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 (CAB3282).

*Table 6: Total investment exposure in £millions*

Total investment exposure	31.03.2020 Actual	31.03.2021 Forecast	31.03.2022 Forecast
Treasury management investments	29.9m	15.0m	15.0m
Service investments: Loans	0.1m	0.1m	0.1m
Service investments: Shares	0.2m	0.3m	0.3m
Commercial investments: Property	61.5m	65.8m	67.4m
<b>TOTAL EXPOSURE</b>	<b>91.7m</b>	<b>81.2m</b>	<b>82.8m</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	31.03.2020 Actual	31.03.2021 Forecast	31.03.2022 Forecast
Treasury management investments	0.0m	0.0m	0.0m
Service investments: Loans	0.0m	0.0m	0.0m
Service investments: Shares	0.0m	0.0m	0.0m
Commercial investments: Property	0.0m	0.7m	2.9m
<b>TOTAL FUNDED BY EXTERNAL BORROWING</b>	<b>0.0m</b>	<b>0.7m</b>	<b>2.9m</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	2019/20 Actual	2020/21 Forecast	2021/22 Forecast
Treasury management investments	1.3%	1.0%	1.0%
Service investments: Loans	0.0%	0.0%	0.0%
Service investments: Shares	0.0%	0.0%	0.0%
Commercial investments: Property	4.0%	3.8%	3.9%
<b>ALL INVESTMENTS*</b>	3.0%	3.1%	3.3%

*\*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 2020. Further detail on borrowing is included in the Treasury Management Strategy (CAB3282)

*Table 9: Capital Financing Requirement to total fixed assets value*

Capital Financing Requirement to total fixed assets value	2019/20 Actual	2020/21 Forecast*	2021/22 Forecast*
General Fund - total fixed assets (£m)	152.5	187.0	227.0
<b>Outstanding CFR (%)</b>	27.0%	37.4%	41.8%
Housing Revenue Account - total fixed assets (£m)	444.2	463.0	495.0
<b>Outstanding CFR (%)</b>	36.6%	35.9%	38.8%

*\*excludes future changes in valuation*

## Flexible Use of Capital Receipts Strategy

### **1. Introduction**

Ordinarily, capital resources such as capital receipts can only be used on capital expenditure (i.e. the creation or enhancement of a capital asset). However, the MHCLG Secretary of State issued a direction to local authorities in order to give them the freedom to use capital receipts from the sale of their own assets (excluding Right to Buy receipts) to help fund the revenue costs of transformation projects and release savings, including through redundancy, for the financial years 2016/17 to 2021/22. By using capital receipts, the council is able to avoid the negative impact of on its annual revenue budget of one-off costs but this will reduce the available resources for future capital projects.

### **2. The Direction**

The direction issued by the Secretary of State specifies that local authorities can treat as capital expenditure, expenditure which:

- “is incurred by the authority that is designed to generate savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners”
- “is properly incurred by the authority for the financial years that begin on 1 April 2016 to 1 April 2021”

### **3. Available capital receipts**

It is a condition of the direction that it only applies to capital receipts received in the years to which the direction applies.

From 2016/17, the council’s General Fund has received £194,000 in capital receipts which meet the criteria to be used under this direction.

### **4. Proposed use**

2020/21 – the council approved a number of measures in the revised budget (CAB3256 September 2020) in order to generate ongoing savings including a number of redundancies. The severance costs have not been finalised but it is proposed that the first £194,000 in costs be funded by the available capital receipts in accordance with this strategy.

2021/22 – no further redundancies are currently planned but should further savings be required, it is proposed to use any of the remaining available receipts to fund any severance costs. In addition, the proceeds from any further in-year asset sales will be used for this purpose though none is currently forecast.

#### **5. Prudential indicators**

As the capital receipts available under the direction were not allocated to existing capital projects, there is no impact on the council's prudential indicators as it has not been necessary to identify alternative funding sources.

It should be noted that these receipts will not be available for future projects and alternatives such as borrowing may need to be identified in the future which would increase the council's capital financing requirement (borrowing need). However, the council is allowed to borrow for capital projects whereas it is not for revenue purposes.



REPORT TITLE: TREASURY MANAGEMENT STRATEGY 2021/22

11 FEBRUARY 2021

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  
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WARD(S): ALL WARDS

## PURPOSE

This report sets out the proposed Treasury Management Strategy Statement, including the Annual Investment Strategy for the Council for 2021/22.

Following the Council's declaration of a Climate Emergency in June 2019 the Investment Strategy (Section 16) includes a commitment not to make equity investments either directly or indirectly (via pooled funds) in companies directly involved in the fossil fuel industry.

In addition, following recently announced changes to the Public Works Loans Board (PWLB) lending criteria which precludes a local authority from borrowing from PWLB for any purpose if it plans to purchase assets primarily for yield, the Borrowing Strategy (section 15) confirms the Council has no such plans.

## RECOMMENDATIONS: to Cabinet and Council

1. That the Treasury Management Strategy Statement which includes the Annual Treasury Investment Strategy for 2021/22 (and the remainder of 2020/21) is approved;
2. That 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; and
3. That authority is delegated to the Section 151 Officer, who in turn discharges

this function 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 £20m, would yield £0.2m per annum.

### 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.
- 6.2 In December 2020 several members attended the annual treasury management briefing session provided by the council's treasury advisors Arlingclose.
- 6.3 The Scrutiny Committee discussed the report at its meeting held on 2 February 2021. At the conclusion of questions and debate, the Committee

agreed that it would be useful to highlight year on year changes. Further information highlighting key changes is now provided at paragraph 11.3.

## 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 16 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	

### SUPPORTING INFORMATION:

#### 11 Summary

11.1 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.

- 11.2 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.
- 11.3 The key changes in the strategy this year are:
- text included to reflect the changes to PWLB lending criteria meaning that PWLB loans are no longer available to authorities planning to buy investment assets primarily for yield (paragraph 15.5);
  - investment limits amended to reflect the lower investment balances expected to be held due to the capital programme expenditure (Tables 5 and 6);
  - the requirement to cap investments in Money Market Funds at 50% of the total investment balance has been removed following advice from the council's treasury advisors, Arlingclose, reflecting the relative risks of different types of investments (Table 6 and paragraph 16.25); and
  - addition of a requirement that there must always be a minimum of 4 counterparties for liquid balances (including MMFs) to ensure access to cash is maintained with the only exception being that the Council may invest solely with the UK Government's Debt Management Office in times of market stress due to the additional security of this counterparty (paragraph 16.36).

## 12 Introduction

- 12.1 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.
- 12.2 Treasury risk management at the Council is conducted within the framework of the CIPFA Code which requires the Council to approve a Treasury Management Strategy Statement (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.
- 12.3 Investments held for service purposes or for commercial profit are considered in a different report, the Capital Investment Strategy.
- 12.4 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.

### 13 External Context

- 13.1 The following paragraphs explain the economic and financial background against which the TMSS is being set.

#### Economic background

- 13.2 The impact of the coronavirus pandemic and the UK's exit from the European Union will continue to be a major influence on the Council's treasury management strategy for 2021/22.
- 13.3 The Bank of England's (BoE) Monetary Policy Committee (MPC) met in December 2020 and voted unanimously to hold Bank Rate at 0.10% and to maintain its Quantitative Easing asset purchase programme at £895m. The MPC identified that the successful trialling of some Covid-19 vaccines was likely to reduce the downside risks to the economic outlook, but that economic activity had been affected by the increase in Covid-19 cases and reimposition of restrictions resulting in an unusually uncertain outlook for the economy, an outlook that will have been further affected by the subsequent national lockdown in January 2021.
- 13.4 Gross Domestic Product (GDP) grew by 16.0% in Quarter 3 after suffering a fall of 18.8% in the previous quarter, reflecting the easing of restrictions throughout the summer of 2020, although this had already slowed to 1.1% in September and 0.4% in October, leaving it 8% below its level in Quarter 4 of 2019.
- 13.5 UK Consumer Price Inflation (CPI) for November 2020 registered 0.3% year on year, down from 0.7% in the previous month and well below the BoE's target of 2%.
- 13.6 The most recent labour market data for the three months to October 2020 showed the unemployment rate was 4.9%, up 0.7% on the previous quarter. The government's employment support schemes may limit near term rises in unemployment, but the BoE predicts a substantial further increase is still likely. The employment rate fell to 72.5% in October and the 3-month average annual growth rate for wages was 2.1% for regular pay in real terms.

#### Credit outlook

- 13.7 After spiking in late March 2020 due to the onset of the global pandemic, credit default swap (CDS) prices for the larger UK banks have steadily fallen back to almost pre-pandemic levels. Bank profitability in 2020 is likely to be significantly lower than in previous years as a result of significant provisions for potential losses resulting from the pandemic.

- 13.8 The credit ratings for many UK institutions were downgraded on the back of downgrades to the sovereign rating. Credit conditions more generally though in banks and building societies have tended to be relatively benign, despite the impact of the pandemic.
- 13.9 Looking forward, there remains the potential risk for bank losses to be greater than expected when government and central bank support starts to be removed and Arlingclose therefore advises a cautious approach to bank deposits in 2021/22.

#### Interest rate forecast

- 13.10 The Council's treasury management adviser, Arlingclose, is forecasting that BoE Bank Rate will remain at 0.1% until at least the end of 2023. Downside risks remain, however, and may be heightened in the short term as the UK reacts to the escalation in coronavirus infection rates and the end of the Brexit transition period, therefore further cuts to 0% or even into negative territory cannot be completely ruled out.
- 13.11 A more detailed economic and interest rate forecast provided by Arlingclose is attached at Appendix A.

#### 14 Balance Sheet Summary and Forecast

- 14.1 On 31 December 2020, the Council held £156.7m of borrowing and £34.3m 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.
- 14.2 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.
- 14.3 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. This will reduce the council's capacity to internally borrow and there will be a need to take out additional external borrowing.
- 14.4 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 2021/22.

**Table 1: Balance sheet summary and forecast**

	<b>31/03/20 Actual £m</b>	<b>31/03/21 Estimate £m</b>	<b>31/03/22 Forecast £m</b>	<b>31/03/23 Forecast £m</b>	<b>31/03/24 Forecast £m</b>
General Fund CFR	41.2	69.9	94.9	94.1	93.1
HRA CFR	162.8	166.4	192.1	236.5	256.8
<b>Total CFR</b>	<b>204.0</b>	<b>236.3</b>	<b>287.0</b>	<b>330.6</b>	<b>349.9</b>
Less: External borrowing *	(156.7)	(156.7)	(156.7)	(156.7)	(156.7)
<b>Internal (over) borrowing</b>	<b>47.3</b>	<b>79.6</b>	<b>130.3</b>	<b>173.9</b>	<b>193.2</b>
Less: GF Usable reserves	(36.3)	(34.9)	(26.0)	(25.9)	(25.6)
Less: HRA Usable reserves	(22.0)	(24.0)	(29.2)	(29.5)	(30.3)
Less: Working capital	(19.1)	(14.0)	(14.0)	(14.0)	(14.0)
<b>Resources for investments</b>	<b>(77.4)</b>	<b>(72.9)</b>	<b>(69.2)</b>	<b>(69.4)</b>	<b>(69.9)</b>
<b>New borrowing or (investments)</b>	<b>(29.9)</b>	<b>6.7</b>	<b>61.1</b>	<b>104.5</b>	<b>123.3</b>

\* shows existing external borrowing and assumes this will be refinanced on maturity

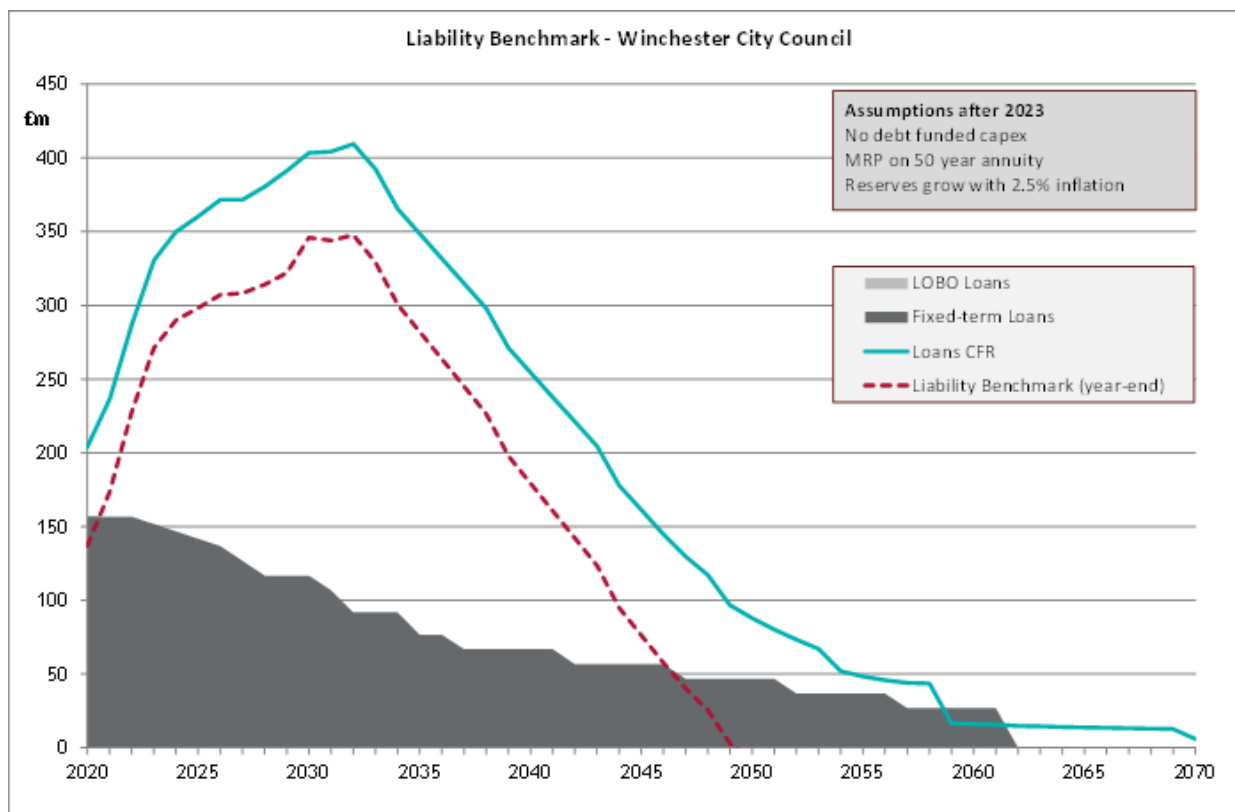
#### Liability benchmark

- 14.5 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>31/03/20 Actual £m</b>	<b>31/03/21 Estimate £m</b>	<b>31/03/22 Forecast £m</b>	<b>31/03/23 Forecast £m</b>	<b>31/03/24 Forecast £m</b>
Total CFR	204.0	236.3	287.0	330.6	349.9
Less: Total usable reserves	(58.2)	(58.9)	(55.2)	(55.4)	(55.9)
Less: Working capital	(19.1)	(14.0)	(14.0)	(14.0)	(14.0)
Plus: Minimum investments	10.0	10.0	10.0	10.0	10.0
<b>Liability benchmark</b>	<b>136.7</b>	<b>173.4</b>	<b>227.8</b>	<b>271.2</b>	<b>290.0</b>





- 14.6 At the start of the period, 31st March 2020, the Council had a Loans CFR of £204m, fixed term loans of £157m and a liability benchmark of £137m. The difference of £47m between the CFR and fixed term loans is internal borrowing and is where the Council has used its own cash and investment balances to fund its borrowing need.
- 14.7 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.
- 14.8 The forward projection using the Council capital programme forecasts indicate that capital expenditure funded by borrowing of around £145.9m will occur from the position at the 31 March 2020 to 31 March 2024 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 £133.3m 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.
- 15 Borrowing Strategy
- 15.1 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 £71.1m in 2021/22 in order to maintain a minimum balance of £10m. The Council may also borrow additional sums to pre-fund future years' requirements, providing total

external borrowing does not exceed the authorised limit for borrowing of £320.8m.

### Objectives

- 15.2 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

- 15.3 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 use internal resources where possible or to borrow short term loans to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. It may be beneficial to secure long term loans for Housing Revenue Account (HRA) purposes where these provide certainty and are viable in the context of the 30 year HRA business plan.
- 15.4 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 and this will be used to help determine whether the Council borrows additional sums at long-term fixed rates in 2021/22 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
- 15.5 The Council has previously raised all of its long-term borrowing from the Public Works Loan Board (PWLB) but will consider long-term loans from other sources including banks, pension funds and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. New PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield (including where individual purchases are not funded by borrowing) the Council has no plans to undertake this activity and will therefore retain its access to PWLB loans. If the Council were to elect to purchase assets primarily for yield it would have no access to the PWLB for loans for any purpose. This would expose the Council to significant liquidity risk as it would need to obtain loans elsewhere in the market to finance its borrowing need.
- 15.6 Alternatively, the Council may arrange forward-starting loans, 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.

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

#### Sources of borrowing

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

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- Any institution approved for investments (see below)
- Any other bank or building society authorised to operate in the UK
- Any other UK public sector body
- 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

- 15.9 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

#### Short-term and variable rate loans

- 15.10 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

- 15.11 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.

## 16 Treasury Investment Strategy

- 16.1 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 treasury investment balance has ranged between £29.9m and £65.1m.

### Objectives

- 16.2 The CIPFA Code requires the Council to invest its treasury 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

- 16.3 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

- 16.4 The COVID-19 pandemic has increased the risk that the Bank of England will 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, and in some instances negative interest rates are already being seen. Since investments cannot pay negative income, negative rates will be applied by reducing the value of investments. 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

- 16.5 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 £10m that is available for longer-term investment.
- 16.6 At 31 December 2020 approximately 54% of the Council's cash was invested so that it is not subject to bail-in risk as it was invested in local authorities,

pooled property funds, corporate bonds and secured bank bonds, or invested with the Debt Management Office.

- 16.7 Of the 46% of cash that was subject to bail-in risk, 53% was held in cash plus funds and overnight money market funds which are subject to a reduced risk of bail in, 28% was held in very short term notice accounts providing a comparatively favourable rate of interest in exchange for a short notice period within the 35 day maximum recommended by Arlingclose. The remaining 19% of cash subject to bail-in risk was held in overnight bank call accounts for liquidity purposes.
- 16.8 Further detail is provided at Appendix B and this diversification represents a continuation of the strategy adopted in 2015/16.
- 16.9 Under the new IFRS 9 standard, the accounting for certain investments depends on the 'business model' for managing them. The Council aims to achieve value from its internally managed treasury investments through a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.
- 16.10 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 and also offers the potential for enhanced returns over the longer term but is likely to be 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.
- 16.11 Table 3 shows the market value of the Council's investment in the pooled property fund at 31 December 2020, with the valuation continuing to be impacted by the ongoing volatility in markets as a result of the coronavirus pandemic.

**Table 3: High yield investments capital value**

	<b>Principal invested £m</b>	<b>31/12/2020 Market value £m</b>	<b>Capital yield in 2020 %</b>
Pooled Property Fund	5.0	5.2	(6.07)
<b>Total</b>	<b>5.0</b>	<b>5.2</b>	<b>(6.07)</b>

- 16.12 Money can usually be redeemed from this pooled fund after a short notice period of 90 days, however this investment must be viewed as a long-term investment from core balances not required for immediate liquidity requirements. This ensures that even in times of market volatility, the Council's will not be a forced seller and will not crystallise capital losses.

- 16.13 Changes to International Financial Reporting Standards mean that even if investments are not sold, unrealised capital gains and losses on these investments need to be reflected in the revenue account on an annual basis. There is, however, currently a statutory override in place for local authorities that exempts them from complying with this requirement for the next 3 years meaning that any changes in value continue to be accounted for through an unusable reserve.
- 16.14 The Council's long-term investment in this pooled property funds is expected to bring benefits to the revenue budget through higher yields than can be achieved on cash investments. As shown in Table 4, without the allocation to the fund the weighted average return of the Council's cash investments would have been 0.32%. By investing in the pooled fund, the weighted average return at 31 December 2020 was 0.87%, meaning the allocation to higher yielding investments has added 0.55% to the average interest rate earned by the remainder of the portfolio.
- 16.15 This benefit to the revenue budget is demonstrated in Table 4, using cash balances and average returns at 31 December 2020. It should be noted that this is a snapshot at a particular point in time and balances and returns do not remain constant over the course of a year. The actual returns will form part of the outturn report at the conclusion of the financial year.

**Table 4: Estimated annual income returns**

	<b>Cash balance at 31/12/2020</b>	<b>Weighted average return</b>	<b>Estimated annual income return</b>
	<b>£m</b>	<b>%</b>	<b>£m</b>
Short-term and long-term cash investments	29.3	0.32	0.09
Investments targeting higher yields	5.0	4.08	0.20
<b>Total</b>	<b>34.3</b>	<b>0.87</b>	<b>0.29</b>

- 16.16 The performance of this investment and its suitability in meeting the Council's investment objectives are monitored regularly and discussed with Arlingclose.

Investment limits

- 16.17 The maximum that will be lent to any one organisation (other than the UK Government) will be £5m. A group of entities under the same ownership will be treated as a single organisation for limit purposes. Limits are placed on fund managers as shown in Table 5.

**Table 5: Investment limits**

	<b>Cash limit</b>
Any single organisation, except the UK Central Government	£5.0m each
UK Central Government	Unlimited
Any group of pooled funds under the same management	£12.5m per manager

Approved counterparties

16.18 The Council may invest its surplus funds with any of the counterparty types in Table 6, subject to the limits shown.

**Table 6: Sector and counterparty limits**

<b>Sector</b>	<b>Time limit</b>	<b>Counterparty limit</b>	<b>Sector limit</b>
The UK Government	30 years	Unlimited	n/a
Local authorities & other government entities	25 years	£5.0m	Unlimited
Secured investments *	25 years	£5.0m	Unlimited
Banks (unsecured) *	13 months	£2.5m	Unlimited
Building societies (unsecured) *	13 months	£2.5m	£5.0m
Registered providers (unsecured) *	5 years	£2.5m	£12.5m
Money market funds *	n/a	£5.0m	Unlimited
Strategic pooled funds	n/a	£5.0m	£25.0m
Real estate investment trusts	n/a	£5.0m	£12.5m
Other investments *	5 years	£2.5m	£5.0m

This table must be read in conjunction with the notes below.

\* Minimum credit rating

16.19 Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. 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 known factors including external advice will be taken into account.

16.20 For entities without published credit ratings, investments may be made where external advice indicates the entity to be of similar credit quality.

### Government

- 16.21 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 generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 30 years.

### Secured investments

- 16.22 Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies 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. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

### Banks and building societies (unsecured)

- 16.23 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.

### Registered providers (unsecured)

- 16.24 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 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.

### Money market funds

- 16.25 Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.



### Strategic pooled funds

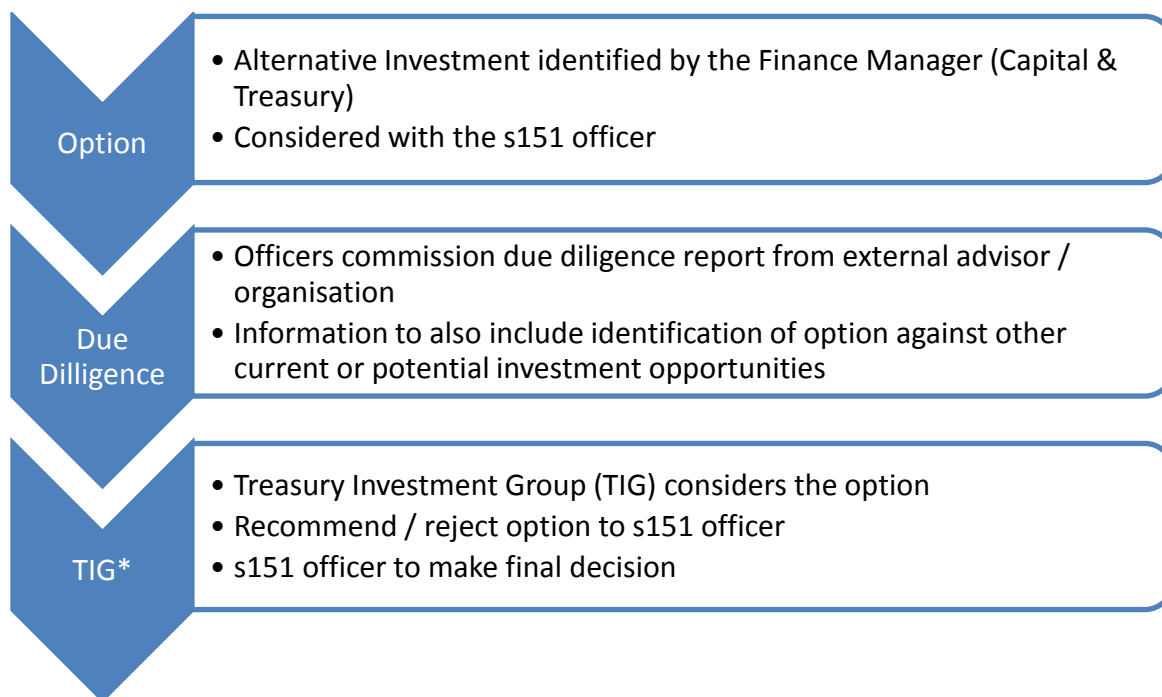
- 16.26 Shares or units in diversified investment vehicles consisting of bond, equity and property investments. These funds offer the potential for enhanced returns over the longer term but are more volatile in the short term and allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. This sector also includes cash plus funds which are also a type of pooled fund, but are used for short-term funds, with a lower risk appetite. Because strategic pooled 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 (REITs)

- 16.27 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 the potential for enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

### Other investments

- 16.28 This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Council's investment at risk.
- 16.29 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 & Governance Committee
- Shadow Cabinet Member for Finance
- S151 officer

#### Operational bank accounts

16.30 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

16.31 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.

16.32 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as “negative watch”) 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

16.33 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.

16.34 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, 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 likely lead to investment returns falling but will protect the principal sum invested.

#### Liquidity management

16.35 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.

- 16.36 The Council will spread its liquid cash over at least four providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider, except in cases of extreme market stress whereby the Council will be able to invest all of its liquid cash in one provider only, being the Debt Management Office.

17 Treasury Management Indicators

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

Interest rate exposures

- 17.2 The following indicator shows the sensitivity of the Council's current investments and borrowing to a change in interest rates. Fixed rate investments maturing during the year are assumed to be variable for the remainder of the year.

**Table 7: Interest rate risk indicator**

	<b>31 December 2020</b>	<b>Impact of +/-1% interest rate change</b>
	<b>£m</b>	<b>£m</b>
Sums subject to variable interest rates:		
- Investment	34.3	+/-0.3
- Borrowing	0.0	+/-0.0

Maturity structure of borrowing

- 17.3 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%

- 17.4 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

- 17.5 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 long-term principal sum invested to final maturities beyond the period end will be:

**Table 9: Price risk indicator**

	2021/22	2022/23	2023/24
Limit on principal invested beyond year end	£10m	£10m	£10m

18 Prudential Indicators – Borrowing

Gross Debt and the Capital Financing Requirement

- 18.1 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**

	31/03/21 Revised £m	31/03/22 Estimate £m	31/03/23 Estimate £m	31/03/24 Estimate £m
Borrowing	(156.7)	<b>(156.7)</b>	(156.7)	(156.7)
New borrowing	(16.7)	<b>(71.1)</b>	(114.5)	(133.3)
Finance leases	-	-	-	-
<b>Total Debt</b>	<b>(173.4)</b>	<b>(227.8)</b>	<b>(271.2)</b>	<b>(290.0)</b>

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

Operational Boundary for External Debt

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

**Table 11: Operational Boundary**

	<b>2020/21 Revised £m</b>	<b>2021/22 Estimate £m</b>	<b>2022/23 Estimate £m</b>	<b>2023/24 Estimate £m</b>
Borrowing	253.2	<b>303.9</b>	347.5	366.8
Other long-term liabilities	-	-	-	-
<b>Total Debt</b>	<b>253.2</b>	<b>303.9</b>	<b>347.5</b>	<b>366.8</b>

Authorised Limit for External Debt

- 18.4 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>2020/21 Limit £m</b>	<b>2021/22 Limit £m</b>	<b>2022/23 Limit £m</b>	<b>2023/24 Limit £m</b>
Borrowing	270.1	<b>320.8</b>	364.4	383.7
Other long-term liabilities	-	-	-	-
<b>Total Debt</b>	<b>270.1</b>	<b>320.8</b>	<b>364.4</b>	<b>383.7</b>

19 Related Matters

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

Financial derivatives

- 19.2 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).
- 19.3 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.

- 19.4 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.
- 19.5 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

- 19.6 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

- 19.7 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.
- 19.8 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.
- 19.9 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 8 December 2020, which gave an update of treasury matters. A further Arlingclose workshop has been planned for 2021.

#### Investment advisers

- 19.10 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

- 19.11 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 £335.8m.

#### Markets in Financial Instruments Directive

- 19.12 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.

#### 20 OTHER OPTIONS CONSIDERED AND REJECTED

- 20.1 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.
- 20.2 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](#)

[CAB3218: Treasury Management Strategy 2020-21, 12 February 2020](#)



[AG0029: Treasury Management Outturn 2019/20, 28 July 2020](#)

[AG034: Treasury Management Mid-Year Monitoring Report 2020/21, 12 November 2020](#)

Other Background Documents:-

None

APPENDICES:

Appendix A – Arlingclose Economic & Interest Rate Forecasts December 2020

Appendix B - Existing Investment & Debt Portfolio Position at 31 December 2020

## Appendix A – Arlingclose Economic & Interest Rate Forecast December 2020

### Underlying assumptions:

- The medium-term global economic outlook has improved with the distribution of vaccines, but the recent upsurge in coronavirus cases has worsened economic prospects over the short term.
- Restrictive measures and further lockdowns are likely to continue in the UK and Europe until the majority of the population is vaccinated by the second half of 2021. The recovery period will be strong thereafter, but potentially longer than previously envisaged.
- Signs of a slowing UK economic recovery were already evident in UK monthly GDP and PMI data, even before the second lockdown and Tier 4 restrictions. Employment is falling despite an extension to support packages.
- The need to support economic recoveries and use up spare capacity will result in central banks maintaining low interest rates for the medium term.
- Brexit will weigh on UK activity. The combined effect of Brexit and the after-effects of the pandemic will dampen growth relative to peers, maintain spare capacity and limit domestically generated inflation. The Bank of England will therefore maintain loose monetary conditions for the foreseeable future.
- Longer-term yields will also remain depressed, anchored by low central bank policy rates, expectations for potentially even lower rates and insipid longer-term inflation expectations. There is a chance yields may follow a slightly different path in the medium term, depending on investor perceptions of growth and inflation, or the deployment of vaccines.

### Forecast:

- Arlingclose expects Bank Rate to remain at the current 0.10% level.
- Our central case for Bank Rate is no change, but further cuts to zero, or perhaps even into negative territory, cannot be completely ruled out, especially with likely emergency action in response to a no-deal Brexit.
- Gilt yields will remain low in the medium term. Shorter term gilt yields are currently negative and will remain around zero or below until either the Bank expressly rules out negative Bank Rate or growth/inflation prospects improve.
- Downside risks remain, and indeed appear heightened, in the near term, as the government reacts to the escalation in infection rates and the Brexit transition period ends.

	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
<b>Official Bank Rate</b>													
Upside risk	0.00	0.00	0.15	0.15	0.15	0.15	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Downside risk	0.30	0.40	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
<b>3-month money market r.</b>													
Upside risk	0.05	0.05	0.10	0.10	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.10	0.10	0.15	0.15	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Downside risk	0.30	0.40	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
<b>1yr money market rate</b>													
Upside risk	0.05	0.05	0.10	0.10	0.15	0.20	0.40	0.40	0.40	0.40	0.40	0.40	0.40
Arlingclose Central Case	0.15	0.15	0.25	0.25	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Downside risk	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15
<b>5yr gilt yield</b>													
Upside risk	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Arlingclose Central Case	0.00	0.00	0.05	0.10	0.15	0.20	0.20	0.20	0.25	0.25	0.25	0.25	0.25
Downside risk	0.40	0.45	0.50	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60
<b>10yr gilt yield</b>													
Upside risk	0.30	0.35	0.40	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Arlingclose Central Case	0.25	0.30	0.35	0.35	0.40	0.40	0.45	0.45	0.50	0.55	0.55	0.55	0.60
Downside risk	0.50	0.50	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55
<b>20yr gilt yield</b>													
Upside risk	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Arlingclose Central Case	0.70	0.70	0.75	0.75	0.75	0.80	0.80	0.85	0.85	0.85	0.85	0.90	0.90
Downside risk	0.30	0.30	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
<b>50yr gilt yield</b>													
Upside risk	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Arlingclose Central Case	0.60	0.60	0.65	0.65	0.65	0.70	0.70	0.75	0.75	0.75	0.75	0.80	0.80
Downside risk	0.30	0.30	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40

**PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%**  
**PWLB Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%**

## Appendix B - Existing Investment & Debt Portfolio Position at 31 December 2020

### Investment Position (Treasury Investments)

	30/09/2020 Balance £m	Movement £m	31/12/2020 Balance £m	31/12/2020 Rate %	31/12/2020 WAM* years
<b>Short term investments</b>					
Banks and Building Societies:					
- Unsecured	4.0	3.5	7.5	0.05	0.0
- Secured	3.5	-	3.5	1.24	0.3
Money Market Funds	14.4	(7.1)	7.3	0.01	0.0
Local Authorities	1.5	2.0	3.5	0.66	0.2
Debt Management Office	-	4.5	4.5	0.01	0.1
Cash Plus Funds	1.0	-	1.0	1.23	0.0
	<b>24.4</b>	<b>2.9</b>	<b>27.3</b>	<b>0.31</b>	<b>0.1</b>
<b>Long term investments</b>					
Banks and Building Societies:					
- Secured	2.0	-	2.0	0.47	2.0
	<b>2.0</b>	<b>-</b>	<b>2.0</b>	<b>0.47</b>	<b>2.0</b>
<b>High yield investments</b>					
Pooled Property Funds**	5.0	-	5.0	4.08	n/a
	<b>5.0</b>	<b>-</b>	<b>5.0</b>	<b>4.08</b>	<b>n/a</b>
<b>TOTAL INVESTMENTS</b>	<b>31.4</b>	<b>2.9</b>	<b>34.3</b>	<b>0.87</b>	<b>0.2</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

	31/12/2020 Balance £m	31/12/2020 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>34.3</b>	<b>0.87</b>
<b>Net (Debt) / Investments</b>	<b>(122.4)</b>	

CAB3290  
CABINET

REPORT TITLE: HOUSING REVENUE ACCOUNT BUDGET 2021/22 AND  
PROCUREMENT OF TERM MAINTENANCE CONTRACTS

11 FEBRUARY 2021

REPORT OF CABINET MEMBER: Cabinet Member for Housing and Asset  
Management

Contact Officer: Dick Johnson Tel No: 01962 848136

Email: [Djohnson@Winchester.gov.uk](mailto:Djohnson@Winchester.gov.uk)

WARD(S): ALL

PURPOSE

This report requests approval for the proposed HRA revenue budget for 2021/22, as detailed in Appendices 1 and 2.

The report also requests approval for the capital programme budget proposal for 2021/22 and 10 year plan to 2030/31. These figures are detailed in Appendices 3 and 4, taking account of the funding shown in Appendix 5.

The proposed HRA Business plan 2020/21 to 2049/50 was reported to Cabinet in December, and this confirmed that the HRA Business plan was both viable and sustainable. A summary extract of the 30 year revenue operating account is included in Appendix 6.

The report includes details of the HRA term maintenance contracts and seeks Cabinet approval for the proposed procurement actions requested.

RECOMMENDATIONS:

That Cabinet recommend that Council

1. Approve the 2021/22 Housing Revenue Account budget as detailed in Appendices 1 and 2 to this report.
2. Approve a rent increase in 2021/22 in accordance with the Government's national rent standard (September CPI + 1%) resulting in an average rent increase of 1.5%.
3. Approve the HRA capital programme as set out in appendices 3 and 4
4. Approve capital expenditure in 2021/22 of £11.027m for the Maintenance, Improvement and Renewal programme as detailed in Appendix 3 of the report, in accordance with Financial Procedure Rule 7.4
5. Approve funding for the HRA Capital Programme, as detailed in Appendix 5
6. Approve the HRA Financial Plan operating account extract, including annual working balances, as detailed in Appendix 6.
7. Approve the creation of an Energy Officer post to facilitate the council's carbon reduction agenda and embed it within the current and future housing stock at a cost of £53k.
8. Agree to support the proposed increase in capital funding of £2.5m in retro fitting capital funding which will increase the funding available for climate change initiatives over the next 10 years to £15.675m (including inflation) .
9. Agree to support the proposal for a £10m investment in the purchase of a potential site for new housing development, as well as £0.5m for nitrate mitigation offset measures.
10. Agree to support the allocation of an additional £0.2m of investment as described at paragraph 17.2 of this report for sewage treatment works.

That Cabinet:

11. Approve the increase in budgetary provision of £0.064m to support the increase in costs of the current 1 year Orchard contract and enable officers to procure a longer term 3 year contract.

12. Approve that, subject to the agreement of the contractor, the housing term maintenance contracts (Lot 1 - day to day responsive repairs and Lot 2 - repair and re-instatement of empty properties), currently awarded to Osborne Property Services Ltd, be extended for a further and final period of five years (from 1/8/2021 to 31/7/2026) in accordance with Exception to Contract Procedure Rules 41.1(e).
13. Agree that, the current contract (with British Gas T/A PH Jones) for heating appliance servicing and responsive repairs not be extended beyond 30/9/2021 and that, for the new contract, delegated authority be given to the Strategic Director - Services following consultation with the Cabinet Member for Housing and Asset Management to:
  - a. select a suitable competitive procurement option
  - b. Select and subscribe to (if deemed appropriate and necessary) an existing external Framework agreement to procure these works.
  - c. select and invite contractors to be invited to tender or mini-competition
  - d. evaluate tenders
  - e. select a preferred bidder and prepare, award and enter into the contract
14. Approve that the evaluation for heating appliance servicing and responsive repairs tender be assessed on the basis of Most Economically Advantageous Tender and the tender model utilised to be 50% Cost, 50% Quality.
15. Agree that authority is delegated to the Service Lead – Legal to prepare and enter into the contracts to enable the extension of the contract with Osborne and a contract for the heating appliance servicing and responsive repairs of the city councils housing stock.

## IMPLICATIONS:

### 1 SUPPORTING INFORMATION:

#### 2 COUNCIL PLAN OUTCOME

- 2.1 Providing good quality housing and new affordable homes is a strategic priority for the Council. Effective management of the resources available to the Council enable it to take advantage of new opportunities and ensure that satisfaction levels remain high amongst tenants in relation to their home and community. In particular
- 2.2 Tackling the Climate Emergency and Creating a Greener District
- a) Carbon Neutrality measures will be implemented across existing housing stock and include within the design and construction of new properties, and feasibility considered in the purchase of any substitute properties
- 2.3 Homes for all
- a) Assist with the increase of housing property stock across the Winchester district
- 2.4 Vibrant Local Economy
- a) Deliver affordable accommodation that allows people to live and work in the community and contribute to the local economy.
- 2.5 Living Well
- a) The wellbeing of residents are considered within the design of new properties and any substitute properties will be viewed accordingly.
- 2.6 Your Services, Your Voice
- a) Housing tenants are directly involved in decisions regarding service provision, both through the work of TACT and through regular digital engagement processes. The service continues to review options to provide an improved customer experience, increase opportunities for digital engagement and to ensure satisfaction with services provided by the Council remains high.

### 3 FINANCIAL IMPLICATIONS

- 3.1 These are fully detailed in Section 12 of the report and the accompanying appendices.



#### 4 LEGAL AND PROCUREMENT IMPLICATIONS

- 4.1 Under Part VI of the Local Government and Housing Act 1989 any local authority that owns housing stock is obliged to maintain a Housing Revenue Account. The HRA is a record of revenue expenditure and income in relation to an authority's own housing stock. The items to be credited and debited to the HRA are prescribed by statute. It is a ring fenced account within the authority's General Fund, which means that local authorities have no general discretion to transfer sums into or out of the HRA.
- 4.2 The Council is required to prepare proposals each year relating to the income of the authority from rents and other charges, expenditure in respect of repair, maintenance, supervision and management of HRA property and other prescribed matters. The proposals should be made on the best assumptions and estimates available and designed to secure that the housing revenue account for the coming year does not show a debit balance. The report sets out information relevant to these considerations.
- 4.3 Section 76 Local Government and Housing Act 1989 places a duty on local housing authorities: (a) to produce, and make available for public inspection, an annual budget for their HRA which avoids a deficit; (b) to review and if necessary, revise that budget from time to time and (c) to take all reasonably practicable steps to avoid an end-of-year deficit.
- 4.4 The report seeks approval for major investment estimates in relation to a variety of schemes. In compliance with Section 151 of the Local Government Act 1972, the Council has in place Financial Procedures which provide appropriate arrangements for the approval of major works estimates. The various major works schemes must be capable of being carried out within the Council's statutory powers. In particular the maintenance of dwellings must be considered to be consistent with the Council's repairing obligation under Section 11 of the Landlord and Tenant Act 1985.
- 4.5 The extension to the Osborne contracts and the re-procurement of the heating appliance servicing works will be carried out in accordance with the Council's standard contract procedure rules.

#### 5 WORKFORCE IMPLICATIONS

- 5.1 Some of the options for consideration for next year's budget will require an additional staffing resource. These options are detailed within Section 17 as relevant but in summary will include up the creation of new Energy officer post to help facilitate the retro fitting project.

#### 6 PROPERTY AND ASSET IMPLICATIONS

- 6.1 In order to meet one of the key principles of the Council Strategy, the HRA is required to provide sufficient financial resources to both maintain existing stock to decent homes standard and to enable new affordable housing to be built to help meet local demands.

## 7 CONSULTATION AND COMMUNICATION

- 7.1 The Business Plan and HRA Budget Options were presented to TACT at their meeting on 13<sup>th</sup> January 2021 Tenant representatives will also be at Cabinet to give verbal feedback to Members on the report.
- 7.2 The Scrutiny Committee discussed the report at its meeting held on 2 February 2021. At the conclusion of questions and debate, the Committee agreed that there were no particular matters that it wished to raise for Cabinet to consider further.

## 8 ENVIRONMENTAL CONSIDERATIONS

- 8.1 The Housing Service considers environmental factors when preparing and developing major projects e.g. working closely with Planning and Landscape Officers when considering new build developments to meet the required codes for sustainable housing.

## 9 EQUALITY IMPACT ASSESSEMENT

This document is part of the budget consultation process and the public sector equality duty is considered alongside any relevant budget options

## 10 DATA PROTECTION IMPACT ASSESSMENT

- 10.1 All projects set out in this report and the Capital Programme will be subject to individual data protection impact assessments.

## 11 RISK MANAGEMENT

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
<i>Property That Council owned dwellings fail to meet decent home standards</i>	An effective programme of future works and sound financial planning ensures that these standards are met and then maintained.	Self-Financing provides certainty around future resource allocations and facilitates better supply chain management
<i>Community Support Lack of consultation will affect tenant satisfaction and cause objections to planning applications for new build developments.</i>	Regular communication and consultation is maintained with tenants and leaseholders on a variety of housing issues.  The Council consults with local residents and stakeholders on proposed	Positive consultation brings forward alternative options that may otherwise not have been considered.

	new build schemes.	
<p><i>Timescales</i>  <i>Delays to new build contracts may result in increased costs and lost revenue.</i></p>	New build contracts contain clauses to allow the Council to recover damages if the project is delayed due to contractor actions.	
<p><i>Project capacity</i>  <i>The HRA can borrow funds in addition to utilising external receipts and reserves but it must be able to service the loan interest arising and repay debt in the future.</i></p> <p><i>Staffing resources (not always in Housing) reduce the ability to push forward new schemes at the required pace.</i></p>	<p>Regular monitoring of budgets and business plans, together with the use of financial assessment tools enables the Council to manage resources effectively.</p> <p>Staffing resources have been reviewed to support the delivery of the enhanced new build programme.</p>	<p>The Council monitor's government announcements on the use of RTB receipts and potential capital grant funding.</p> <p>Given the challenging nature of the delivery targets it may be necessary to review the resourcing requirements needed to successfully deliver this step change in anticipated activity</p>
<p><i>Financial / VFM</i>  <i>Risks, mitigation and opportunities are managed through regular project monitoring meetings</i></p>	<p>New build Schemes are financially evaluated and have to pass financial hurdles and demonstrate VFM.</p> <p>In addition Total Scheme Costs contain provision for 5% contingency on build and 10% on fees for new build developments that take account of potential residual development and sales risk.</p>	
<p><i>Legal</i>  <i>The provision of social housing is a statutory requirement. Changing Government priorities place a greater emphasis on social housing which must be monitored and considered within planning</i></p>	Government statutory requirements and policy changes are being monitored to identify any new risks or opportunities that they may bring.	To create new housing developments within new guidelines and drawing on innovative thinking.

<i>of future new build projects.</i>		
<i>Innovation The creation of a Housing Company to support the new build programme is introduced without reference to existing rules and consents.</i>	External legal and business planning advice has been sought to ensure the Council has the most appropriate and effective solution and that any developments are only undertaken if they are financially viable.	A Housing Company has the potential to increase the available supply of affordable housing to support our residents.
<i>Reputation Failure to complete major housing projects due to lack of resources would have a direct impact on both customer satisfaction and the Council's reputation.</i>	Business planning tools with regular updates are utilised to make sure resources are available to complete projects.	
<i>Other – None</i>		

## 12 Budget Options

12.1 The proposed HRA Business plan is based upon the investment requirements from the asset management plan which in turn is informed by the component lifecycle replacement costs of maintaining both the current stock and importantly funding the long term maintenance costs of the new homes that are planned at the councils current decent homes standard plus.

12.2 In order to both maintain homes at decent homes and to fund the delivery of the new homes required, the HRA will need to undertake increased levels of prudential borrowing over both the medium and long term. A major part of the prudential assessment is having sufficient ongoing revenue funds to service the cost of borrowing undertaken. As identified previously the HRA does not have a legal requirement to set aside funds for the repayment of debt (MRP) as the assets held in the HRA are maintained as part of self- financing.

12.3 In order to further strengthen the capacity and capability of the HRA to facilitate and embed the carbon reduction agenda the plan allows for the further investment of £2.5m in the retro fitting programme on top of the current future allocation of £10.7m. In addition it allows for the creation of an energy officer post to support this important programme at a cost of £53k.

12.4 The ongoing investment requirements of the HRA sewage treatment works is currently being reviewed by officers with the aim of creating a robust future asset management strategy around these assets. In the meantime the plan allows for a minimum of £3.1m of investment over the next 30 years. An additional allocation of £200k is now required in 2021-22 to purchase & equip a

new sewage vehicle, allow for the reinstatement of a collapsed sewer and to facilitate some minor urgent backlog investment.

12.5 The investment plan allows for an additional £10m investment in the purchase of a new site for new housing, as well as £500k for nitrate mitigation offset measures.

12.6 The costs of running the current housing management system Orchard have increased and the offering now includes a number of new modules that are required by the business. The increase in costs is approximately £64k and it proposed that future budgetary provision be allowed for this increase. This will allow officers to look at options to extend the current 1 year contract to 3 years

### 13 Housing Revenue Account Budget 2021/22

13.1 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:

13.2 Employees – The 2021/22 budget position is £4.78m, an increase of £220k on the 2020/21 original budget. The employee budget includes the full year effect of the 2020/21 pay award and the impact of the energy officer post

13.3 Premises – The 2021/22 budget is £5.95m, an increase of £214k on the 2020/21 original budget. The main changes in funding are on repairs, cleaning and energy. The budget includes the financial plan assumptions reflecting inflation on response, void & cyclical repairs of £139k. It also includes additional funding towards of £60k for cleaning, partly reflecting the impact of increased cleaning costs as a result of Covid measures. There has also been an adjustment to the energy budget to realign the budget with actual costs.

13.4 Net Interest – The 2021/22 budget reflects the interest cost of anticipated HRA borrowing. It assumes an interest cost of £5.99m, an increase of £28k on the 2020/21 original budget. This is sufficient given likely PWLB interest rates of 1.8% to fund the cost of borrowing an additional £44.23m

13.5 Depreciation – Is an estimate based on the prior year. The budget for 2020/21 is £8.544, a reduction of £27k on the original budget for 2020/21. The actual cost of depreciation will reflect the value of the HRA operational assets, the anticipated capital spend and the changes in the number and value of HRA dwellings and non-HRA dwellings at year end.

13.6 External Income – The 2021/22 budget is £28.49m, an increase of £525k on the original budget for 2020/21. It reflects a rent increase of 1.5% from April 2021. Garage rents will increase by 3% in 2021/22, with service charges set to recover actual forecast cost.

### 14 Housing Services Capital Programme

- 14.1 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.
- 14.2 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. The 10 year housing services capital programme allocates £74.2m towards the upkeep and maintenance of HRA dwellings based on the investment requirements of the asset management plan, this includes the provision of inflation at an annualised rate of 3%.
- 14.3 The 10 year housing services capital programme includes a fire safety provision of £2.1m. In anticipation of the full recommendations arising from the Hackett review, a detailed fire safety review is in progress.
- 14.4 The asset management strategy will be updated in 2021/22 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.
- 14.5 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.
- 14.6 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 10 year housing services capital programme includes additional funding towards Climate change of £2.5m, and towards nitrate mitigation £0.5m. This brings the budgeted total resources devoted to Climate Change initiatives to £15.675m, including provision for inflation.
- 14.7 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.
- 14.8 The ongoing investment requirements of the HRA sewage treatment works is currently being reviewed by officers with the aim of creating a robust future asset management strategy around these assets. In the meantime the plan allows for a minimum of £3.1m of investment over the next 30 years. An additional allocation of £200k is now required in 2021-22 to purchase & equip a

new sewage vehicle, allow for the reinstatement of a collapsed sewer and to facilitate some minor urgent backlog investment.

## 15 New Build Capital Programme

15.1 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 funding of current projects and provision for emerging opportunities. It provides the financial support to enable the achievement of the Councils target to deliver 1,000 new Council homes over the next 10 years. The 10 year forward financial projection has identified a capital expenditure requirement of £254m. The projection includes known schemes £78m and an unallocated provision to cover additional schemes £176m 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.

15.2 A key factor in the delivery a future pipeline of new homes is the identification and acquisition of suitable land and appropriate sites to develop upon. 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. The budget for 2020/21 contains in addition to the £10m funding for land acquisition and £0.5m for nitrate mitigation, a further provision of £11.5m towards the delivery of new and as yet unidentified housing development schemes.

## 16. HRA Capital Programme Funding

16.1 Appendix 5 gives full details of how it is proposed to fund the Housing Services & New Build Budgets from 2020/21 to 2030/31

## 17 Term Maintenance Contracts (carried out by Osborne and PH Jones)

17.1 The responsive repairs and void (empty property) servicing contracts are currently carried out by Osborne Property Services Ltd. The initial contract term was for five years (from 1/8/2011 to 31/7/2016), with the option to extend by up to a further ten years (to 31/7/2026) should both parties mutually agree to do so (CAB2135 refers). Approval to award the second 5-year tranche of the contract (to 31/7/2021) was approved following continuing good performance by Osborne (CAB2743 refers). The overall tenant feedback on the service provided by Osborne remains very positive and there is clearly an ongoing desire and commitment from Osborne to provide WCC tenants with a high quality service.

17.2 The intention is to retain Osborne and award the third and final tranche of 5 years (from 1/8/2021 to 31/7/2026). Although these works could be re-procured from scratch, there is a risk of reduced performance and a real risk that costs might increase above current levels (approx. £4.5m per annum). In these very uncertain times, there are very significant benefits in maintaining stability and certainty (in both quality and costs) for these two key service areas. In support

of the extension, Osborne have also proposed a number of service and vfm improvements which officers are currently reviewing as part of normal and ongoing contract negotiations.

- 17.3 The contract for heating appliance servicing and responsive repairs (approx. £600/£700k per annum) is currently carried out by British Gas T/A PH Jones (CAB2907 refers). This was following a tenant scrutiny review into a prolonged period of unsatisfactory performance from the previous contractor (Liberty). The initial contract term was three years (from 1/10/2017 to 30/9/2020), with the option to extend by up to a further three years (to 30/9/2023) should both parties mutually agree to do so. To date, the contract has been extended by just one year (to 30/9/2021).
- 17.4 Performance by PH Jones is considered to have been inconsistent from the start of the contract, and continues to rely on significant Council resources to drive and maintain performance - the opportunity is therefore being taken now to review and modernise the specification to strengthen performance measures and reflect tenant suggestions from the latest digital survey returns.
- 17.5 Given the important nature of this contract it is vital that the sound maintenance of the council's housing stock is reflected in the tender evaluation model recommended to be of 50% Cost, 50% Quality as this is deemed most appropriate to deliver the required outcomes.
- 17.6 The proposal is therefore not to extend the current contract with PH Jones beyond 30/9/2021, but to re-procure and award from new using a suitable competitive procurement option. The proposed term for the new contract will be just under five years (from 1/10/2021 to 31/7/2026) so as to coincide with the end date of the Osborne final 5-year tranche mentioned previously - so broader procurement re-packaging can be considered for Housing services at that time. For these services, industry feedback suggests three years is generally regarded as the minimum term that is likely to attract most competitive interest.

## 18 OTHER OPTIONS CONSIDERED AND REJECTED

### 18.1 HRA Budget and Business Plan

Indicative modelling has demonstrated that if the new housing delivery target is reduced by 1,112 units that the need to borrow would reduce from an extra £250m to only £26m over the life of the plan with debt at year 30 reduced to £200m. However the remaining level of new build would be insufficient to use all the expected RTB 1-4-1 receipts and c. £94m would need to be repaid to central government.



## 18.2 Housing term Contracts

In respect of the term maintenance repair contracts (currently with Osborne and PHJ) a number of possible future packaging options have been considered. Although the PH Jones contract (for heating appliance servicing and responsive repair works) is currently due to come to an end on 30/9/2021, it could still be extended for further one or two years without the need for a new procurement. As with all contracts, it was hoped that this contract would run for the full term (i.e. until 30/9/2023) - but for a number of operational reasons, and the need to modernise the specification, now is considered the right time to re-procure these works.

Consideration was given to awarding the heating appliance servicing and responsive repair works to Osborne as a variation and addition to their general works/voids contracts. Although this option offered a number of significant benefits and a “good fit” operationally, this option was considered and rejected due to concerns of legal challenge for not following the Contract Procedure Rules and Public Contract Regulations 2015 by openly re-tendering these works.

Both the OPSL and PHJ contracts could be re-procured from scratch - offering a number and range of new package variants for consideration. This runs the risk of losing Osborne and paying more - and possibly for a poorer service. This option was considered and rejected because the Council already has a good contractor in place (and already with the option to extend for another five years) and does not want to put this at risk.

### BACKGROUND DOCUMENTS:-

#### Previous Committee Reports:-

[CAB3275 – HRA Budget Business Plan and Budget Options](#)

[CAB3111 – HRA Budget 2019-20 & Business Plan 2019/49 – 30 Jan 2019](#)

[CAB3016 \(HSG\) – HRA Budget 2018/19 & Business Plan 2018/48 – 31 Jan 2018](#)

### APPENDICES:

Appendix 1: HRA 2021/22 Budget – Service Summary

Appendix 2: HRA 2021/22 Budget – Subjective Summary

Appendix 3: Housing Services Capital Programme 2020/21 to 2030/31

Appendix 4: New Build Housing Capital Programme 2020/21 to 2030/31

Appendix 5: HRA Capital Programme Funding 2020/21 to 2030/31

Appendix 6: HRA Financial Plan 2020/21 to 2050/51 Extract – Operating Account

**APPENDIX 1: HRA 2021/22 BUDGET – SERVICE SUMMARY**

<u>Housing Revenue Account</u>	20/21 Original Budget per CAB3214 £	B/Fwd from 19/20 Per CAB3241 £	20/21 Revised Budget £	20/21 Forecast £	21/22 Original Budget £
<b>Service Summary</b>					
<b>Housing Management General</b>					
Estate Management	(1,381,884)	(8,220)	(1,390,104)	(1,273,922)	(1,381,655)
HRA General	(2,127,090)	(27,989)	(2,155,079)	(2,377,854)	(2,779,837)
Removal Incentive Scheme	(60,000)	0	(60,000)	(60,000)	(65,000)
Rent Accounting	(155,539)	(338)	(155,877)	(119,568)	(86,506)
Tenants Information	(94,320)	(455)	(94,775)	(92,362)	(91,095)
Vacant Dwellings	(24,550)	0	(24,550)	(24,500)	(25,400)
New Build Programme Support	(1,048,121)	(2,524)	(1,050,645)	(683,160)	(856,510)
	(4,891,504)	(39,526)	(4,931,030)	(4,631,366)	(5,286,003)
<b>Housing Management Special</b>					
Communal Services	85,461	0	85,461	81,657	58,641
Disabled Adaptations	(127,336)	(240)	(127,576)	(134,133)	(135,521)
Estate Maintenance	(564,525)	0	(564,525)	(508,909)	(528,510)
Homelessness	18,583	(833)	17,750	(137,688)	(184,309)
Sewage Works	(391,459)	0	(391,459)	(375,875)	(399,100)
Sheltered Housing	(818,440)	(2,351)	(820,791)	(804,469)	(901,833)
	(1,797,716)	(3,424)	(1,801,140)	(1,879,417)	(2,090,632)
<b>Repairs</b>					
Responsive Maintenance	(2,234,162)	0	(2,234,162)	(2,234,044)	(2,115,352)
Voids	(1,184,496)	0	(1,184,496)	(1,311,000)	(1,234,000)
Cyclic	(900,000)	0	(900,000)	(900,000)	(927,000)
Sub - total Repairs Works	(4,318,658)	0	(4,318,658)	(4,445,044)	(4,276,352)
Repairs Administration	(1,155,995)	(7,050)	(1,163,045)	(1,057,413)	(1,150,374)
	(5,474,653)	(7,050)	(5,481,703)	(5,502,457)	(5,426,726)
<b>Debt Management Expenses</b>					
Debt Management Expenses	(14,172)	0	(14,172)	(10,000)	(10,000)
Interest Payable	(5,961,000)	0	(5,961,000)	(5,244,300)	(6,011,700)
Depreciation of Fixed Assets	(8,570,000)	0	(8,570,000)	(8,570,000)	(8,544,300)
	(14,545,172)	0	(14,545,172)	(13,824,300)	(14,566,000)
<b>Rents and Other Income</b>					
Dwelling Rents	26,842,975	0	26,842,975	26,757,975	27,600,000
Garage Rents	217,465	0	217,465	217,465	79,000
Other Income	331,392	0	331,392	241,196	248,491
Sheltered Charges	552,700	0	552,700	542,428	543,120
Interest Receivable	21,000	0	21,000	22,600	20,000
	27,965,532	0	27,965,532	27,781,664	28,490,611
<b>Surplus for year on HRA Services</b>					
	<b>1,256,487</b>	<b>(50,000)</b>	<b>1,206,487</b>	<b>1,944,124</b>	<b>1,121,250</b>
<b>Capital Expenditure funded by HRA</b>					
Capital Expenditure funded by HRA	0	0	0	0	0
Right to Buy Admin Fees	26,000	0	26,000	28,600	28,600
<b>Net (increase)/decrease in HRA Balance before transfers to or from reserves</b>					
	<b>1,282,487</b>	<b>(50,000)</b>	<b>1,232,487</b>	<b>1,972,724</b>	<b>1,149,850</b>
<b>Transfer re Insurance Reserve</b>					
Transfer re Insurance Reserve	(66,300)	0	(66,300)	(66,300)	(66,300)
<b>(Increase)/ decrease in HRA Balance</b>					
	<b>1,216,187</b>	<b>(50,000)</b>	<b>1,166,187</b>	<b>1,906,424</b>	<b>1,083,550</b>
<b>HRA Working Balance</b>					
Opening Balance	11,766,060		12,983,045	12,983,045	14,889,469
Add Projected Deficit/(Surplus)	1,216,187		1,166,187	1,906,424	1,083,550
<b>Projected Balance at Year End</b>					
	<b>12,982,247</b>		<b>14,149,232</b>	<b>14,889,469</b>	<b>15,973,019</b>

**APPENDIX 2: HRA 2021/22 BUDGET – SUBJECTIVE SUMMARY**

<u>Housing Revenue Account</u>	20/21 Original Budget per CAB3214 £	B/Fwd from 19/20 Per CAB3241 £	20/21 Revised Budget £	20/21 Forecast £	21/22 Original Budget £
<b>Subjective Summary</b>					
Employees	(3,859,253)	0	(3,859,253)	(3,859,253)	(4,078,741)
Premises	(5,732,060)	0	(5,732,060)	(5,946,363)	(5,945,817)
Transport	(211,138)	0	(211,138)	(200,519)	(214,801)
Supplies & services	(1,189,780)	(50,000)	(1,239,780)	(961,347)	(1,272,122)
Third party payments	(121,000)	0	(121,000)	(136,000)	(223,978)
Support Services	(2,412,389)	0	(2,412,389)	(2,262,366)	(2,443,362)
Net Interest	(5,964,090)	0	(5,964,090)	(5,221,700)	(5,991,700)
Depreciation on Fixed Assets	(8,570,000)	0	(8,570,000)	(8,570,000)	(8,544,300)
External income	29,316,197	0	29,316,197	29,101,672	29,836,071
<b>Surplus for year on HRA Services</b>	<b>1,256,487</b>	<b>(50,000)</b>	<b>1,206,487</b>	<b>1,944,124</b>	<b>1,121,250</b>
Capital Expenditure funded by HRA	0	0	0	0	0
Right to Buy Admin Fees	26,000	0	26,000	28,600	28,600
<b>Net (increase)/decrease in HRA Balance before transfers to or from reserves</b>	<b>1,282,487</b>	<b>(50,000)</b>	<b>1,232,487</b>	<b>1,972,724</b>	<b>1,149,850</b>
Transfer re Insurance Reserve	(66,300)	0	(66,300)	(66,300)	(66,300)
<b>(Increase)/ decrease in HRA Balance</b>	<b>1,216,187</b>	<b>(50,000)</b>	<b>1,166,187</b>	<b>1,906,424</b>	<b>1,083,550</b>
<b>HRA Working Balance</b>					
Opening Balance	11,766,060		12,983,045	12,983,045	14,889,469
Add Projected Deficit/(Surplus)	1,216,187		1,166,187	1,906,424	1,083,550
<b>Projected Balance at Year End</b>	<b>12,982,247</b>		<b>14,149,232</b>	<b>14,889,469</b>	<b>15,973,019</b>

**APPENDIX 3: HOUSING SERVICES CAPITAL PROGRAMME 2020/21 TO 2030/31**

	2020/21	2020/21	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	Total
Housing Services Programme	Original Budget	Sept Revised	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
Major Repairs	(5,669)	(4,121)	(4,021)	(6,678)	(6,775)	(5,993)	(6,173)	(6,462)	(6,656)	(6,856)	(7,062)	(7,274)	(10,230)	(74,180)
<b>Major Repairs</b>	<b>(5,669)</b>	<b>(4,121)</b>	<b>(4,021)</b>	<b>(6,678)</b>	<b>(6,775)</b>	<b>(5,993)</b>	<b>(6,173)</b>	<b>(6,462)</b>	<b>(6,656)</b>	<b>(6,856)</b>	<b>(7,062)</b>	<b>(7,274)</b>	<b>(10,230)</b>	<b>(74,180)</b>
	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Estate Improvements	(400)	(400)	(400)	(507)	(419)	(431)	(444)	(457)	(471)	(485)	(500)	0	0	(4,114)
Sheltered Housing Upgrades	(100)	(100)	(100)	(135)	(105)	(54)	(56)	(57)	(59)	(61)	(62)	0	0	(688)
<b>Improvements &amp; Upgrades</b>	<b>(500)</b>	<b>(500)</b>	<b>(500)</b>	<b>(642)</b>	<b>(523)</b>	<b>(485)</b>	<b>(500)</b>	<b>(515)</b>	<b>(530)</b>	<b>(546)</b>	<b>(562)</b>	<b>0</b>	<b>0</b>	<b>(4,803)</b>
	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Disabled Adaptations	(770)	(624)	(700)	(797)	(899)	(830)	(855)	(881)	(907)	(934)	(962)	(991)	(1,021)	(9,776)
Fire Safety Provision	(1,030)	(400)	(400)	(1,016)	(660)	0	0	0	0	0	0	0	0	(2,076)
Climate Change Emergency	(1,030)	(300)	(100)	(1,587)	(1,428)	(1,415)	(1,457)	(1,501)	(1,546)	(1,592)	(1,640)	(1,689)	(1,740)	(15,695)
Sewage Treatment Works	(106)	(106)	(106)	(308)	(108)	(111)	(114)	(118)	(121)	(125)	(129)	(133)	(133)	(1,505)
<b>Other Capital Spending</b>	<b>(2,936)</b>	<b>(1,430)</b>	<b>(1,306)</b>	<b>(3,707)</b>	<b>(3,095)</b>	<b>(2,356)</b>	<b>(2,426)</b>	<b>(2,499)</b>	<b>(2,574)</b>	<b>(2,651)</b>	<b>(2,731)</b>	<b>(2,813)</b>	<b>(2,894)</b>	<b>(29,053)</b>
	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total HS Capital Programme</b>	<b>(9,105)</b>	<b>(6,051)</b>	<b>(5,827)</b>	<b>(11,027)</b>	<b>(10,393)</b>	<b>(8,834)</b>	<b>(9,099)</b>	<b>(9,476)</b>	<b>(9,761)</b>	<b>(10,053)</b>	<b>(10,355)</b>	<b>(10,086)</b>	<b>(13,124)</b>	<b>(108,036)</b>

**APPENDIX 4: NEW HOMES CAPITAL PROGRAMME 2020/21 TO 2030/31**

	2020/21	2020/21	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	Total
<b>New Build Programme &amp; Other Capital</b>	Original Budget	Sept Revised	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	(5,713)	(6,924)	(6,969)	(2,681)										(9,650)
Rowlings Road, Weeke	(1,129)	(1,237)	(821)											(821)
Wykeham Place, Stanmore	(446)	(25)	(25)	(169)	(2,857)									(3,052)
Dyson Drive (Abbotts Barton)	(954)	(45)	(55)	(1,222)	(426)									(1,703)
Dolphin Hill, Twyford	(184)	(268)	(268)											(268)
Woodman Close, Sparsholt	(762)			(815)	(381)									(1,196)
Hookpit, Kings Worthy	(4,965)	(5,288)	(5,542)	(1,068)										(6,610)
Winnall Flats	(7,551)	(600)	(600)	(8,641)	(8,541)									(17,783)
Wickham CLT	(205)			(410)										(410)
Witherbed Lane				(302)	(384)									(686)
Barton Farm - Extra Care				(1,000)	(11,256)	(5,628)								(17,884)
SouthBrook Cottages		(70)	(70)	(1,155)										(1,225)
Ravenswood				(800)	(2,625)	(6,300)	(3,675)							(13,400)
Small sites / unallocated programme	(3,000)	(3,041)	(941)	(2,641)	(17,698)	(14,257)	(12,805)	(13,667)	(14,077)	(14,499)	(14,934)	(15,382)	(6,584)	(127,484)
Sites funded by RTB 1-4-1 receipts	(2,000)	(2,000)		(4,374)	(2,445)	(5,037)	(5,188)	(5,344)	(5,504)	(5,669)	(5,840)	(6,015)	(3,098)	(48,514)
New Homes Major Works									(106)	(449)	(510)	(613)	(721)	(2,399)
Corner House		(22)	(22)	(335)	(162)									(519)
Tower Street		(33)	(33)	(192)										(225)
Mews rd Purchase		(255)	(265)											(265)
Sheltered Conversions		(55)	(55)	(55)										(110)
Emmaus Grant		(50)	(50)											(50)
<b>Total New Build Programme</b>	<b>(26,909)</b>	<b>(19,914)</b>	<b>(15,716)</b>	<b>(25,861)</b>	<b>(46,775)</b>	<b>(31,222)</b>	<b>(21,668)</b>	<b>(19,011)</b>	<b>(19,687)</b>	<b>(20,618)</b>	<b>(21,283)</b>	<b>(22,009)</b>	<b>(10,403)</b>	<b>(254,254)</b>

**APPENDIX 5: CAPITAL PROGRAMME FUNDING 2020/21 to 2030/31**

	2020/21	2020/21	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	Total
HRA Capital Programme Funding	Original Budget	Sept Revised Budget	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
Borrowing	15,500	8,186	3,508	25,728	44,364	20,300	11,750	12,500	10,200	12,000	13,500	2,264	6,643	162,757
Garage Appropriation to GF	1,858	1,858	3,500											
RTB 141 Receipts	3,188	3,330	1,999	4,890	4,143	2,247	2,327	2,410	2,493	2,580	2,671	2,762	2,323	30,845
Other RTB Receipts			0	1,342	697	719	742	765	789	814	839	865	892	8,462
S106	250	1,372	1,548	250	250	1,600	3,500	2,600	1,400	4,400	3,000	0	0	18,548
Homes England Grant	1,611		0	2,004	1,031	0	0	0	0	0	0	0	0	3,036
Other Capital Receipts	950	3,040	2,012	393	0	0	0	0	0	0	0	0	0	2,405
Capital Receipts Sales	4,300		275	2,162	2,972	6,300	3,119	649	1,596	1,835	1,890	1,947	2,005	24,750
Major Repairs Reserves	8,357	8,182	8,701	119	3,711	8,891	9,330	9,563	12,970	9,042	9,739	24,258	11,663	107,986
<b>Funding Total</b>	<b>36,014</b>	<b>25,968</b>	<b>21,543</b>	<b>36,888</b>	<b>57,168</b>	<b>40,056</b>	<b>30,768</b>	<b>28,487</b>	<b>29,448</b>	<b>30,671</b>	<b>31,638</b>	<b>32,096</b>	<b>23,526</b>	<b>362,290</b>
Housing Services	9,105	6,051	5,827	11,027	10,393	8,834	9,099	9,476	9,761	10,053	10,355	10,086	13,124	108,036
New Build	26,909	19,917	15,716	25,861	46,775	31,222	21,668	19,011	19,687	20,618	21,283	22,009	10,403	254,254
<b>Capital Programme Total</b>	<b>36,014</b>	<b>25,968</b>	<b>21,543</b>	<b>36,888</b>	<b>57,169</b>	<b>40,056</b>	<b>30,768</b>	<b>28,487</b>	<b>29,448</b>	<b>30,671</b>	<b>31,638</b>	<b>32,096</b>	<b>23,527</b>	<b>362,290</b>

**APPENDIX 6 HRA FINANCIAL PLAN 2020/21 TO 2049/50 EXTRACT – OPERATING ACCOUNT**

Year	Net rent Income £,000	Other income £,000	Misc Income £,000	Total Income £,000	Managt. £,000	Depreciation £,000	Responsive & Cyclical £,000	Total expenses £,000	Capital Charges £,000	Net Operating (Expenditure) £,000
1 2020.21	28,097	213	334	28,644	(9,848)	(8,193)	(4,237)	(22,278)	(5,239)	1,127
2 2021.22	28,475	216	338	29,029	(9,957)	(8,256)	(4,284)	(22,497)	(5,602)	930
3 2022.23	29,046	221	346	29,614	(10,206)	(8,678)	(4,418)	(23,302)	(6,194)	118
4 2023.24	30,728	227	355	31,310	(10,461)	(8,925)	(4,572)	(23,958)	(6,652)	699
5 2024.25	33,277	232	364	33,874	(10,722)	(9,361)	(4,741)	(24,824)	(6,917)	2,132
6 2025.26	33,921	238	373	34,532	(10,990)	(9,857)	(4,867)	(25,715)	(7,288)	1,530
7 2026.27	34,918	244	382	35,545	(11,265)	(10,187)	(4,996)	(26,449)	(7,748)	1,348
8 2027.28	35,957	250	392	36,599	(11,547)	(10,538)	(5,129)	(27,214)	(8,163)	1,221
9 2028.29	37,027	257	402	37,685	(11,835)	(10,903)	(5,266)	(28,004)	(8,630)	1,051
10 2029.30	38,126	263	412	38,801	(12,131)	(11,279)	(5,407)	(28,817)	(9,092)	892
11 2030.31	39,884	270	422	40,576	(12,435)	(11,667)	(5,535)	(29,636)	(9,249)	1,690
12 2031.32	40,037	276	433	40,746	(12,745)	(11,997)	(5,666)	(30,409)	(9,481)	857
13 2032.33	40,948	283	443	41,674	(13,064)	(12,337)	(5,800)	(31,201)	(9,718)	755
14 2033.34	41,862	290	454	42,606	(13,391)	(12,671)	(5,938)	(31,999)	(9,962)	645
15 2034.35	42,796	298	466	43,559	(13,725)	(13,014)	(6,079)	(32,818)	(10,218)	523
16 2035.36	44,593	305	477	45,376	(14,069)	(13,366)	(6,223)	(33,658)	(10,435)	1,283
17 2036.37	44,729	313	489	45,531	(14,420)	(13,728)	(6,371)	(34,520)	(10,496)	515
18 2037.38	45,728	320	502	46,551	(14,781)	(14,100)	(6,523)	(35,403)	(10,569)	578
19 2038.39	46,750	328	514	47,593	(15,150)	(14,481)	(6,678)	(36,310)	(10,733)	550
20 2039.40	47,796	337	527	48,659	(15,529)	(14,873)	(6,838)	(37,240)	(10,905)	514
21 2040.41	48,864	345	540	49,750	(15,917)	(15,275)	(7,001)	(38,194)	(11,056)	500
22 2041.42	50,918	354	554	51,825	(16,315)	(15,688)	(7,169)	(39,172)	(11,011)	1,642
23 2042.43	51,075	363	568	52,005	(16,723)	(16,113)	(7,341)	(40,176)	(10,971)	857
24 2043.44	52,218	372	582	53,171	(17,141)	(16,548)	(7,517)	(41,206)	(11,116)	849
25 2044.45	53,387	381	596	54,364	(17,570)	(16,996)	(7,697)	(42,263)	(11,269)	832
26 2045.46	54,583	390	611	55,584	(18,009)	(17,455)	(7,882)	(43,346)	(11,425)	813
27 2046.47	55,805	400	626	56,832	(18,459)	(17,927)	(8,072)	(44,458)	(11,583)	790
28 2047.48	58,153	410	642	59,205	(18,921)	(18,411)	(8,267)	(45,599)	(11,747)	1,859
29 2048.49	58,335	420	658	59,413	(19,394)	(18,908)	(8,467)	(46,769)	(11,923)	721
30 2049.50	59,643	431	675	60,748	(19,879)	(19,419)	(8,671)	(47,968)	(12,109)	671

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CAB3286  
CABINET

REPORT TITLE: ANNUAL COUNCIL PLAN REFRESH 2021/22

11 FEBRUARY 2021

REPORT OF CABINET MEMBER: Cllr Lucille Thompson - Leader of the Council and Cabinet Member for Communications

Contact Officer: Lisa Kirkman, Strategic Director of Resources

Tel No: 01962 848 177 Email: [lkirkman@winchester.gov.uk](mailto:lkirkman@winchester.gov.uk)

WARD(S): ALL

## PURPOSE

The Council Plan 2020 – 25 was adopted at the Full Council meeting on 15 January 2020 and outlines the strategic priorities and outcomes that the council aims to achieve by March 2025.

This report sets out a refreshed Council Plan which refines the actions and objectives for the coming years, taking into consideration the impact of and recovery from the COVID-19 pandemic.

There are no proposed changes to the five strategic priorities.

The refreshed Council Plan also includes a 'what we have achieved' section under each strategic priority which captures key achievements and also comprises a new Cabinet Member commentary under each priority.

## RECOMMENDATIONS:

1. That cabinet approves the refreshed Council Plan Priorities and recommends adoption by Full Council.

## IMPLICATIONS:

### 1 COUNCIL PLAN OUTCOME

- 1.1 This report provides details of the activities the council will undertake to deliver the five priority outcomes included in the Council Plan.

### 2 FINANCIAL IMPLICATIONS

- 2.1 None directly included in this report. The activities in the Council Plan, along with the Medium Term Financial Strategy, will guide how the council's financial resources will be allocated and utilised.

### 3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 There are no direct legal or procurement implications which arise directly from the attached plan, though individual projects and actions will be subject to review as required by Legal Services. The delivery and implementation of the Council Plan will need to take account of legally binding duties and responsibilities on the council.

### 4 WORKFORCE IMPLICATIONS

- 4.1 None directly arising from the report. To deliver the aims and objectives in the Council Plan, resources will need to be assigned as required across the council.

### 5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 None in the plan, though asset management is an element of the council's activities.

### 6 CONSULTATION AND COMMUNICATION

- 6.1 Cabinet members have been consulted and have contributed to the refresh of the Council Plan
- 6.2 Executive Leadership Board and senior managers have been consulted on the content of the draft refreshed Council Plan.
- 6.3 The council's Scrutiny Committee reviewed the draft refreshed Council Plan 2020-25 at their meeting on 2 February 2021 and their comments were noted by cabinet members present at the meeting.

### 7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 Tackling the climate emergency and reducing the carbon emissions across the district remains a key theme within all the priorities of the Council Plan

### 8 EQUALITY IMPACT ASSESSEMENT

- 8.1 In formulating its proposals the council must have regard to the Public Sector Equality Duty under the Equality Act 2010. EqIA's will be undertaken on the individual projects that will support delivery of the priorities included in the Council Plan if required.

## 9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 None

## 10 RISK MANAGEMENT

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
<i>Property - none</i>		
<i>Community Support</i>	Provide engagement opportunities especially through key projects.	Further opportunities to engage with our residents and communities.
<i>Timescales</i>	Quarterly monitoring of the measures included in the Plan by Scrutiny Committee and Cabinet.	
<i>Project capacity</i>	Project team resourcing across the council supports the delivery of the programmes and projects included in the plan.	Ensuring that adequate resources are allocated to all new projects as part of the business justification case and before they commence.
<i>Financial / VfM</i>	Financial planning and regular monitoring of expenditure and income ensures that the council maintains a balanced budget.  All new projects require approval of a financial appraisal before they can commence.	New revenue streams derived from the outcomes included in the Council Plan contribute positively to the council's financial position.
<i>Legal</i>	Each significant action or project will be subject to its own legal consideration in appropriate reports.	
<i>Innovation</i>	By exploring new ways of working, this increases the council's exposure to risk and alters its risk profile. This is mitigated by consideration of a	This plan proposes some innovative proposals that will provide the council with the opportunity to introduce new ideas and ways of working. The risk

	robust business justification case before approval is given.	of retaining the same operating models is significant in that funding reductions are such that the council could be unable to fund some of its core services.
<i>Reputation</i>	The risk of not delivering the plan is mitigated through the monitoring of the outcome measures contained within the Strategy, and ensuring corrective action is taken. Not delivering on some of these items, especially some of the major projects will have a large financial risk to the council through impacting on future revenue streams.	This plan gives the opportunity for the council to enhance its reputation through establishing a more targeted ambition for the district that is based on clear measures. Success against these key measures will enhance the council's reputation to move key programmes of work forward.
<i>Other - none</i>		

## 11 SUPPORTING INFORMATION:

11.1 The Council Plan 2020-25 was adopted at Full Council on 15 January 2020 and comprises five priority outcomes the council wants to achieve over five year period to 31 March 2025. These are:

- Tackling the climate emergency and creating a greener district
- Homes for all
- Vibrant local economy
- Living well
- Your Services. Your Voice

11.2 The document sets out a number of actions the council will undertake over the life of the plan to deliver the five outcomes. Progress against these actions is included in the quarterly Finance and Performance report and monitored by the Performance Panel on behalf of Scrutiny Committee.

11.3 In the year following the Council Plan adoption a significant amount of progress has been made, notwithstanding the impacts of COVID-19 pandemic. The response to the pandemic has been broad-ranging in terms of the measures taken by services across the organisation, and the many

innovations introduced will see long term effects for the way the council works.

- 11.4 This refresh of the Council Plan has provided the opportunity to refine some of actions that the council will undertake to deliver the priorities but also to include some of the projects that the council will deliver to support the recovery and restoration following the COVID-19 pandemic.

12 OTHER OPTIONS CONSIDERED AND REJECTED

- 12.1 The council could choose not to refresh the Council Plan, however it is deemed prudent to refine the actions that contribute to the delivery of the priorities annually to ensure the plan outcomes remain achievable and fit for purpose.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

CAB3207 Council Plan 2020-25, Council 15 January 2020

Other Background Documents:-

None

APPENDICES:

Appendix 1 Council Plan 2020-25 (March 2021 edition)

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## **WELCOME**

A year ago, we published our priorities for the next five years: addressing the climate emergency; ensuring we have the right homes in the right places; creating a vibrant local economy; reducing health inequalities and delivering good value high quality services. Although so much has since changed, these core priorities remain.

The future will be challenging – the financial restrictions local authorities face are significant. In light of the emerging financial picture we have reassessed our plans and refreshed the Council Plan we're sharing with you here.

The climate emergency continues to shape the way we want our district to develop for future generations to enjoy. Whether focusing on the recovery of the local economy, or choosing where we build affordable homes, decisions will be made through the lens of a looming environmental crisis that cannot be ignored.

Modernising the way we carry out our core services has been accelerated by the national pandemic. Interacting with customers online has become routine, and we look to build on these changes whilst retaining the critical face-to-face and rapid response services that safeguard our residents in the greatest need of our help.

In 2020 our business community has looked to us for support and advice as never before. And we delivered - by the end of the year we had administered over £30 million in grants and issued a rolling programme of national updates and tailored advice for specific sectors. We will continue to work closely with businesses

locally as our district moves into a recovery phase. Part of this will see the fruition of projects that will enhance the Winchester district's public realm and its high quality environment whilst continuing to make the most of our rich heritage.

This plan sets out how we will use our resources in a way that will make a real difference to the quality of lives of you our residents and the environment. Although it runs until 2025, it will be updated and adapted to take account of changes along the way. More local people than ever before have let us hear their views on our new virtual channels of engagement so please keep telling us what you think. We want to hear the views of all in our communities so that our plans can factor in a balance of views and benefit the broadest range of people. We continue to listen and remain here for you all.

**Cllr Lucille Thompson**

Leader of Winchester City Council

February 2021



## **THE CHALLENGES WE FACE**

This plan sets out the challenges faced by the Winchester district, how we will respond to them and the principles which underpin our work.

The key challenges are:

- The climate emergency and the need to reduce the Winchester district's carbon footprint
- Recovery and Restoration response to the COVID-19 pandemic
- The impact of the COVID-19 pandemic on younger age groups
- Poor air quality in parts of the district
- Inequality and its effects on mental health and physical wellbeing
- Expensive housing
- A population which is ageing while younger people leave the district
- Brexit and its impact on the economy
- Shifting ways of working and the need to improve the technology infrastructure
- Poor provision of public transport and safe walking and cycling routes in parts of the district
- Maintaining high quality services while balancing the council budget, particularly in light of the COVID-19 pandemic

## **CLIMATE CHANGE**

The council has set two clear climate emergency targets and we are looking to our residents and businesses to help us find solutions to dramatically cut the district's carbon footprint. We will reduce the carbon emissions of the council to become carbon neutral by 2024, and aim to achieve the same for the district by 2030.

Our vision for a climate resilient district:

1. Changed lifestyles with local people, organisations and businesses enabled to share their ideas and work together to create a carbon neutral future
2. The air is clean to breathe
3. The natural and built environment is protected, maintained, sustained and enhanced
4. People can move around the place easily and prefer to travel on foot, by bike and using public transport supported by other agencies and organisations
5. The district is broadly self-sufficient in renewable energy
6. Homes and businesses have measures in place to protect against extreme climate events

**How we will achieve this:**

Winchester City Council's Carbon Neutrality Plan sets out our journey to carbon neutrality. The principles behind this plan underpin all activities of the council and are reflected in all its strategic aims and policies – including this Council Plan.

There are four main areas:

- Reducing carbon emissions
- Reducing energy demand, increasing renewable energy
- Ensuring environmental resilience
- Offsetting

## **YOUR COUNCIL PLAN**

This Council Plan is a high level document covering the period 2020 to 2025. It sets out what the council wants to achieve and informs other strategies and plans including the Local Plan and individual service plans.

The Council Plan was last updated in March 2021.

## **OUR PRIORITIES**

Tackling the climate emergency and creating a greener district

Homes for all

Living well

Vibrant local economy

Your services. Your voice

## **TACKLING THE CLIMATE EMERGENCY AND CREATING A GREENER DISTRICT**

The climate crisis remains a significant, long term challenge to all of us in the coming years and decades, and there is a growing ecological crisis too. Winchester City Council has committed to tackle these crises and hand our district to our children and grandchildren in a better state than it is now.

What we want to achieve:

- Winchester City Council to be carbon neutral by 2024
- Winchester district to be carbon neutral by 2030
- Reduced levels of waste and increased recycling, exceeding national targets
- Clean air, more ambitious than national targets
- Everything most residents need should be in reach by foot, bike or public transport
- Our district's extensive natural habitats safeguarded and enhanced

How will we achieve this?

- Carbon neutrality to continue to be central to everything we do
- Positive local plan policies which promote low carbon development, sustainable travel and increased bio-diversity
- Encourage renewable energy generation and support start-ups and businesses in green energy and green technology

- Work with and enable businesses, organisations and residents to deliver the Carbon Neutrality Action Plan throughout the district
- Work towards a more sustainable food system and reduce food waste
- Continue to work with Hampshire County Council to deliver the City of Winchester Movement Strategy and prioritise walking, cycling and public transport throughout the district
- Delivering the actions in our Biodiversity Action Plan
- Work with other public authorities to expand the range of materials that we can recycle as solutions become available

#### What have we achieved so far?

- Cut the council's carbon footprint by 468 tonnes in 2019/20 on a like for like basis from the previous year (figures released in 2020)
- Green tariff electricity supplied to all council operational buildings reducing carbon emissions by 19%
- £5.3m M3 LEP funding received for a new Park & Ride site including photovoltaic panels and electric vehicle charging points
- Photovoltaic panels installed on the Winchester Sport & Leisure Centre capable of generating 140,000 kilowatts per year
- Over 500 trees planted during 2020/21
- 33 new electric vehicle charging points installed across district

- Refuse collection fleet upgraded to minimum Euro6 standard
- Introduced kerbside glass, battery and small electrical collections
- Increased recycling rates from 36.1% to 43.3%
- Flood Alleviation Scheme completed at Durngate in January 2021
- £200,000 of external funding secured to deliver carbon reduction works in collaboration with partners
- New Biodiversity Action Plan (BAP) approved January 2021
- Created new areas of wildflower meadows

## LIVING WELL

We want all residents to live healthy and fulfilled lives. We recognise that our residents are living longer and want to ensure the district offers the right mix of facilities to support good physical and mental health for all ages and abilities.

What we want to achieve:

- Reduced health inequalities
- A wide range of physical and cultural activities for all ages and abilities
- Increased opportunities for active travel
- A wider diversity of residents and businesses involved in ensuring that WCC services work for all, especially for residents who need more help to live well
- Attractive and well-used public facilities and green spaces with space for relaxation and play

How will we achieve this?

- Focus our activities on the most disadvantaged areas, communities and groups, supporting a greater diversity of residents
- Offering a wide range of accessible activities for all to enjoy at the new Winchester Sport and Leisure Park
- Supporting communities to extend the range of sports and cultural facilities across the district
- Enable and promote safe cycleways and pathways to make it safer and more appealing for our residents and visitors to cycle and walk to their destination
- Maintain and enhance open spaces and parks



- Develop Local Plan policies that promote healthy lifestyles in healthy surroundings

What have we achieved so far?

- Working with partners across the district we reacted promptly to the COVID-19 pandemic to build and support community networks that have assisted many thousands of vulnerable people
- Adapted how we work to ensure wellbeing programmes for people with long-term health conditions have continued
- Continued construction of the new Winchester Sport and Leisure Park during the pandemic
- Most public toilets and open spaces were kept open during lockdowns and the re-opening of play areas and skate parks was prioritised when restrictions changed
- £500,000 issued in council grant support to key voluntary sector organisations to support our most vulnerable residents
- We worked collaboratively to encourage seamless joint working across voluntary organisations, community partnerships and the third sector – achieving a high level of shared awareness and mutual support around the provision of various support mechanism for our residents
- Licensing arrangements for taxis revised to improve public safety, and air quality

## **HOMES FOR ALL**

Housing in our district is expensive and young people and families are moving out because they are unable to find suitable accommodation they can afford. The Winchester district needs homes for all – homes that are affordable and built in the right areas for our changing communities.

What we want to achieve:

- More young people and families working and living in the district
- All homes to be energy efficient and affordable to run
- Diverse, healthy and cohesive communities - not just homes
- No-one sleeping rough, except by choice

How will we achieve this?

- Building significantly more homes ourselves
- Strengthening our Local Plan to ensure the right mix of homes is built for all sectors of our society, including young people
- Using the new Winchester Housing Company to deliver a wide range of housing tenures to meet local needs
- Directly and in partnership with the voluntary sector, providing support for our homeless and most vulnerable people
- Move the energy efficiency of new and existing homes towards zero carbon

- Working with developers to ensure that they provide affordable housing and homes at fair market value as part of new developments

What have we achieved so far?

- Completed construction of 12 new homes, purchased one ex-council house and enabled eight bedsit flats to be built by Emmaus Project through grant funding
- Grant funded Trinity Centre project
- On site with 119 new homes at Stanmore, Kings Worthy and Weeke which will be completed and occupied over the next six months
- Council built homes under construction or in planning have had their energy efficiency enhanced
- Strategic Housing Market Assessment to inform the housing policies in the new Local Plan completed
- 33 individuals were accommodated in emergency accommodation, 29 of these individuals were moved on to more suitable and longer term accommodation options during periods of national restrictions
- Capital funding provided to partners to build 28 additional units providing accommodation and support for homeless and vulnerable individuals due to COVID-19
- Additional COVID-19 secure accommodation for the homeless provided for cold weather
- Care call programme - over 601 calls made to elderly and vulnerable tenants
- Coitbury House made available to LOWE to house 'property guardians'

## **VIBRANT LOCAL ECONOMY**

Winchester district is home to a host of successful businesses and enterprises with high levels of employment in both our urban and rural areas. As we look beyond the COVID-19 pandemic, it is vital we restore the vibrancy of our high streets, retain and develop our existing business base and make the Winchester district a place where new businesses want to locate. We also need to attract new investment in low carbon workspaces and transport links and begin the transition to a greener, more sustainable economy.

What we want to achieve:

- Increase opportunities for high quality, well-paid employment across the district
- A shift to a greener, more sustainable economy
- New offices and workspace meet changing business needs and are located in areas with sustainable transport links
- More younger people choosing to live and work in the district
- Our city, market towns and rural communities recover well and have a compelling, competitive visitor offer
- Winchester district attracting new and relocating businesses and enterprises

How will we achieve this?

- Working with our key stakeholders to position Winchester district as a centre for digital, creative, knowledge-intensive networks

- Focusing on a 'green recovery' post COVID-19 and continue to provide tailored, sector specific business support
- Supporting business in meeting the challenge of carbon neutrality and encouraging 'green growth'
- Prioritising the needs of younger people in the redevelopment of central Winchester
- Working in partnership to strengthen the appeal of Winchester and promote and develop our unique cultural, heritage and natural environment assets
- Promoting our independent businesses and supporting start-ups

What have we achieved so far?

- Awarded over £30m of government grant funding to support businesses throughout the pandemic
- Supported our businesses and the safe reopening of high streets through our 'Back to Business' campaign including a business helpline; regular business bulletins; free 1-1 business support service for our high streets and tailored COVID-19 business support for our high streets
- Progressed development of industrial units in Bishop's Waltham and Winchester
- Undertaken feasibility work for the creation of a creative hub in Kings Walk in central Winchester.
- Completed a round of consultation on the latest proposals for Central Winchester Regeneration attracting 2,700 exhibition visits and 330 responses
- Helped create additional outside seating areas in the city and market towns to support social distancing

- Relocated Winchester Street Market successfully to The Broadway in Winchester on Sundays and established a regular food market
- Launched the 'Rediscover What's On Your Doorstep' campaign to encourage residents to stay local and spend local
- Established the city centre, market towns and retailer partnerships to help promote economic vitality across the district
- Commissioned a new ten-year Green Economic Development Strategy

## **YOUR SERVICES, YOUR VOICE**

We will continue to provide high quality, good value, resilient services that are continuously improving to address the changing needs and expectations of residents, tenants, visitors, businesses and not-for-profit organisations across our district – and are accessible to all whatever their circumstances.

We will give all our residents the opportunity to make their voice heard and be able to understand how the council makes its decisions.

What we want to achieve:

- An open, transparent, inclusive and enabling council
- Improved satisfaction for our services
- Good value compared to other similar authorities
- Continuous improvement in cost-effectiveness
- High accessibility and usage of our services
- Constructive and effective partnerships across the district
- A balanced budget and stable council finances

How will we achieve this?

- Continuously improving processes that:
  - Involve the public, businesses, stakeholders and ward councillors earlier in the design, deliberation and decision-making process
  - Effectively respond to and learn from complaints and feedback to drive service improvement

- Embed effective partnership working with the community, voluntary groups and organisations, local businesses, our suppliers and other public bodies
- Transparent and publicly visible performance measures which drive improved satisfaction and performance
- More effective use of technology to make it simpler and easier to deal with the council and its delivery partners while reducing cost
- Focus on accessibility and inclusiveness to ensure our decision-making and services are accessible to and usable by all
- Investing in our staff and making the most of their skills and talents

What have we achieved so far?

- We maintained a clear focus on maintaining service levels and quality and strong partnership working with our suppliers, even during the COVID-19 pandemic. For example we:
  - Kept our telephone lines open
  - Collected more waste and recycled more of it
  - Expanded glass collection services
  - Rapidly implemented support payments to businesses
- We also increased digital service delivery and engagement including:
  - Roll out of online forms for all customer transactions
  - Rapidly rolling out remote working
  - Moving council meetings online
  - Using new virtual consultation methods



- We developed a new Customer Charter and simplified our Complaints Policy to prioritise resolution and improve customer experience
- We continued to innovate and reduce cost in other areas – for example, the new mobile payment system for all our car parks which removed the associated 30p ‘convenience charge’ to users

## OUR VALUES

Our communities drive everything we do and we are committed to delivering the best customer service possible. Our values drive the way we work and help us achieve this.

- We are empowering – enabling communities and our team to take action
- We are innovative – challenging the status quo
- We act with integrity – always honest, open and fair
- We are adaptable – embracing change
- We are collaborative – working with others to get the best result



CAB3294  
CABINET

REPORT TITLE: MINUTE EXTRACT FROM WINCHESTER TOWN FORUM HELD  
28 JANUARY 2021

11 FEBRUARY 2021

REPORT OF CABINET MEMBER: CLLR LEARNEY, CABINET MEMBER FOR  
HOUSING & ASSET MANAGEMENT

Contact Officer: Tel No: 01962 848 317 Email [mwatson@winchester.gov.uk](mailto:mwatson@winchester.gov.uk)

WARD(S): ST BARTHOLOMEW; ST MICHAEL

## PURPOSE

To note the contents of the minute extract from Winchester Town Forum held on the 28th January 2021.

## RECOMMENDATIONS:

That Cabinet considers and determines the matters set out in the minute extract below.

## Appendices:

Appendix 1 – Minute extract from Winchester Town Forum, 28 January 2021

**Minute Extract from Winchester Town Forum held 28 January 2021****8. NORTH WALLS AND KING GEORGE V SPORTS PAVILIONS UPDATE  
REPORT REF WTF295**

Mr Higgs addressed the forum on behalf of Winchester City Flyers, an all-women's football club based at King George V (KGV) playing fields and also on behalf of the Hampshire Girls Youth Football League (HGYFL). Mr Higgs made several points; he was pleased to see that the issue of a replacement Pavilion at KGV had been included in the report and he was encouraged by the initial plans provided. He believed that the growth in women's football would continue and he asked if an indicative timetable for delivery of a new pavilion could be provided.

Mr Caldwell, a Trustee of The Pavilion Project addressed the forum. He advised that the Pavilion Project welcomed the report and the opportunity that the report provided to re-examine the construction costs to enable the project to be delivered within budget. Mr Caldwell welcomed the establishment of a project board as described in the report. Finally, he drew to the forum's attention, what he believed was a miscalculation in the report in paragraph 12.2 regarding the size of the pavilion "footprint" and associated costings.

The Chairperson thanked Mr Higgs and Mr Caldwell for their contributions.

Mr Botham, Strategic Director Services introduced the report and gave the forum a resume of the key stages of the project which included the report to the January 2020 meeting of the Town Forum, ref WTF 278 and the work undertaken as a result. Mr Botham set out the current position as below:

North Walls Pavilion - The report updated the forum on the progress of the returned tender evaluation and that the lowest return exceeded the approved budget by £150,000. It updated on the "value engineering" work undertaken by the appointed external architect and the Council's Estates Team. Finally, the report set out options for the delivery of a new pavilion, including amending existing designs or considering a full redesign of the proposals.

King George V Pavilion - The report identified the work undertaken by officers and consultants, it outlined the scope of the proposed works and detailed the estimated cost of £1.4m. It also identified the next steps to progress to the submission of a planning application for the demolition of two pavilions and the formation of a single, larger pavilion and made recommendations for funding the project.

Mr Todd, Corporate Property Surveyor responded to the points raised by Mr Caldwell regarding paragraph 12.2 of the report.

Councillor Learney, Cabinet Member for Housing and Asset Management addressed the forum and following this, members debated the issues at length and raised several questions and comments which were responded to by officers accordingly. Members indicated general support for the report. The Chairperson put the following recommendations to the forum which were agreed.

**RECOMMENDED (TO CABINET):**

**That Cabinet gives authority to incur expenditure of pre-construction costs of up to £30,000 in accordance with Financial Procedure Rule 7.4, financed by the Open Space monies in recommendation 6 and that this work proceeds at financial risk to the Town Forum.**

**RESOLVED:**

1. That progress with the procurement of the pavilion at North Walls be noted and the proposals to amend the design/specification for the pavilion be supported, provided that a total project cost of £800,000 was not exceeded.
2. That the commitment to the delivery of replacement facilities for cricket and other community use at North Walls be reaffirmed and that the £595,000 funding approved in January 2020 remained available to support this commitment.
3. That, if required, the Corporate Head of Asset Management be authorised to prepare and submit a revised planning application to the city council for the construction of the new pavilion at North Walls.
4. That a new project board to manage this process be established, chaired by the Cabinet Member for Housing and Asset Management, supported by the Strategic Director – Services and with a representative of the Pavilion Project to be invited to join the Board.
5. That the proposals for the new pavilion at King George Playing Fields, Highcliffe (KGV) be supported.
6. That the allocation of £228,000 Sports Open Space Funding to the new pavilion at KGV be supported.
7. That it be agreed, in principle, to support the proposal to allocate £250,000 of Town Forum Community Infrastructure Levy (CIL) funds for the KGV project.
8. That a formal application for “district” CIL amounting to £450,000 to support the KGV project be made for Cabinet consideration.
9. That the application for grant funding to the Hampshire Football Association and other bodies to support the KGV project be supported.

10. That the Corporate Head of Asset Management be authorised to prepare and submit a planning application to the city council for the construction of the new pavilion at KGV.

11. That the Corporate Head of Asset Management be authorised to seek quotations in accordance with the Public Contract Regulations 2015 and Councils Contract Procedure Rules, for professional services associated with the preparation and submission of a planning application, to KGV Pavilion, professional services include: Architect; Ecology report; Landscape Architect; Transport Statement; and Arboricultural report.

12. That a Final Business Case report for the KGV pavilion is brought to Town Forum to agree whether to proceed with the scheme and request competitive tenders from contractors.

CAB3285  
CABINET

REPORT TITLE: MEADOWSIDE LEISURE CENTRE – UPDATE ON OPERATOR TENDER

11 FEBRUARY 2021

REPORT OF CABINET MEMBER: Cllr Malcolm Prince, Cabinet Member for Sport, Leisure and Communities

Contact Officer: Andy Hickman Tel No: 01962 848 Email  
[ahickman@winchester.gov.uk](mailto:ahickman@winchester.gov.uk)

WARD(S): WHITELEY AND SHEDFIELD

PURPOSE

Meadowside Leisure Centre provides a much valued facility serving the southern parishes of the District. It provides for both leisure and sporting opportunities and allows community activities to be accommodated. It also provides a base for the Whiteley Town Council.

An interim contract for the operation of the centre has been in place since September 2020 and a tender process has now been completed for the longer term. Cabinet (CAB 3194) approved the procurement and evaluation process for this.

Having completed the tendering process this report now seeks approval to award the contract for the operation of the Meadowside Leisure Centre.

RECOMMENDATIONS:That Cabinet:

1. Agree that Everyone Active be awarded the operator contract to manage Meadowside Leisure Centre based on their variant bid for a period of ten years with a five year optional extension.
2. Approve a capital budget and expenditure for Meadowside Leisure Centre totalling £300,000 funded by prudential borrowing and approve incurring that capital budget as noted in the estimated financing costs outlined in section 2.2.
3. Approve that additional revenue expenditure, (averaging £56,000 per annum over 15 years, based on the variant bid, (which includes provision for the Council's capital financing costs), be met from the base budget provision included in the proposed 2021/22 General Fund budget set out in CAB3289 elsewhere on this agenda
4. Agree that costs in the first year be based on actual net operating costs, assessed on an "open book" basis, with all additional costs over and above the approved budget being met from "tranche 5" of the Government Covid-19 grant, future leisure grant allocations or a mix of the two.
5. Delegate authority to the Service Lead - Legal to prepare, negotiate and enter into an operator contractor based on the Sports England template and associated agreements.



## 1 COUNCIL PLAN OUTCOME

- 1.1 The provision and enhancement of sports facilities, as recommended in this report, supports priorities identified in the Council Plan in relation to Living Well and promoting increased participation in physical activity.
- 1.2 Ongoing building improvement works at Meadowside Leisure Centre (MLC) also support the Council's commitment to tackling the climate emergency.

## 2 FINANCIAL IMPLICATIONS

- 2.1 The recommended bid (variant) as outlined more fully later in this report involves the Council funding £300,000 of capital investment to install air management plant to the first floor of the building, an expansion of the gym, replacement of the gym and group exercise equipment in year one and year seven of the contract and to replace the group cycling bikes in year four. The profile of the investment will be £177,000 in 21/22, £22,000 in 24/25 and £101,000 in 28/29 and if agreed, this will be funded by the Council through prudential borrowing. The average net cost of this bid, including the financing costs related to the borrowing, is £56,000 per year over the expected life of the contract.
- 2.2 The annual revenue costs of the recommended bid over the proposed 15 years contract are set out in detail in the exempt appendix. The General Fund Budget report (CAB3289) includes a base budget provision of £60,000. It is anticipated that costs in 2021/22 will be higher and impacted by ongoing social distancing controls. If approved, it is proposed that the first year operates on an "open book" basis and costs in excess of this £60,000 be met from the "tranche 5" Covid-19 grant allocation, future leisure related grant allocations or a mix of the two.

## 3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 Under section 1 of the Localism Act 2011, the Council has the power to undertake any activity a normal person could undertake, for the benefit of the authority, its area or persons resident or present in its area. The Council is satisfied it has the enabling power(s) to procure and award a contract for services following a robust and lawful procurement exercise.
- 3.2 The Council has an obligation as a best value authority under section 3 of the Local Government Act 1999 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" which includes a duty to see that best value is reasonably attained, together with a duty of care to the public to ensure that both the facilities are safe to use and maintained in a condition that is fit for purpose.

- 3.3 The procurement was conducted in accordance with the Council's Contract Procedure Rules and Public Contract Regulations 2015 (PCR2015) and subsequent contracts will be managed in-line with the Council's Contract Management Framework. The opportunity was advertised in the EU via an OJEU notice (Official Journal European Union) on 25 September 2020 and was also advertised on the UK Government site: Contracts Finder.
- 3.4 The recommendations are in keeping with the invitation to tender which stated that the Council is procuring a 10-year management contract that will commence in spring 2021 (with an option at the absolute discretion of the Council to extend the contract by a period or periods of up to a maximum of 5 additional years).

#### 4 WORKFORCE IMPLICATIONS

- 4.1 The bid received is from the incumbent interim operator so there are no TUPE implications as staff have already been transferred to them.
- 4.2 Ongoing the contract can be managed within existing resources at the council.

#### 5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 As part of the Council's asset management approach a building survey of MLC was commissioned in September 2019. The repairs identified were deemed typical for a building of this age and type. The maintenance repairs required include: double glazing in the sports hall, corrosion to the metal pitched roof, leaking gutters and downpipes and lack of accessibility to the changing rooms and toilets. This repair and maintenance work will be carried out by the Council over the next 10 years as part of the ongoing asset management for the building funded within the existing property maintenance budget
- 5.2 Work agreed by Cabinet in December 2019 to increase the loading capacity of the first floor studio has now been completed with an investment of £28,500. This will enable the upper floor to be used for exercise classes thereby providing more flexibility for the rest of the centre allowing more and varied activities to take place. Operators were made aware of this so that they could factor it into their bids.
- 5.3 In addition, mechanical extraction fans have now been installed in the sports hall with an investment of £24,700, to meet Covid-19 ventilation guidelines, enabling it to be COVID-19 compliant once Government COVID-19 restrictions are eased.

## 6 CONSULTATION AND COMMUNICATION

- 6.1 Whiteley Town Council and Sport England have been consulted throughout the process.
- 6.2 Ward Members have been fully briefed.
- 6.3 Existing users of MLC are an important group of stakeholders who will continue to be kept informed of any agreed future improvements and changes.

## 7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 Opportunities are currently being explored as part of the Council's ongoing asset management work at MLC to improve sustainability and reduce carbon emissions from the building. This work will include surveys and an option assessment to consider how to improve both thermal performance and energy efficiency, which may include: increase levels of insulation to the building fabric, solar panels and other sources of heating. This will align with the Council's Carbon Neutrality Plan and will show what contribution this building can make to the achievement of the targets and objects in that plan.
- 7.2 The above has been allowed for in the tendering process so that any future energy savings can be accounted for in the contractual arrangement with the operator by ensuring that any energy savings are passed back to the Council. The contract with the appointed operator will include provision for any loss of income due to works instigated by the Council.

## 8 EQUALITY IMPACT ASSESSEMENT

- 8.1 The appointed operator will be required to manage the centre in accordance with all relevant legalisation and guidance and to promote best practice throughout its activities.
- 8.2 Provision has been made within the contract with the operator to offer a Saver Card for those on low incomes and/or disabilities which offers discounted entry and booking charges.
- 8.3 The contract also ensures that core prices are set by The Council rather than the operator. This ensures that core activities are available to all at an affordable cost.

## 9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 All membership details are already held by the operator in accordance with GDPR. This data will be managed in compliance with GDPR as required and specified through the contract.

## 10 RISK MANAGEMENT

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
<i>Property improvements cause disruption to users and the operator</i>	Work with both the contractor and operator to co-ordinate works in a safe manner to ensure continued use. Where necessary undertaking works out of hours	These works will provide a much improved, more functional and sustainable building  Sustainability improvements and less energy consumption
<i>Community Support Disruptions to users and affordability to keep the facilities open</i>	The new contract will provide stability and security for the period of the contract	Building work improvements will make the centre much more flexible and will greatly improve usability to the benefit of the community
<i>Project capacity</i>	The refurbishment works will be managed by Everyone Active and overseen by the Council's Estates team	
<i>Financial / VfM - Annual cost to the Council to keep MLC open</i>	The tender process has brought forward a bid including investment in the centre which is considered to offer good value for money	The recommended improvement capital works will increase the usability and capacity of the centre and help to ensure that it is viable
<i>Innovation</i>	Everyone Active's bid includes many aspects of innovation in terms of running and marketing the centre.	Great enhancement in the promotion of a much improved community facility
<i>Reputational risks</i>	Everyone active is a highly regarded operator	
<i>Other</i>		

## 11 SUPPORTING INFORMATION:

- 11.1 Cabinet (CAB 3192) approved in December 2019 a procurement process to seek an operator to manage MLC and to report the results of the process and evaluation back to a future Cabinet. This procurement and evaluation process has now been completed.
- 11.2 The procurement process sought tenders for the management of this facility for a 10 year period (with a 5 year optional extension) and included the opportunity for bidders to include investment options to enhance the centre and hence improve its viability.
- 11.3 It should be noted that the specification for the contract includes a number of 'core' prices, which are ones that the Council is able to control. The purpose of this is to ensure that the pricing structure reflects the Council's objective for a facility that is accessible to the whole community. The core prices cover pay-and -play swim sessions, gym sessions, exercise classes, exercise referral and badminton court hire. Beyond them, the operator is free to set prices. In addition, the operator will be required to offer a Saver Card for those on low incomes.
- 11.4 One tender was received which included within it two bids. These are referred to as the base bid and the variant bid. Both bids included different levels of investment, by the bidder and the council, for both the building and for equipment and thereby different associated levels of management fee.

For clarity, the scope of the two bids received were as follows:

- A) Base Bid: the operator has proposed £171,741 of capital investment by the Council to install air management plant to the first floor of the building and to replace all existing gym and group exercise equipment in year one and year seven of the contract and to replace the group cycling bikes in year four.
- B) Variant Bid: the operator has proposed £300,000 of capital investment (included in their financial offer). This covers the installation of air management plant to the first floor of the building to create new studio space and the expansion of the gym. The proposal includes the replacement of the gym and group exercise equipment in year one and year seven of the contract and to replace the group cycling bikes in year four.
- 11.5 A detailed breakdown of the capital investment is shown in **Exempt Appendix 3.**

## 11.6 Evaluation of MLC tender

11.7 The tender bid received was from Everyone Active. Other operators did show initial interest through the process but did not submit formal bids. Everyone Active took over the management of River Park Leisure Centre and MLC on an interim basis from Places Leisure in September 2020 and will also manage the new Winchester Sport & Leisure Park when it opens in spring 2021. They are a highly experienced operator who manage over 200 leisure facilities (over 60 local authority contracts) in the UK.

11.8 The Sports Consultancy, a specialist consultant in sport and leisure, was appointed to support and advise the Council with this procurement exercise. With their support the bids have been evaluated using the evaluation criteria as published in the Invitation to Tender (ITT) document. Overall, the evaluation framework was split between two broad areas on the following weighting:

- Quality criteria: 40%
- Commercial criteria: 60%

11.9 The quality criteria were split into the seven areas set out below and bidders were required to provide a method statement response to each. The seven areas were given individual weightings which were determined through a relative important assessment undertaken by council officers and The Sports Consultancy. The criteria and weightings were as follows:

a)	Programming and Pricing	9%
b)	Asset Management and Cleaning	10%
c)	Sports Development, Health and Wellbeing and Outreach Work	6%
d)	Marketing Customer Care and CRM	5%
e)	Staffing	5%
f)	Financial Management, Reporting and IT Systems	3%
g)	Contract Mobilisation	2%

11.10 The commercial criteria consisted of the following:

a)	Proposed Management Fee	50%
b)	Surplus Share	5%
c)	Commercial mark-up	5%

11.11 The seven method statements were scored on a scale of 0 (non-compliant) to 5 (exceeding the requirements) The Council also set a minimum benchmark score of 2 and if any method statement response fell below this mark the whole bid would be rejected.

- 11.12 The quality aspects of the two bids from Everyone Active, meet and exceed the Council's minimum requirements in all areas. Both the base bid and the variant bid offer the same scores for quality but the variant bid scores more highly overall when the commercial scores are factored in due to the investment element which decreases the management fee payable to the operator.
- 11.13 The weighted scores are shown in **Exempt Appendix 2**
- 11.14 It should be noted that Everyone Active has proposed to share any annual financial over-performance above the baseline management fee position on a 50:50 basis with the council. In order to ensure the Council receives any surplus share that it is due, rigorous contract monitoring will be required throughout the contract period. This will be achieved through The Sports Consultancy's Contract Monitoring Index. In recent months, the Council has been working with The Sport Consultancy to put this in place and it is now operational and will be continued into the new contract. In simple terms, the tool takes the monthly financial and non-financial information that the operator is contractually required to provide and stores and presents it in a way that monitors cumulative performance across the contract period. Currently, it calculates any financial balance due from the open book reconciliation process. However, once the contract switches back to a fixed management fee arrange, this element will be modified to compare actual performance to the original financial bid and hence identify any annual surplus share due.
- 11.15 The variant bid represents a higher risk option because all £300,000 of capital investment is funded directly by the council. However, the expenditure relates directly to specific assets, such as gym equipment and investment in the building and so as long as these assets are maintained appropriately they should retain their market value if the contract were to end prematurely for any reason, including non-take up of the five year extension. The council will retain ownership of these investments
- 11.16 It should also be noted that Everyone Active would procure and carry out the proposed improvement works and purchasing of equipment, as they will be able to get more favourable prices through their countrywide contractual arrangements with suppliers. The council's estate team will oversee these works on behalf of the council.
- 11.17 The first year of the contract would operate on an open book basis, due to the unpredictable period of operation with reduced capacity due to continued COVID-19 guidelines and implications.
- 11.18 A summary of the financial implications of the two bids is presented in **Exempt Appendix 1**.

11.19 Alternative local sporting facilities – update

- 11.20 The major development in North Whiteley includes the provision of a new secondary school including a 4 court sports hall and 2 full sized artificial turf pitches. The school is located 1.5km from MLC. There is a trigger in the Section 106 agreement which states that the land will be available before the occupation of 1,100 dwellings and it will take 2 years from then to build the school. Current occupation stands at around 175 dwellings.
- 11.21 The sports facilities at the secondary school will be available for community use as the operator of the school is required to enter into a Community Use Agreement with Winchester City Council as part of the Section 106 agreement for the North Whiteley Development. It is intended that the sports accommodation at this school will be in a separate building with its own entrance.
- 11.22 Two private gyms are also planned for the area. Planning permission has been granted for British Land to build a new fitness gym in the proposed retail block in Whiteley Shopping Village adjacent to MLC. Forum Four also have planning permission for a gym with 60 stations at Solent Business Park which is within walking distance of MLC.
- 11.23 Furthermore there is a large municipal gym, also operated by Everyone Active in Fareham.
- 11.24 Update on Current Interim Contract for operation of Meadowside Leisure Centre
- 11.25 The council's leisure management contract with Places Leisure was terminated by mutual agreement on 31 August 2020. An interim contract was established with Everyone Active to operate River Park Leisure Centre and MLC until Winchester Sport & Leisure Park opens in spring 2021 and whilst a procurement exercise was undertaken for MLC.
- 11.26 The interim operator submitted forecast amounts for each month so that a budget could be established and approved for the contract period. Further lockdowns and additional closures were not factored in (due to uncertainty over whether these would be needed and how long they would be in place for) when establishing these forecasts which has impacted the actual amounts.
- 11.27 Additional costs above the expected forecast figures have been incurred from September to December 2020 due to:
- loss of income during the second lockdown in November
  - loss of income due to Tier 4 closure of leisure centres
  - unexpected maintenance work at River Park Leisure Centre
  - additional staffing costs during mobilisation



- MLC sports hall remaining closed until January 2021 due to issues with the air circulation in the building and the requirements to deliver a Covid-19 safe environment

It is anticipated that the remaining estimated costs will stay within forecast figures for the remainder of this contract even if there are further lockdowns in 2021. Draft figures for November indicate that the net cost is in line with the forecast and the current lockdown will also result in lower operational costs.

## 12 OTHER OPTIONS CONSIDERED AND REJECTED

### 12.1 Close the site altogether and dispose of it.

This was rejected due to its impact on the local community and previous decision to invest in facilities in the Southern parishes to support the growing population in Whiteley.

Advantages of this approach:

- No ongoing running costs for the council
- Capital receipt from the sale
- Whatever the site will be used for will bring an environmental benefit
- This option does not depend on interest from the market (other than the future sale of the site)
- Low risk option as it involves closure and disposal of the site

Disadvantages of this approach:

- Loss of accommodation for Whiteley Town Council who would require another facility in the town centre and they would lose the changing rooms for their grass pitches
- Negative impact on sport and leisure participation in Whiteley and the surrounding area
- Loss of a community sports facility.

### 12.2 Delay start of Operator Contract

This was rejected due to the impact on the business and the operator see risks below:

- The centre will be closed for a period and customers will migrate to other leisure facilities during this closure. Given the level of competition in the area, there is a risk that once lost, the customers might not return

- The Council will have changed the terms of the tender, the operator would be entitled to make a claim for loss of income consequent to this change
- As MLC is located in an area of high competition for health and fitness facilities and this area makes up a significant proportion of the income (circa 50%), the potential impact on the management fee would be significant.

### 12.3 Extend the Interim Leisure Centre Contract

This was rejected as there would be a further period of uncertainty for both the community and the operator which could result in additional costs to the Council and potentially a sub-optimal operation.

- If the interim contract were to be extended then the Council will be liable to pay costs especially if Covid-19 guidelines continue or there is another lockdown
- The interim contract does not have the full specification of participation and other targets so the longer the Council is locked into that arrangement, the longer the period that the operator would not be required to deliver against them.

### 12.4 Managing the Leisure Centre In-house

- By bringing the service back in-house, the Council would take on the responsibility for all staffing, operational and asset risk for the centre. As the Council has not managed Meadowside Leisure Centre directly since 2011 it does not have the in-house expertise to complement and manage the customer-facing staff at the facility
- The centre would become a standalone operation within an area where there is lots of competition (rather than having the backing and support of a major operator). In this situation, it would be difficult for it to compete with nearby facilities and it is likely that income levels would drop. As a guide, the council's Consultant's Facilities Index, which is a database of financial performance from just over 1,650 public leisure facilities in the UK, highlights that the average income per visit from an in-house leisure facility is £2.99 compared to £4.59 for outsourced facilities
- Staffing costs would inevitably rise as a guide, a London borough recently brought their service back in house and staffing costs increased by around 35%
- There would be a loss of the mandatory NNDR relief on the building as the occupier of the building would no longer be a charitable trust

- It is likely that the Council would not be able to grant itself a similar level of VAT exemption on income that Everyone Active benefits from, which would further increase the annual net cost of the centre
- The process of bringing the operation back in-house, the transfer of staff and setting up of the required internal team to manage it would be time consuming and would incur additional costs.

### 13 Conclusion

- 13.1 MLC provides a much valued facility serving the southern parishes of the District. It provides for both leisure and sporting opportunities and allows community activities to be accommodated. It also provides a base for the Whiteley Town Council. It is also an important part of the District's built sports facilities and if lost would leave a gap in provision in the area.
- 13.2 The centre has much potential and the recent investment already made by the council together with that proposed in Everyone Active's bid will significantly enhance its usability, flexibility and usage.
- 13.3 The bid received through the tendering process does require both a capital investment by the council and an ongoing fee to be paid to Everyone Active. Considering the size of the centre and the local competition that exists in the area particularly for fitness gyms this is not surprising. There is, however, provision in the contract for any financial over performance against forecast figures to be shared equally with the Council and this would be used to offset the management fee. There is no guarantee that this will occur, however, considering the development that is being undertaken in the area and the need to meet a growth in demand from new and existing residents this is a welcome inclusion.
- 13.4 Taking that all into account it is recommended that that Everyone Active should be appointed to run MLC for the Council based on their variant bid.

### BACKGROUND DOCUMENTS:-

#### Previous Committee Reports:-

CAB3192 - [SOUTHERN PARISHES SPORTS FACILITIES](#), 23 December 2019

Other Background Documents:- None

### APPENDICES:

Exempt Appendix 1- Financial Implications of the two Bids

Exempt Appendix 2 – Tender Weighted Scores

Exempt Appendix 3 – Breakdown of Capital Investment

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## Forward Plan of Key Decisions

March 2021

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 2021** 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

29 January 2021

<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 Paula Ferguson	Local Economy
• Cllr Kelsie Learney	Housing & Asset Management
• Cllr Lynda Murphy	Climate Emergency
• Cllr Jackie Porter	Built Environment & Wellbeing
• Cllr Malcolm Prince	Sport, Leisure & Communities
• Cllr Martin Tod	Service Quality & Transformation

	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**

Page 175	1	Housing Development Strategy 2021 – 2025	Cabinet Member for Housing and Asset Management	Significantly effects 2 or more wards	All Wards	Andrew Palmer	Cabinet report	Cabinet	Mar-21	10-Mar-21	Open
		Making Council homes carbon neutral	Cabinet Member for Climate Emergency & Cabinet Member for Housing and Asset Management	Significantly effects 2 or more wards	All Wards	Andrew Kingston	Cabinet report	Cabinet	Mar-21	10-Mar-21	Open

	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	
Page 176	3	Framework agreement for roof replacement works to Council housing stock	Cabinet Member for Housing and Asset Management	Expenditure > £250,000	All Wards	Andrew Kingston	Cabinet report	Cabinet	Mar-21	10-Mar-21	Open
		Risk Management Policy 2021/22	Deputy Leader and Cabinet Member for Finance and Risk	Significantly effects 2 or more wards	All Wards	Simon Howson	Cabinet report	Cabinet	Mar-21	10-Mar-21	Open
	5	Community Infrastructure Levy (CIL) Funding Priorities and Monitoring	Cabinet Member for Built Environment and Wellbeing	Significantly effects 2 or more wards	All Wards	Simon Finch	Cabinet report	Cabinet	Mar-21	10-Mar-21	Open



	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
6	Central Winchester Regeneration (CWR) consultation update and next steps	Cabinet Member for Housing and Asset Management	Significantly effects 2 or more wards	Town Wards	Veryan Lyons	Cabinet report	Cabinet	Mar-21	10-Mar-21	Open 3
7	Land transaction	Cabinet Member for Housing and Asset Management	Expenditure > £250,000	All Wards	Geoff Coe	Cabinet report	Cabinet	Mar-21	10-Mar-21	Part exempt 3

**Section B**  
Decisions made by individual Cabinet Members

8	Colden Common Village Design Statement (VDS) - approval for consultation	Cabinet Member for Built Environment and Wellbeing	n/a	Colden Common & Twyford	Joan Ashton	Cabinet Member decision report	Cabinet Member for Built Environment & Wellbeing Decision Day	Mar-21	1-Mar-21	Open
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	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 C**

Decisions made by Officers

9	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	Designated HCC Finance staff, daily	Designated working papers	Designated HCC Finance staff, daily	Mar-21	Mar-21	Open
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