



Meeting	Council
Date and Time	Wednesday, 23rd February, 2022 at 7.00 pm.
Venue	Guildhall, Winchester

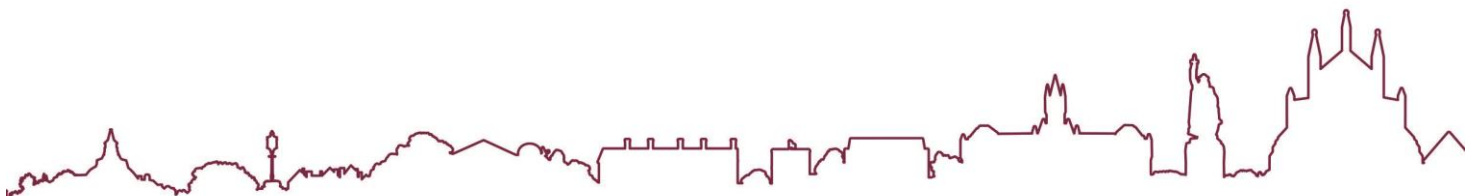
NOTICE IS HEREBY GIVEN that an Ordinary Meeting of the Council will be held at 7.00 pm on Wednesday, 23rd February, 2022 in the Guildhall, Winchester and all Members of the Council are summoned to attend.

Note: *This meeting is being held in person at the location specified above. In line with relevant legislation and public health guidance the following arrangements apply. Members of the public should note that a live audio feed of the meeting will be available from the council's website (www.winchester.gov.uk) and the video recording will be publicly available on the council's You Tube channel shortly after the meeting*

For members of the public who are unable to utilise this facility a limited number of seats will be made available at the above named location however attendance must be notified to the council at least 3 working days before the meeting. Please note that priority will be given to those having registered to speak during the Public Question session over those wishing to attend and observe.

AGENDA

- 1. Minutes of the Ordinary Meeting of the Council held on 12 January 2022**
(Pages 9 - 24)
- 2. Disclosure of Interests**
To receive any disclosure of interests from Members or Officers in matters to be discussed.
Note: Councillors are reminded of their obligations to declare disclosable pecuniary interests, personal and/or prejudicial interests in accordance with the Council's Code of Conduct.
- 3. Announcements from the Mayor, Leader and Chief Executive.**



4. **Questions from Members of the Public**

To receive and answer and questions from the public.

(Questions must be received in writing by Democratic Services – democracy@winchester.gov.uk – no later than noon on Wednesday 16 February 2022)

5. **To receive petitions**

In accordance with Council Procedure Rule 16, a petition was submitted by 'Save Our Skatepark in Winchester River Park' with 2, 265 signatures.

We object to the proposed disposal of Open Space Land known as the River Park Skate Park, Gordon Road as given by the 12 Jan 2022, Section 123(2a) LGA 1972 notice.

The Skate Park provision should remain under the full control of Winchester City Council to provide for the youth residents of the City and fulfil its obligations under the published North Walls Park improvement plans.

Selling a 150yr lease for the land to the University of Southampton creates a significant risk for WCC that it will be unable to provide or improve the facilities that it has consulted and planned on with residents. It also creates the risk that the UoS would use potential improvement funds as a negotiation tool for other activities it might wish to carry out on the wider site.

Why is this important?

The council should not be handing over a recently improved (£270k in 2014/15) built facility to the University of Southampton for potential redevelopment.

Whilst the council and university have said they intend to keep the Skate Park and potentially improve it, these statements are not believed to be legally binding in any way.

On the other hand, the agreements will make allowance for:

"Reasonable Relocation" - Winchester Cabinet Report CAB3324 <https://bit.ly/3rtDnqp>

"Equivalent Facilities" - Disposal of Open Space Land Notice, 12 Jan 22 <https://bit.ly/3qj93sW>

'Reasonable' and 'Equivalent' are both subjective terms and leaving them to negotiation at the point they would need to be used is terrible governance.

Winchester has little provision for its young people. The correct public body to own and control a facility for Winchester's residents is Winchester City Council.

The council could divide the land and keep hold of the skate park, particularly if the University has no intention to build on it.

Why would the UoS want a piece of land they can't build on or generate income from anyway?

If, ultimately, the cultural centre plan does need to build on the skate park or move it for noise/disruption reasons it could negotiate with WCC for the land with a clear replacement facility in mind.

As it stands WCC would be held over a £100M barrel to either agree to whatever the University planned for it or lose the lot.

6. **To consider and determine the following Recommended minute of Cabinet held 17 February 2022 - Housing Revenue Account (HRA) Budget 2022/23 (CAB3334) (Pages 25 - 44)**

Housing Revenue Account (HRA) Budget 2022/23

(Report CAB3334 refers)

Extract of draft minute of Cabinet to follow

RECOMMENDED:

That Cabinet recommend that Council :-

1. Approve the 2022/23 Housing Revenue Account budget as detailed in Appendices 1 and 2 to this report.
2. Approve the 10 Year indicative HRA capital programme as set out in appendices 3 and 4.
3. Approve capital expenditure in 2022/23 of £9.289m for the Maintenance, Improvement and Renewal programme as detailed in Appendix 3 of the report in accordance with Financial Procedure Rule 7.4
4. Approve the proposed indicative funding for the HRA Capital Programme, as detailed in Appendix 5.
5. Note the HRA Financial Plan operating account extract, including annual working balances, as detailed in Appendix 6.
6. Agree to support the proposal to fund £0.300m new initiatives around the Housing White Paper – “The charter for social housing residents” and invest additional resources in the capacity of the new homes delivery team, the decent homes team and Neighbourhood/Estate Management.
7. Agree to support the proposal to increase the revenue funding for planned and reactive repairs by £0.500m to reflect both increased budget pressures and the cost of delivering an improved void standard to properties prior to letting
8. Approve a rent increase of 3.1% from April 4th 2022 for Social and Affordable housing within the HRA.
9. Approve a cap on service charges for 2022/23 for all tenants at £5.00 per week.

7. **To consider and determine the following Recommended minute of Cabinet held 17 February 2022 - General Fund Budget 2022/23 (CAB3335) (Pages 45 - 86)**

General Fund Budget 2022/23

(Report CAB3335 refers)

Extract of draft minute of Cabinet to follow

RECOMMENDED:

That Cabinet recommend that Council :-

- 4 Agree the level of General Fund Budget for 2022/23, and recommend the summary as shown in Appendix A.
- 5 That the additional year of New Homes Bonus Allocation be used to fund the following proposals:
 - a) Increased provision for Local Council Tax Support, with £100,000 additional one off provision to the Council's Hardship Fund
 - b) £450k to fund essential maintenance work to Monuments and Historic Assets
 - c) Low Carbon Transport - £250k to fund trials of low carbon bin lorries and/or buses operating existing Council services
 - d) £40k to fund the installation of bike storage and other measures to support the promotion of cycling and walking
 - e) £150k to fund feasibility work to prepare for the implementation of a food waste trial collection system in 2023.
 - f) £185k to fund the cost of additional city and market town centre cleansing, the maintenance and replacement of street furniture (litter bins, seats, bollards bin stores etc) and also to fund an increased emphasis on fly tipping (additional clearance, surveillance and promotion)
 - g) £25k to support work to embed the principles of the Council's "City of Sanctuary" commitments and to review the diverse needs of communities across the district.
 - h) £100k to fund fixed term IT staff to develop council systems to meet the requirements of flexible/agile working
- 6 Support the investment proposals set out in section 13.4 of this report, including:

- a) To reinstate the annual contribution of £250k to the Asset and Property reserve to support future investment and maintenance of council assets
 - b) To increase the annual revenue contribution to the Parking and Access reserve by £200k per annum to support the implementation works set out in the annual Parking investment programme
 - c) Increasing the annual staffing budget by £175k per annum from 2022/23 to create additional capacity in the Legal Services, Communications and Economic Development teams
 - d) Increasing the annual staffing budget by £60k per annum from 2023/24 to create additional capacity in the Strategic Planning team
 - e) An increase in the budget for annual audit fees of £30,000
- 7 Approve the 2022 Council Tax Hardship Scheme allocation of £100,000 and the distribution of this funding as set out in Appendix F; to be administered by the Revenues & Benefits teams under the Service Lead for Revenues & Benefits.
- 8 That 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 as set out in section 16 and Appendix D.
- 9 That the Council Tax for the Special Expenses in the Winchester Town area at Band D for 2022/23 be increased by 4.5% to £76.71, an increase of £3.30.
- 10 That the surplus balance on the Council Tax Collection Fund for distribution to this Council, calculated in January 2022 of £24,315, be approved.
- 11 Recommend the level of Council Tax at Band D for City Council services for 2022/23 be increased to £151.29, an increase of £3.95 reflecting an average Council tax increase of 2.7%

TO PASS A FORMAL RESOLUTION SETTING THE COUNCIL TAX FOR THE CITY OF WINCHESTER FOR THE YEAR COMMENCING 1 APRIL 2021.

8. **To consider and determine the following Recommended minute of Cabinet held 17 February 2022 - Capital Investment Strategy 2022-2032 (CAB3332) (Pages 87 - 128)**

Capital Investment Strategy 2022-2032

(Report CAB3332 refers)

Extract of draft minute of Cabinet to follow

RECOMMENDED:

That Cabinet recommends to Council :-

1. The Capital Investment Strategy be approved including:
 - the Capital Programme and Capital Programme Financing (Appendices A and B to the report);
 - the Minimum Revenue Provision (MRP) Policy Statement (Appendix E);
 - the Flexible Use of Capital Receipts Strategy (Appendix G); and
 - the prudential indicators detailed in the report and its appendices.

9. **To consider and determine the following Recommended minute of Cabinet held 17 February 2022 - Treasury Management Strategy 2022/23 (CAB3333) (Pages 129 - 158)**

Treasury Management Strategy 2022/23

(Report CAB3333 refers)

Extract of draft minute of Cabinet to follow

RECOMMENDED:

That Cabinet recommends to Council :-

1. That the Treasury Management Strategy Statement which includes the Annual Treasury Investment Strategy for 2022/23 (and the remainder of 2021/22) 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 Operations, 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.

10. **Changes to Committee Memberships**

To receive any resignations from committees and to make any necessary re-appointments.

11. **Questions from Members of Council**

The total time for questions and the answer and supplementaries thereto shall not exceed 30 minutes.

LAURA TAYLOR
Chief Executive

All of the Council's publicly available agendas, reports and minutes are available to view and download from the Council's [Website](#) and are also open to inspection at the offices of the council. As part of our drive to minimise our use of paper we do not provide paper copies of the full agenda pack at meetings. We do however, provide a number of copies of the agenda front sheet at the meeting which contains the QR Code opposite. Scanning this code enables members of the public to easily access all of the meeting papers on their own electronic device. Please hold your device's camera or QR code App over the QR Code so that it's clearly visible within your screen and you will be redirected to the agenda pack.



15 February 2022

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

Quorum = 12 members

PUBLIC PARTICIPATION

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

A question may only be asked if notice has been given by delivering it in writing to Democratic Services no later than 5 working days preceding the Council meeting.

For example, if the Council meeting is being held at 7pm on a Wednesday then the question would need to be received by noon on the preceding Wednesday. Please email to democracy@winchester.gov.uk.

FILMING AND BROADCAST NOTIFICATION

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

DISABLED ACCESS:

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

COUNCIL

Wednesday, 12 January 2022

Attendance:

Councillors Present

Achwal (Chairperson)

Becker	Laming
Bentote	Learney
Bronk	Lumby
Brook	Pearson
Clear	Power
Cook	Prince
Cramoysan	Radcliffe
Craske	Read
Cunningham	Ruffell
Cutler	Rutter
Edwards	Scott
Ferguson	Thompson
Fern	Tippett-Cooper
Gemmell	Tod
Godfrey	Warwick
Gordon-Smith	Weir
Green	Weston
Horrill	Westwood
Isaacs	Williams
Kurn	

Apologies for Absence:

Councillors Clementson, Evans, McLean and Miller

[Audio and video recording](#)

1. **TRIBUTE TO FORMER COUNCILLOR LYNDA MURPHY**

The Mayor firstly welcomed the family of Lynda Murphy to the meeting and then gave her own personal tribute and reflections. The Chief Executive spoke on behalf of the council's staff and the Leader then highlighted Lynda's various significant achievements whilst a councillor and as a member of Cabinet. The Leader introduced a special video that had been produced in Lynda's memory.

Other members of the council paid their own personal tributes and the Mayor concluded by once again offering her condolences of the whole council to Lynda's family and friends. The Mayor then called for an adjournment to the meeting so that she was able to speak in person with Lynda's family.

2. **MINUTES OF THE ORDINARY MEETING OF THE COUNCIL HELD ON 22 SEPTEMBER 2021**

RESOLVED:

That the minutes of the Ordinary Meeting of the Council held on 22 September be approved and adopted.

3. **DISCLOSURE OF INTERESTS**

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

Councillor Lumby also advised that with regard to agenda item 7 (a), he acted as a consultant within the regeneration group of a Southampton based firm of solicitors and that he was also a First Tier Tribunal Property Chamber Judge.

4. **ANNOUNCEMENTS FROM THE MAYOR, LEADER AND CHIEF EXECUTIVE.**

The Mayor firstly announced the formal launch of the annual Mayor of Winchester's Community Awards and then referred to her various forthcoming charities events. The Mayor then reported on an event that was being arranged to launch and celebrate a refreshed version of the council's Armed Forces Community Covenant. Finally, the Mayor announced that she was very pleased to advise that she had written to the following recipients of the recent Queen's New Year Honours:

- Robin Hutson – an OBE for Services to the hospitality industry and philanthropy.
- Tim Jackson, lately of Sparsholt College - an OBE for Services to Further Education.
- Sonja Huxham, Basic Skills Development Manager, Army Training Regiment Winchester - a MBE for Services to Military Education.

The Mayor would also congratulate former city councillor Sir George Holingbery who had recently been appointed as Her Majesty's Ambassador to the Republic of Cuba and also former city councillor Caroline Dinenage (Minister of State for Health) who was appointed a Dame (DBE) in the 2022 Political Honours.

There were no announcements from the Leader and the Chief Executive announced apologies for the meeting.

5. **QUESTIONS FROM MEMBERS OF THE PUBLIC**

Five written questions had been received from members of the public, who were in attendance at the meeting to present their questions, along with associated

supplementary questions. The questions and response were subsequently set out on the [council's website](#).

6. **TO RECEIVE PETITIONS**

(a) In accordance with Council Procedure Rule 16, a petition was submitted by Ms Lucy Taylor regarding 'a lido for Winchester'. The details of the petition are set out on the agenda.

Ms Taylor introduced her petition and in summary, raised the following matters:

- The petition had been extremely well supported and recommended that there should be a new lido for Winchester. That the lido would be best sited at the former River Park Leisure Centre as it would then be integrated with other existing leisure and recreational activities and also as the land here belonged to the people of Winchester for the purpose of public recreation.
- Lidos provided benefits both to economic recovery and public health and helped support community cohesion for people of all ages. Outdoor swimming was particularly popular with woman and a lido therefore would help boost female participation in sport. A lido would also help ensure that Winchester continued to be a destination.

The Leader responded to the matters in the petition and in Ms Taylor's presentation and in summary, raised the following points:

- Would welcome exploring ideas to expand existing opportunities for open water swimming in and around the district.
- North Walls park and the old River Park Leisure Centre were located on a flood plain and therefore were unsuitable locations for a lido.
- The Town Forum had included plans to improve facilities for open air swimming as part of the North Walls park improvement plans.
- The council needed to provide for all types of sporting facilities across the whole district. Having invested significantly in the Sports and Leisure Park at Bar End, the council was not in a position to invest further in new facilities in Winchester.
- Petitioners could raise their own funds and find a site for a lido. The council would willingly engage with the petitioners, but would be unable to support with any funding.

Council then proceeded to debate the petition and matters therein and in summary, the following matters were raised:

- The number of signatures achieved by the petitioners demonstrated that there was a desire for different types of swimming.

- The Town Forum had recently established an outdoor swimming group to look at opportunities for all types of outdoor swimming in Winchester. There was a commitment for the provision of 'water play' facilities as part of the North Walls park improvements.
- Informal or formalised outdoor swimming in local rivers may impact on wildlife and biodiversity.
- Proposals from the University of Southampton would create opportunities to support other cultural and leisure activities in the area. The Winchester town area has a high level capacity per head for swimming and the council must consider supporting the needs of other sports, arts and leisure groups.
- Campaigning to improve the water quality of rivers was an important priority.
- Lido build costs were estimated to be £8– 10 million and then required extra sources of income or subsidy to cover running costs. Not all existing lidos in the country were run as affordable, community facilities.
- Opportunities for outdoor swimming should be explored and the work of the Town Forum was welcomed along with discussions with interested groups and key stakeholders.

At conclusion of debate, the Leader once again thanked Ms Taylor for bringing the matter forward and the meeting was agreement that there should be ongoing discussion regarding facilities for open air swimming across the district and that the petition and matters therein should be forwarded to the Town Forum outdoor swimming group to consider further.

RESOLVED:

That the petitioner be thanked for bringing the matter forward and that the petition and matters therein be forwarded to the Town Forum outdoor swimming group to consider further.

(b) In accordance with Council Procedure Rule 16, a petition was submitted by Ms Janet Berry on behalf of Highcliffe Forum. The details of the petition are set out on the agenda.

Ms Berry introduced her petition and in summary, raised the following matters:

- The petition was presented on behalf of the communities of Highcliffe, St Giles Hill and Bar End. There should be a properly funded and fully inclusive public consultation exercise before any proposals for the disposal of the former depot site were taken forward.

- The area had limited public transport and essential services and community amenities. Social sustainability was important for the area and the most recent community engagement exercise regarding its future had been in 2002. The more recent Bar End Design Framework work had not related specifically to the depot site.
- There should be a commitment to honour the outcome of a neighbourhood engagement exercise, which would help to develop the community's future. All viable options for the site should be considered that would best serve the needs of the community.

Councillor Cutler (Deputy Leader and Cabinet Member for Finance and Service Quality) responded to the matters in the petition and in Ms Berry's presentation and in summary, raised the following points:

- The depot site was relatively small and a capital receipt for the site remained desirable due to the council's financial position. It was unlikely that all of the local community's aspirations could be achieved by redevelopment of the site.

Council then proceeded to debate the petition and matters therein and in summary, the following matters were raised:

- Redevelopment of the depot site was an opportunity to re-engage with local residents regarding their aspirations for their community.
- Previous ideas from the community had been for a small supermarket, green space, a community hall and a safe route through to the Sports and Leisure Park.
- The Bar End Design Framework had been an important piece of work regarding the future of the site as had considered building height and buffers.
- Several development proposals had already been suggested had been commercially viable. It was unlikely that any single proposal would meet all of the community's aspirations.
- A new food store and a route to the Sports and Leisure Park were likely to be achievable and the Councillor Learney (Cabinet Member for Housing and Asset Management) undertook to commit to engage with the local community before any disposal and redevelopment of the site.

At conclusion of debate, Councillor Cutler thanked Ms Berry for bringing the matter forward and reiterated the commitment to undertake further public engagement in the local area before disposal and redevelopment of the site.

RESOLVED:

That the petitioner be thanked for bringing the matter forward and that Council note the commitment of the Cabinet Member for Housing and Asset Management to consult and engage with the local communities of Highcliffe, St Giles Hill and Bar End before any disposal and redevelopment of the former council depot site

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

a) **Cabinet - 15 December 2021 - Central Winchester Regeneration - Outline Business Case (less exempt appendix E) (Report Reference CAB3322)**

Councillor Learney (Cabinet Member for Housing and Asset Management) moved that the recommended Minute of Cabinet be approved and adopted (seconded by the Leader, Councillor Thompson).

Council proceeded to ask questions on the matters in the recommended minute and the report. Council agreed that it did not need to ask questions or debate the information in exempt Appendix E to Report CAB3322.

AMENDMENT – Moved by Councillor Horrill and seconded by Councillor Lumby as follows:

“Under Council Procedure Rule 17.3 d this Council refers back the whole of this minute to Cabinet.

The Council supports the regeneration of Central Winchester strictly in accordance with the Supplementary Planning document 2018, including phased delivery with separate developers.

Cabinet is directed to bring a procurement proposal based on this approach to Council as soon as possible.”

With the permission of the Mayor, the meeting adjourned to allow informal discussion of the Amendment.

Upon its reconvening Council proceeded to ask questions and debate the Amendment.

As it was the request of five Members present in the meeting a recorded vote was taken the Amendment.

The following Members voted in favour of the Amendment:

Councillors Brook, Cook, Cunningham, Gemmell, Godfrey, Horrill, Isaacs, Kurn, Lumby, Pearson, Read, Ruffell, Scott, Warwick, Weston.

The following Members voted against the Amendment:

Councillors Achwal, Becker, Bentote, Bronk, Clear, Cramoysan, Craske, Cutler, Edwards, Fern, Ferguson, Gordon-Smith, Green, Laming, Learney, Power, Prince, Radcliffe, Rutter, Thompson, Tippett-Cooper, Tod, Weir, Westwood, Williams.

No Members abstained from voting.

AMENDMENT NOT CARRIED.

Council then proceeded to continue to debate the matters in the recommended minute and the report.

As it was the request of five Members present in the meeting a recorded vote was then taken on the recommended minute of Cabinet.

The following Members voted in favour of the recommended Minute of Cabinet:

Councillors Achwal, Becker, Bentote, Clear, Cramoysan, Craske, Cutler, Edwards, Fern, Ferguson, Gordon-Smith, Green, Learney, Power, Rutter, Thompson, Tippet-Cooper, Tod, Weir, Westwood, Williams.

The following Members voted against the recommended Minute of Cabinet:

Councillors Brook, Cunningham, Gemmell, Godfrey, Horrill, Isaacs, Kurn, Lumby, Pearson, Read, Ruffell, Warwick, Weston.

The following Members abstained from voting:

Councillors Bronk, Cook, Laming, Prince, Radcliffe, Scott.

RESOLVED:

That the Strategic Director with responsibility for the Central Winchester Regeneration project be authorised to initiate and conduct the procurement process for the selection of a development partner for the Central Winchester Regeneration project.

Councillors Fern, Green, Prince, Ruffell and Radcliffe left at this point of the meeting.

b) **Audit and Governance Committee - 11 November 2021 - Final Report and Pay Policy Statement 2022/23 (Report Reference AG62)**

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

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

RESOLVED:

That the Pay Policy Statement for the financial year 2022/23 be adopted.

c) **Licensing and Regulation Committee - 8 December 2021 - Review of Principles under Gambling Act 2005 (Report Reference LR549)**

Councillor Bentote (Chairperson of the Licensing and Regulation Committee) moved that the recommended Minute of the Licensing and Regulation Committee be approved and adopted (seconded by Councillor Read).

RESOLVED:

That subject to the correction of minor typographical or formatting issues identified by the Committee, the draft Statement of Principles as set out at Appendix 1 to Report LR549 be adopted.

d) **Audit and Governance Committee - 16 December 2021 - Invitation to become an opted in authority - The Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015 (Report Reference AG66)**

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

RESOLVED:

That the Council accepts the Public Sector Audit Appointments (PSAA) invitation to 'opt-in' to the sector led option for the appointment of external auditors for five consecutive financial years commencing 1 April 2023.

8. **NOTICES OF MOTION**

- (a) **In accordance with Council Procedure Rule 10, a Motion had been submitted by Councillor Tippet-Cooper as follows. The Motion was seconded by Councillor Tod.**

“Winchester City Council is committed to welcoming asylum seekers and refugees to our District and including them in our activities. The people in our district have shown kindness and openness in recent months with huge support when donations for evacuees from Afghanistan were needed. We are also a district with a rich network of organisations providing support to the most vulnerable in our society. As a Council, we recognise the importance of reflecting this spirit of our community and core values of openness, kindness and respect for others. Winchester City Council also recognises asylum seekers' and refugees' potential contribution to our district, and also recognises that a co-

ordinated and forward-looking approach is needed if the welfare of people moving into the town, and community cohesion between new and existing communities, are to be supported effectively.

To this end, we resolve to:

- Support organisations such as the University of Winchester (which is a University of Sanctuary), the community group Winchester City of Sanctuary, the Southampton & Winchester Visitors Group, Hampshire Cultural Trust and other key charities and community groups in their work to make Winchester a place of sanctuary;
- Welcome to Winchester district those fleeing violence and persecution in their own countries;
- Value the contribution those seeking sanctuary can make to our District;
- Support taking practical steps, in dialogue with the organisations above, to welcome and integrate all people into our communities, activities and culture;
- Challenge anti-refugee and anti-migrant attitudes wherever they are found and support the Southampton and Winchester Visitors Group and Winchester City of Sanctuary in the promotion of the Together With Refugees campaign calling for a fairer, kinder and more effective approach to supporting refugees in the UK;
- Nominate a current Councillor(s) to act as a “Sanctuary Champion(s)”, who will endeavour to communicate with the organisations listed above to explore how we can develop further ideas to support asylum seekers and refugees who are resettled in our district;
- We are willing for our organisation’s name to be added to a list of supporters of City of Sanctuary”

Councillor Tippett-Cooper introduced his motion and Council then proceeded to ask questions and debate the Motion.

At conclusion of debate, Members were unanimous in its support of the motion. Members particularly highlighted that the motion formalised the existing support to those in need that was provided by the council and local communities and also the demonstrated willingness to welcome refugees to the district.

RESOLVED:

That this Council:

1. Supports organisations such as the University of Winchester (which is a University of Sanctuary), the community group Winchester City of Sanctuary, the Southampton & Winchester Visitors Group, Hampshire Cultural Trust and other key charities and community groups in their work to make Winchester a place of sanctuary;

2. Welcomes to Winchester district those fleeing violence and persecution in their own countries;

2. Values the contribution those seeking sanctuary can make to our district;

3. Supports taking practical steps, in dialogue with the organisations above, to welcome and integrate all people into our communities, activities and culture;

4. Challenges anti-refugee and anti-migrant attitudes wherever they are found and support the Southampton and Winchester Visitors Group and Winchester City of Sanctuary in the promotion of the Together With Refugees campaign calling for a fairer, kinder and more effective approach to supporting refugees in the UK;

5. Nominates a current Councillor(s) to act as a “Sanctuary Champion(s)”, who will endeavour to communicate with the organisations listed above to explore how we can develop further ideas to support asylum seekers and refugees who are resettled in our district;

6. Are willing for our organisation’s name to be added to a list of supporters of City of Sanctuary.

(b) In accordance with Council Procedure Rule 10, a Motion had been submitted by Councillor Godfrey as follows. The Motion was seconded by Councillor Horrill.

“This Council commits to clearly demonstrate that it is open and transparent in all its decision-making, specifically by:

- Properly consulting all councillors and the public before making any significant decisions about council projects or other major financial transactions.
- Within 12 months of a decision being made, publishing without restriction all papers used to support decisions on projects and other major financial transactions that were marked as exempt from publication at the time of the decision unless Full Council decides that these papers should remain exempt for a further 12 months.
- Recording the discussions, submissions and decisions at all meetings attended by any person outside Winchester City Council and, where those meetings relate to any decision made afterwards, for these records to be available to all councillors within 2 weeks and to the public within 12 months of the meeting unless Full Council decides that these papers should remain exempt for a further 12 months.
- Stopping the use of Non-Disclosure Agreements that councillors have been required to sign before being able to see some Council or Committee

papers and to cancel any indemnity clauses in such Non-Disclosure Agreements previously signed by serving Councillors.”

Councillor Godfrey introduced his Motion and Council then proceeded to ask questions and debate the Motion. In summary, the following matters were raised:

- Some Members raised concern of the use of Non-Disclosure Agreements regarding exempt and confidential information that was required to be provided to Members as part of the decision making process.
- Other areas of the motion referred to the council being open and transparent in all its decision-making and it was highlighted that various improvements to this had included introduction of public questions at council, streaming and videoing meetings and regular open forum meetings.
- Some other areas of the motion may require further discussion regarding their legality and the practicality and resource implications although processes to review previously exempt information were already in place however their implementation had been delayed due to the pandemic.

AMENDMENT – Moved by Councillor Cutler and seconded by Councillor Thompson as follows (changes shown in bold):

“This Council **asks that the Audit and Governance Committee review** that the Council commits to clearly demonstrate that it is open and transparent in its decision making, specifically by:

- Properly consulting all councillors and the public before making any significant decisions about council projects or other major financial transactions.
- Within 12 months of a decision being made, publishing without restriction all papers used to support decisions on projects and other major financial transactions that were marked as exempt from publication at the time of the decision unless Full Council decides that these papers should remain exempt for a further 12 months.
- Recording the discussions, submissions and decisions at all meetings attended by any person outside Winchester City Council and, where those meetings relate to any decision made afterwards, for these records to be available to all councillors within 2 weeks and to the public within 12 months of the meeting unless Full Council decides that these papers should remain exempt for a further 12 months.
- Stopping the use of Non-Disclosure Agreements that councillors have been required to sign before being able to see some Council or Committee papers and to cancel any indemnity clauses in such Non-Disclosure Agreements previously signed by serving Councillors.

And that in their considerations the Audit and Governance Committee review the legality, practicality and resource implications of these specific proposals.”

Council proceeded to ask questions and debate the Amendment. In summary the following matters were raised:

- Some commercially and personally sensitive information should be managed appropriately, however the expectation should be for disclosure wherever possible. However, reviewing this information at full council was not practical.
- To create a record of all meetings with outside organisations and with individuals would be inappropriate in most cases and would create an unacceptable level of bureaucracy.
- It was appropriate to revisit what may be practical to further increase the council’s commitment to being open and transparent by having further discussion of the motion at the Audit and Governance Committee.
- Regarding the third part of the motion, the only discussions that should be recorded were those that concluded with the council committing to expenditure. The remaining three elements of the motion were not controversial and should be accepted without referral to the Audit and Governance Committee.
- Not all councils release exempt information to all Members.
- The council’s code of conduct already obliged Members to keep exempt information confidential.
- Non-Disclosure Agreements indemnified each individual for the council’s losses and should therefore be released as soon as possible.

AMENDMENT CARRIED

Council then voted on the substantive motion (original motion as amended).

SUBSTANTIVE MOTION CARRIED

RESOLVED:

This Council asks that the Audit and Governance Committee review that the Council commits to clearly demonstrate that it is open and transparent in its decision making, specifically by:

- Properly consulting all councillors and the public before making any significant decisions about council projects or other major financial transactions.

- Within 12 months of a decision being made, publishing without restriction all papers used to support decisions on projects and other major financial transactions that were marked as exempt from publication at the time of the decision unless Full Council decides that these papers should remain exempt for a further 12 months.
- Recording the discussions, submissions and decisions at all meetings attended by any person outside Winchester City Council and, where those meetings relate to any decision made afterwards, for these records to be available to all councillors within 2 weeks and to the public within 12 months of the meeting unless Full Council decides that these papers should remain exempt for a further 12 months.
- Stopping the use of Non-Disclosure Agreements that councillors have been required to sign before being able to see some Council or Committee papers and to cancel any indemnity clauses in such Non-Disclosure Agreements previously signed by serving Councillors.

And that in their considerations the Audit and Governance Committee review the legality, practicality and resource implications of these specific proposals.

9. **CHANGES TO COMMITTEE MEMBERSHIPS**

RESOLVED:

1. For the Scrutiny Committee, Councillor Cramoysan to replace Councillor Williams as a full member of the committee and Councillor Rutter to replace him as a deputy.

2. For the Licensing and Regulation Committee, Councillor Evans to replace Councillor Williams.

3. For the Health and Environment Committee, Councillor Fern to replace Councillor Williams as a full member of the committee and Councillor Laming to replace him as a deputy.

10. **QUESTIONS FROM MEMBERS OF COUNCIL**

11 written questions had been received and are set out in full on the [council's website](#) together with responses from the relevant cabinet member.

Due to the late hour of the meeting, Members agreed that should there be any supplementary questions arising from the response provided, that the original questioner contact the corresponding cabinet member directly.

11. **EXEMPT BUSINESS**

RESOLVED:

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

2. That the public be excluded from the meeting during the consideration of the following items of business because it is likely that, if members of the public were present, there would be disclosure to them of 'exempt information' as defined by Section 100I and Schedule 12A to the Local Government Act 1972.

<u>Minute Number</u>	<u>Item</u>	<u>Description of Exempt Information</u>
7(a)	CWR Outline Business Case (exempt appendix)) Information relating to the financial or business affairs of any particular person (including the authority holding that information). (Para 3 Schedule 12A refers)

12. **ITEM 6 (A) - CENTRAL WINCHESTER REGENERATION OUTLINE BUSINESS CASE - APPENDIX E**

RESOLVED:

That the contents of the exempt appendix be note

The meeting commenced at 6.30 pm and concluded at 1.00 am (adjourned at the following times: 7pm – 7.30pm, 8.55pm – 9.05pm, 10.20pm – 10.35pm and 11.35pm – 11.45pm).

The Mayor

This page is intentionally left blank

REPORT TITLE: HOUSING REVENUE ACCOUNT (HRA) BUDGET 2022/23

17 FEBRUARY 2022

REPORT OF CABINET MEMBER: Cllr Kelsie Learney, Cabinet Member For Housing And Asset Management

CONTACT OFFICER: DICK JOHNSON TEL NO: 01962 848136

EMAIL: DJOHNSON@WINCHESTER.GOV.UK

WARD(S): ALL

PURPOSE

This report requests approval for the proposed HRA revenue budget for 2022/23, as detailed in Appendices 1 and 2.

The report also requests approval for the capital programme budget proposal for 2022/23 and 10 year plan to 2031/32. These figures are detailed in Appendices 3 and 4, taking account of the funding shown in Appendix 5.

The report also proposes a 3.1% increase in rent (1% lower than the national Government formula), together with an additional revenue investment of £0.300m in HRA services and £0.500m in HRA repairs and maintenance in 2022/23, as detailed within the report.

The proposed HRA Business plan 2021/22 to 2050/51 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.

RECOMMENDATIONS:

That Cabinet recommend that Council :-

1. Approve the 2022/23 Housing Revenue Account budget as detailed in Appendices 1 and 2 to this report.
2. Approve the 10 Year indicative HRA capital programme as set out in appendices 3 and 4.
3. Approve capital expenditure in 2022/23 of £9.289m for the Maintenance, Improvement and Renewal programme as detailed in Appendix 3 of the report in accordance with Financial Procedure Rule 7.4
4. Approve the proposed indicative funding for the HRA Capital Programme, as detailed in Appendix 5.
5. Note the HRA Financial Plan operating account extract, including annual working balances, as detailed in Appendix 6.
6. Agree to support the proposal to fund £0.300m new initiatives around the Housing White Paper – “The charter for social housing residents” and invest additional resources in the capacity of the new homes delivery team, the decent homes team and Neighbourhood/Estate Management.
7. Agree to support the proposal to increase the revenue funding for planned and reactive repairs by £0.500m to reflect both increased budget pressures and the cost of delivering an improved void standard to properties prior to letting
8. Approve a rent increase of 3.1% from April 4th 2022 for Social and Affordable housing within the HRA.
9. Approve a cap on service charges for 2022/23 for all tenants at £5.00 per week.

IMPLICATIONS:

1 COUNCIL PLAN OUTCOME

1.1 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:

1.2 Tackling the Climate Emergency and Creating a Greener District

The Business Plan and budget provision set out in this report includes £15.8m funding to support the retro-fitting of carbon reduction measures to existing homes and to develop new homes in accordance with Passivhaus or equivalent standards. The Plan also has capacity for additional investment in Carbon Neutrality measures in future years and specific proposals will be determined once the impact of existing measures has been assessed.

1.3 Homes for all

Assist with the increase of housing property stock across the Winchester district and in meeting the housing need of residents

1.4 Vibrant Local Economy

Deliver affordable accommodation that allows people to live and work in the community and contribute to the local economy.

1.5 Living Well

The wellbeing of residents are considered within the design of new properties and any substitute properties will be viewed accordingly.

1.6 Your Services, Your Voice

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.

2 FINANCIAL IMPLICATIONS

2.1 These are fully detailed in Section 11 of the report and the accompanying appendices.

3 LEGAL AND PROCUREMENT IMPLICATIONS

3.1 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.

- 3.2 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.
- 3.3 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.
- 3.4 The proposed HRA budget fulfils these requirements. The report also 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. To the extent that the details of the schemes appear from the body of the report, it does appear that the proposed works meet this requirement. In particular the maintenance of dwellings may be considered consistent with the council's repairing obligation under Section 11 of the Landlord and Tenant Act 1985.

4 WORKFORCE IMPLICATIONS

- 4.1 Some of the options for consideration for next year's budget will require additional staffing resources and further details regarding this are set out in section 11.4 and 11.5.

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 In order to meet one of the key principles of the Council Plan, 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.

6 CONSULTATION AND COMMUNICATION

- 6.1 The current HRA budget proposals are unchanged and in line with the HRA Budget Options paper. This paper was discussed with the TACT Support Group on 4th November and presented to full TACT on 24th November. The TACT representatives expressed a preference for a rent increase in line with CPI rather than the proposed CPI + 1%. They acknowledged the reduced

investment in services that would result from a lower rent increase. TACT has reaffirmed that they these comments represent their views.

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 As set out above, the council has approved £15.8m of investment in retro fitting carbon reduction measures to existing homes and this report takes account of this. New Homes schemes are now being brought forward based on achieving net carbon neutral development or as close to it as is possible on specific sites.
- 7.2 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.

8 EQUALITY IMPACT ASSESSMENT

- 8.1 Cabinet approved a new Public Sector Equality Duty (PSED) policy and corporate approach for the Council on 19 January 2022. This new approach will require every service in the council to be reviewed with regards to the PSED.
- 8.2 This year the Equality Impact Assessment (EQIA) for service provision has relied on existing EQIA's at individual Service level. No service leads have highlighted any gaps in service provision for 2022/23.
- 8.3 Once the new and more consistent process for EQIA assessment is in place the equalities lead will have access to the overarching picture of our service impacts and will highlight to the S151 officer any needs in our service provision.
- 8.4 Proposals for a strategic service review, to commence in 2022 with a view to identifying appropriate measures to reduce net operating costs prior to finalising the 2023/24 budget, were set out in the HRA Business Plan and Budget Options paper in November 2021 (CAB3325). In preparation for doing this work, the council will carry out consultation to inform service delivery and all options will be assessed against the PSED; with Equality Impact Assessments undertaken where necessary.
- 8.5 The 2022/23 budget's operational decisions being presented in this paper include investment in maintaining decent homes and increasing the supply of affordable housing designed to have a positive impact on resident's tenants and residents. Other options designed to have a positive impact on council tenants include a rent reduction and a cap this year on service charges for all tenants.

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, where appropriate.

10 RISK MANAGEMENT

Risk	Mitigation	Opportunities
<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 new build schemes.	Positive consultation brings forward alternative options that may otherwise not have been considered.
<i>Timescales Delays to new build contracts may result in increased costs and lost revenue.</i>	New build contracts contain clauses to allow the council to recover damages if the project is delayed due to contractor actions.	
<i>Project capacity 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>	Regular monitoring of budgets and business plans, together with the use of financial assessment tools enables the council to manage resources effectively.	The council monitor's government announcements on the use of RTB receipts and potential capital grant funding.
<i>Staffing resources (not always in Housing) reduce the ability to push forward new schemes at the</i>	Staffing resources have been reviewed to support the delivery of the enhanced new build	Given the challenging nature of the delivery targets it may be necessary to review the

<i>required pace.</i>	programme.	resourcing requirements needed to successfully deliver this step change in anticipated activity
<i>Financial / VFM Risks, mitigation and opportunities are managed through regular project monitoring meetings</i>	New build schemes are financially evaluated and have to pass financial hurdles and demonstrate VFM. 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. The HRA Minimum working balance is now based upon 5% of operating turnover and 10% of budgeted new homes capital spend.	
<i>Legal 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 of future new build projects.</i>	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>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 although not in itself a solution to enable large scale development nevertheless has the potential to support a more diverse housing offer to private residents.
<i>Reputation Failure to complete major housing projects due to lack of resources would have a direct impact on</i>	Business planning tools with regular updates are utilised to make sure resources are available to	

<i>both customer satisfaction and the council's reputation.</i>	complete projects.	
<i>Other – None</i>		

11 Revenue Budget Proposals

- 11.1 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 the long term maintenance costs of the new homes that are planned at the councils current decent homes standard plus.
- 11.2 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.
- 11.3 At its meeting in October an HRA budget options paper was considered this presented viable two rent options. Either increasing in line with the guideline at 4.1% or setting rents at 3.1%. After due consideration of the options the Cabinet has opted to set a rent increase of 3.1% for 2022-23 instead of the permitted maximum national of 4.1%. This is in recognition of a number of factors around significant inflationary increases elsewhere, such as energy costs, transport, food and the cost of living, as well as the ongoing impact of Covid 19. The impact of this is considered in the options considered but rejected (section 17).
- 11.4 In addition following last year's budget, the council has set aside £0.500m to fund a number of welfare support initiatives aimed at providing targeted tenancy support for the more vulnerable tenants within the HRA.
- 11.5 In order to further strengthen the capacity and capability of the HRA to meet the requirements of the Housing White Paper – “The charter for social housing residents” an additional £0.300m of investment is proposed, focused upon improving the capacity of the teams to support the new homes programme, the decent homes team and Neighbourhood/Estate Management. During lockdown many social housing tenants have struggled without green spaces to enjoy, others have dealt with loneliness, isolation and Anti-Social Behaviour. The proposed strengthening of staffing capacity within the housing service through two additional neighbourhood services officers will increase opportunities to invest in community development and tenant engagement, supporting our role as a landlord in keeping neighbourhoods clean and safe to live in. The proposed additional Property Surveyor will ensure the council continues to provide good quality, decent homes and

neighbourhoods, including access to green space and support for wellbeing. The additional post to support New Homes Delivery will focus on managing the range of alternative tenures now delivered through the programme, working closely with both New Homes and Leasehold teams.

- 11.6 It is also proposed to increase the revenue funding for planned and reactive repairs by £0.500m to reflect both increased budget pressures currently being experienced £0.300m as well as the cost of delivering an improved void standard to properties prior to letting £0.200m. Providing an opportunity to review and update the current minimum void standard. Beginning with existing sheltered and general need 2 bedroomed flats which have become difficult to let. The enhanced property void standard will make properties more appealing and attractive to advertise and provide local high quality council homes to rent.

12 Housing Revenue Account Budget 2022-23

- 12.1 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:
- a) Employees – The 2022-23 budget is £4.693m, an increase of £0.614m on the 2021-22 original budget. The employee budget includes the full year effect of the 2021-22 pay award and allowance for a similar pay award in 2022-23.
 - b) Premises – The 2022-23 budget is £7.056m, an increase of £1.111m on the 2021-22 original budget. The main changes in funding are on repairs £0.999m, and on energy costs £0.107m. The budget includes the financial plan assumptions reflecting growth and inflation on responsive, void & cyclical repairs. It also includes an adjustment to reflect the impact of a review of capitalised expenditure that identified some repairs costs that do not meet the accounting requirements to capitalise. This has led to the redirection of costs to revenue from capital. The budget also includes additional funding towards of £0.300m for planned and reactive repairs and £0.200m towards an improved voids specification. There has also been an increase in energy costs following recent announcements of material inflationary pressures.
 - c) Net Interest – The 2022-23 budget reflects the interest cost of anticipated HRA borrowing. It assumes an interest cost of £6.669m, an increase of £678k on the 2021-22 original budget. This is sufficient given likely PWLB interest rates of circa 2%-3% to fund the borrowing requirement in 2022-23 of an additional £34m of capital costs. This is in line with the HRA funding strategy to prudentially borrow at historically low rates of interest

- d) Depreciation – Is an estimate based on the prior year. The budget for 2022-23 is £8.635m, an increase of £90k on the original budget for 2021-22. 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.
- e) External Income – The 2022-23 budget is £29.836m, an increase of £0.720m on the original budget for 2021-22. It reflects a rent increase of 3.1% from April 2022, with service charges set to recover actual forecast costs. Garage rents and lifeline charges will not be increased in 2022-23.

13 Service Charges

- 13.1 The council's policy is to recover the actual cost of providing specific services to tenants (such as cleaning, grounds maintenance and communal costs for flats and sheltered housing) through their service charges. A review of the service charging process has now been concluded and it has been identified that in some instances the council is not recovering its full costs. Going forward the new service charge process will ensure that the Council reviews actual costs against estimated costs and uses this to inform the level of charging required in the following year.
- 13.2 In setting the estimated services charges for 2022-23 the council has sought to realign service charges with actual costs. This has resulted in some material increases especially energy costs which are expected to be significantly higher this last. As a result all increases in service charge costs have been "capped" to £5 a week for all tenants in 2022-23, at a cost to the HRA of £38k.
- 13.3 Applying the service charge cap alongside the rent reduction next year provides financial relief and support to those tenants who need it most. The impact of rising household and energy costs will hit those on low incomes the hardest due to spending a higher proportion of their expenditure on housing-related costs.

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 £79m 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%.

- 14.4 The updated HRA asset management strategy which was approved on the 8th December 2021, considers fire safety measures and 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 also addresses the council's 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, as well as any changes to the decent homes standard heralded in the recent white Paper "The charter for social housing residents".
- 14.6 A key element of the council's Climate Neutrality 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 funding towards Climate change of £15.861m, including provision for inflation.
- 14.7 The latest financial projection also includes an annual provision of £0.482m for Estate Improvements for the next 8 years. The scope of the programme includes environmental improvements resulting from the Climate Neutrality Change Action Plan, including electrical vehicle charging points in a number of council car Parks.
- 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 £3.300m of investment over the next 30 years with £1.600m within the next 10 years.

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 £258m. The projection includes known schemes £80m and an unallocated provision to cover additional schemes £177m 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 2022-23 contains £5.5m 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 2021-22 to 2031/32

17. OTHER OPTIONS CONSIDERED AND REJECTED

17.1 The option to have a nil increase in rents was also modelled. The impact of no increase would have a cumulative detrimental impact over the life of the plan. Modelling demonstrated that the proposed HRA 30 year business plan would not be financially viable nor financially sustainable in such a situation, with negative working balances from year 18. The net NPV cost to the HRA in today's prices over the 30 years would be a loss of £29.027m. The lost income could theoretically fund 152 new affordable homes. This option has therefore been discarded as being unviable.

17.2 The option to increase council rents by the permitted national guideline increase of 4.1% was also considered and rejected. The majority of council landlords and registered providers have kept with the higher increase in recognition of this being a key measure for funding long term business plans and of the several years of national rent reductions which reduced the cost of social housing compared to market housing.

17.3 The impact of a 4.1% increase would have been to generate additional financial headroom that could have allowed sufficient funds to finance an additional 58 new affordable homes and the lower increase will cost the HRA £7.5m over the life of the current plan. In addition, because the Government imposed real reductions of 1% between 2016-17 and 2019-20, the average annual increase in rents over the last 10 years would have still have been only 1.9%. It should be noted that a decision to set a rent lower than CPI+1% has no beneficial impact to residents in receipt of benefits or universal credit. All support payments are adjusted to reflect rent decisions up to the maximum of CPI+1% and the Government anticipate registered landlords setting rents in accordance with the national policy.

17.3 However the decision still means that the HRA is financially viable and that the 30 year business plan remains sustainable with general reserve levels above HRA minimum balances.

18. BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

CAB3264 – HRA Asset Management Plan - 8 Dec 2021

CAB3325- HRA Budget Options - 23 Nov 2021

CAB3275 – HRA Budget Business Plan and Budget Options-16 Dec 2020

CAB3111 – HRA Budget 2019-20 & Business Plan 2019/49 – 30 Jan 2019

19. APPENDICES:

Appendix 1: HRA 2022-23 Budget – Service Summary

Appendix 2: HRA 2022-23 Budget – Subjective Summary

Appendix 3: Housing Services Capital Programme 2022-23 to 2031/32

Appendix 4: New Build Housing Capital Programme 2022-23 to 2031/32

Appendix 5: HRA Capital Programme Funding 2022-23 to 2031/32

Appendix 6: HRA Financial Plan 2021-22 to 2050/51 Extract – Operating Account

APPENDIX 1: HRA 2022-23 BUDGET – SERVICE SUMMARY

<u>Housing Revenue Account</u>	21/22		21/22	22/23
	Original Budget per CAB3290	B/Fwd from 20/21/Adj Per CAB3308	Revised Budget	Original Budget
Service Summary	£	£	£	£
Housing Management General				
Estate Management	(1,381,655)	134,155	(1,247,500)	(1,278,227)
HRA General	(2,779,837)	(7,109)	(2,786,946)	(3,010,302)
New Build Programme Support	(856,510)	0	(856,510)	(917,989)
Removal Incentive Scheme	(65,000)	0	(65,000)	(65,000)
Rent Accounting	(86,506)	0	(86,506)	(71,040)
Tenants Information	(91,095)	0	(91,095)	(83,555)
Tenancy Sustainment	0	(356,225)	(356,225)	(424,805)
Vacant Dwellings	(25,400)	0	(25,400)	(31,400)
	(5,286,003)	(229,179)	(5,515,182)	(5,882,318)
Housing Management Special				
Communal Services	58,641	0	58,641	103,350
Disabled Adaptations	(135,521)	0	(135,521)	(136,621)
Estate Maintenance	(528,510)	0	(528,510)	(489,200)
Homelessness	(184,309)	41,688	(142,621)	(40,134)
Sewage Works	(399,100)	0	(399,100)	(331,723)
Sheltered Housing	(901,833)	(62,509)	(964,342)	(881,156)
	(2,090,632)	(20,821)	(2,111,453)	(1,775,484)
Repairs				
Responsive Maintenance	(2,115,352)	0	(2,115,352)	(2,872,972)
Voids	(1,234,000)	0	(1,234,000)	(1,490,000)
Cyclic	(927,000)	0	(927,000)	(957,000)
Sub - total Repairs Works	(4,276,352)	0	(4,276,352)	(5,319,972)
Repairs Administration	(1,150,374)	0	(1,150,374)	(1,400,538)
	(5,426,726)	0	(5,426,726)	(6,720,510)
Debt Management Expenses				
Debt Management Expenses	(10,000)	0	(10,000)	(7,242)
Interest Payable	(6,011,700)	0	(6,011,700)	(6,689,200)
Depreciation of Fixed Assets	(8,544,300)	0	(8,544,300)	(8,634,700)
	(14,566,000)	0	(14,566,000)	(15,331,142)
Rents and Other Income				
Dwelling Rents	27,600,000	0	27,600,000	28,225,543
Garage Rents	79,000	0	79,000	63,000
Other Income	248,491	0	248,491	249,291
Sheltered Charges	543,120	0	543,120	555,020
Interest Receivable	20,000	0	20,000	20,000
	28,490,611	0	28,490,611	29,112,854

APPENDIX 1: HRA 2022-23 BUDGET – SERVICE SUMMARY

<u>Housing Revenue Account</u>	21/22 Original Budget per CAB3290 £	B/Fwd from 20/21/Adj Per CAB3308 £	21/22 Revised Budget £	22/23 Original Budget £
Service Summary				
Surplus for year on HRA Services	1,121,250	(250,000)	871,250	(596,600)
Capital Expenditure funded by HRA	0	0	0	0
Right to Buy Admin Fees	28,600	0	28,600	28,600
Net (increase)/decrease in HRA Balance before transfers to or from reserves	1,149,850	(250,000)	899,850	(568,000)
Transfer re Insurance Reserve	(66,300)	0	(66,300)	0
(Increase)/ decrease in HRA Balance	1,083,550	(250,000)	833,550	(568,000)
HRA Working Balance				
Opening Balance	14,889,469		15,593,828	16,427,378
Add Projected Deficit/(Surplus)	1,083,550		833,550	(568,000)
Projected Balance at Year End	15,973,019		16,427,378	15,859,378

APPENDIX 2: HRA 2022-23 BUDGET – SUBJECTIVE SUMMARY

<u>Housing Revenue Account</u>	21/22 Original Budget per CAB3290 £	B/Fwd from 20/21/Adj Per CAB3308 £	21/22 Revised Budget £	22/23 Original Budget £
Subjective Summary				
Employees	(4,078,741)	(237,088)	(4,315,829)	(4,692,817)
Premises	(5,945,817)	0	(5,945,817)	(7,082,349)
Transport	(214,801)	0	(214,801)	(204,263)
Supplies & services	(1,272,122)	(154,000)	(1,426,122)	(1,346,272)
Third party payments	(223,978)	0	(223,978)	(171,000)
Support Services	(2,443,362)	141,088	(2,302,274)	(2,426,440)
Net Interest	(5,991,700)	0	(5,991,700)	(6,669,200)
Depreciation on Fixed Assets	(8,544,300)	0	(8,544,300)	(8,634,700)
External income	29,836,071	0	29,836,071	30,630,441
Surplus for year on HRA Services	1,121,250	(250,000)	871,250	(596,600)
Capital Expenditure funded by HRA	0	0	0	0
Right to Buy Admin Fees	28,600	0	28,600	28,600
Net (increase)/decrease in HRA Balance before transfers to or from reserves	1,149,850	(250,000)	899,850	(568,000)
Transfer re Insurance Reserve	(66,300)	0	(66,300)	0
(Increase)/ decrease in HRA Balance	1,083,550	(250,000)	833,550	(568,000)
HRA Working Balance				
Opening Balance	14,889,469		15,593,828	16,427,378
Add Projected Deficit/(Surplus)	1,083,550		833,550	(568,000)
Projected Balance at Year End	15,973,019		16,427,378	15,859,378

APPENDIX 3: HOUSING SERVICES CAPITAL PROGRAMME 2022-23 TO 2031/32

Housing Services Programme	2021/22 Original Budget	2021/22 Sept Revised	2021/22 Latest Forecast	2022/23 Budget.	2023/24 Budget.	2024/25 Budget.	2025/26 Budget.	2026/27 Budget.	2027/28 Budget.	2028/29 Budget.	2029/30 Budget.	2030/31 Budget.	2031/32 Budget.	Total Budget.
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Scheme Name/Description														
Major Repairs	(6,678)	(5,878)	(5,878)	(5,672)	(6,313)	(8,378)	(8,620)	(9,337)	(7,424)	(8,340)	(7,626)	(8,971)	(8,603)	(85,162)
Major Repairs	(6,678)	(5,878)	(5,878)	(5,672)	(6,313)	(8,378)	(8,620)	(9,337)	(7,424)	(8,340)	(7,626)	(8,971)	(8,603)	(85,162)
Estate Improvements	(507)	(507)	(150)	(226)	(239)	(460)	(474)	(488)	(503)	(518)	(533)	0	0	(3,590)
Sheltered Housing Upgrades	(135)	(227)	(50)	(74)	(76)	(79)	(81)	(83)	(86)	(89)	(91)	0	0	(709)
Improvements & Upgrades	(642)	(734)	(200)	(300)	(315)	(539)	(555)	(572)	(589)	(606)	(625)	0	0	(4,299)
Disabled Adaptations	(797)	(797)	(797)	(821)	(846)	(871)	(897)	(924)	(952)	(980)	(1,010)	(1,040)	(1,071)	(10,208)
Fire Safety Provision	(1,016)	(1,077)	(1,077)	(680)	0	0	0	0	0	0	0	0	0	(1,757)
Climate Change Emergency	(1,587)	(1,827)	(500)	(1,512)	(1,557)	(1,604)	(1,652)	(1,702)	(1,753)	(1,805)	(1,860)	(1,915)	0	(15,861)
Sewage Treatment Works	(308)	(327)	(140)	(304)	(114)	(118)	(121)	(125)	(129)	(133)	(137)	(141)	(145)	(1,605)
Other Capital Spending	(3,707)	(4,027)	(2,514)	(3,316)	(2,517)	(2,593)	(2,671)	(2,751)	(2,833)	(2,918)	(3,006)	(3,096)	(1,216)	(29,431)
Total HS Capital Programme	(11,028)	(10,640)	(8,592)	(9,289)	(9,145)	(11,509)	(11,846)	(12,659)	(10,846)	(11,864)	(11,257)	(12,067)	(9,819)	(118,893)

APPENDIX 4: NEW HOMES CAPITAL PROGRAMME 2021-22 TO 2031/32

New Build Programme & Other Capital	2021/22 Original Budget	2021/22 Sept Revised	2021/22 Latest Forecast	2022/23 Budget	2023/24 Budget	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget	2028/29 Budget	2029/30 Budget	2030/31 Budget	2031/32 Budget	Total *
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Scheme Name/Description														
Unallocated	(7,015)	(5,250)	(643)	(5,500)	(22,441)	(18,621)	(18,503)	(19,058)	(19,629)	(20,218)	(20,825)	(21,450)	(10,777)	(177,664)
Winnall	(8,641)	(8,641)	(4,600)	(8,755)	(5,730)									(19,085)
Barton Farm	(1,000)			(473)	(12,580)	(5,439)								(18,492)
North Whitely			(4,250)	(13,818)										(18,068)
Ravenswood	(800)			(800)	(2,625)	(6,300)	(3,675)							(13,400)
Wykeham Place	(169)	(0)			(177)	(1,692)	(1,654)							(3,522)
Southbrock Cottages	(1,155)	(250)	(200)	(1,066)										(1,266)
Syson Drive	(1,222)	(50)	(50)	(1,586)										(1,636)
Woodman Close	(815)	(80)	(50)	(824)	(230)									(1,104)
The Valley	(2,681)	(2,118)	(1,045)											(1,045)
Witherbed lane	(302)	(30)	(30)	(609)	(351)									(990)
CornerHouse	(335)	(100)	(24)	(327)	(458)									(809)
Hookpit	(1,068)	(790)	(510)											(510)
Tower Street	(192)	(192)	(100)	(108)										(208)
Sheltered Housing Conversions	(55)	(55)	(55)											(55)
Wickham CLT	(410)	(205)	(205)											(205)
Total	(25,861)	(17,762)	(11,762)	(33,866)	(44,592)	(32,051)	(23,831)	(19,058)	(19,629)	(20,218)	(20,825)	(21,450)	(10,777)	(258,060)

* NB total is total of all scheme budgeted costs from 2021/22

APPENDIX 5: CAPITAL PROGRAMME FUNDING 2022-23 to 2031/32

HRA Capital Programme Funding	2021/22	2021/22	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	Total
	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	25,728	24,760	16,856	34,429	48,695	1,289	0	12,598	11,598	9,492	11,930	14,104	934	161,926
RTB 141 Receipts	4,890	2,031	1,886	6,626	2,294	2,406	2,522	2,642	2,767	2,895	3,028	3,165	2,849	33,080
Other RTB Receipts	1,342			425	712	3,003	988	1,023	1,059	1,097	1,136	1,176	1,217	11,836
S106	250			0	0	800	2,600	1,400	4,400	3,000	0	0		12,200
CIL				755										755
Homes England Grant	2,004	1,611	1,611	919	306									2,836
Other Capital Receipts	2,555				354	21,449	4,042	3,137	283	4,852	4,851	3,531	3,637	46,135
Major Repairs Reserves	119				1,375	14,613	25,525	10,916	10,369	10,746	11,138	11,542	11,960	108,184
Funding Total	36,889	28,402	20,354	43,154	53,737	43,560	35,677	31,717	30,476	32,082	32,082	33,517	20,597	376,953
Housing Services	11,028	10,640	8,592	9,289	9,145	11,509	11,846	12,659	10,846	11,864	11,257	12,067	9,819	118,893
New Build	25,861	17,762	11,762	33,866	44,592	32,051	23,831	19,058	19,629	20,218	20,825	21,450	10,777	258,060
Capital Programme Total	36,889	28,402	20,354	43,154	53,737	43,560	35,677	31,717	30,476	32,082	32,082	33,517	20,597	376,953

APPENDIX 6 HRA FINANCIAL PLAN 2021-22 TO 2050-51 EXTRACT – OPERATING ACCOUNT

Year	Net rent Income £,000	Misc Income £,000	Total Income £,000	Managt. £,000	Deprec'n £,000	Resp. & Cyclical £,000	Total expenses £,000	Capital Charges £,000	Net Opex £,000	Surplus (Deficit) for the Year £,000	Surplus (Deficit) b/fwd £,000	Interest £,000	Surplus (Deficit) c/fwd £,000
1 2021.22	28,093	869	28,962	(10,142)	(8,183)	(4,615)	(22,941)	(5,404)	617	551	15,594	34.06	16,179
2 2022.23	28,806	890	29,696	(10,792)	(8,532)	(5,074)	(24,398)	(5,913)	(615)	(615)	16,179	40.15	15,604
3 2023.24	29,763	917	30,680	(10,503)	(8,752)	(5,248)	(24,502)	(7,908)	(1,730)	(1,730)	15,604	45.80	13,920
4 2024.25	32,148	945	33,093	(10,922)	(9,088)	(5,451)	(25,462)	(7,924)	(293)	(293)	13,920	44.84	13,672
5 2025.26	33,616	973	34,589	(11,353)	(9,529)	(5,646)	(26,528)	(7,934)	127	127	13,672	31.80	13,830
6 2026.27	35,054	1,002	36,056	(11,694)	(9,993)	(5,820)	(27,507)	(8,064)	485	485	13,830	19.13	14,334
7 2027.28	36,236	1,032	37,268	(12,045)	(10,369)	(5,995)	(28,408)	(8,417)	443	443	14,334	16.62	14,793
8 2028.29	37,419	1,063	38,482	(12,406)	(10,746)	(6,175)	(29,327)	(8,828)	327	327	14,793	17.02	15,138
Page 44 9 2029.30	38,638	1,095	39,733	(12,778)	(11,137)	(6,361)	(30,276)	(9,173)	284	284	15,138	17.34	15,439
10 2030.31	40,660	1,128	41,788	(13,162)	(11,541)	(6,552)	(31,255)	(9,599)	933	933	15,439	17.97	16,390
11 2031.32	41,185	1,162	42,346	(13,557)	(11,960)	(6,749)	(32,266)	(9,885)	196	196	16,390	18.55	16,604
12 2032.33	42,352	1,197	43,549	(13,963)	(12,393)	(6,938)	(33,294)	(9,989)	265	265	16,604	18.80	16,888
13 2033.34	43,385	1,233	44,617	(14,382)	(12,776)	(7,131)	(34,290)	(10,131)	197	197	16,888	19.05	17,104
14 2034.35	44,443	1,270	45,713	(14,814)	(13,171)	(7,330)	(35,315)	(10,267)	130	130	17,104	19.23	17,253
15 2035.36	46,403	1,308	47,711	(15,258)	(13,578)	(7,535)	(36,371)	(10,371)	968	968	17,253	19.80	18,242
16 2036.37	46,640	1,347	47,986	(15,716)	(13,998)	(7,745)	(37,459)	(10,435)	93	93	18,242	20.35	18,355
17 2037.38	47,779	1,387	49,166	(16,187)	(14,430)	(7,962)	(38,579)	(10,475)	112	112	18,355	20.47	18,488
18 2038.39	48,947	1,429	50,376	(16,673)	(14,876)	(8,184)	(39,733)	(10,504)	140	140	18,488	20.62	18,648
19 2039.40	50,075	1,472	51,547	(17,173)	(15,336)	(8,412)	(40,921)	(10,524)	102	102	18,648	21.76	18,772
20 2040.41	51,301	1,516	52,817	(17,688)	(15,809)	(8,647)	(42,144)	(10,608)	64	64	18,772	21.87	18,858
21 2041.42	53,568	1,561	55,129	(18,219)	(16,298)	(8,888)	(43,405)	(10,693)	1,032	1,032	18,858	21.44	19,911
22 2042.43	53,845	1,608	55,454	(18,766)	(16,801)	(9,136)	(44,702)	(10,689)	62	62	19,911	22.00	19,995
23 2043.44	55,166	1,656	56,822	(19,329)	(17,320)	(9,390)	(46,039)	(10,687)	96	96	19,995	22.10	20,113
24 2044.45	56,520	1,706	58,226	(19,908)	(17,855)	(9,652)	(47,416)	(10,686)	124	124	20,113	22.24	20,259
25 2045.46	57,908	1,757	59,665	(20,506)	(18,407)	(9,921)	(48,834)	(10,686)	146	146	20,259	22.39	20,427
26 2046.47	59,331	1,810	61,141	(21,121)	(18,976)	(10,198)	(50,294)	(10,686)	161	161	20,427	22.57	20,611
27 2047.48	61,959	1,864	63,823	(21,754)	(19,562)	(10,482)	(51,798)	(10,681)	1,345	1,345	20,611	23.35	21,979
28 2048.49	62,286	1,920	64,206	(22,407)	(20,166)	(10,774)	(53,347)	(10,680)	180	180	21,979	24.13	22,183
29 2049.50	63,820	1,978	65,798	(23,079)	(20,789)	(11,074)	(54,942)	(10,678)	178	178	22,183	24.33	22,385
30 2050.51	65,393	2,037	67,430	(23,772)	(21,431)	(11,382)	(56,585)	(10,675)	170	170	22,385	24.53	22,580

CAB3335
CABINET

REPORT TITLE: GENERAL FUND BUDGET 2022/23

17 FEBRUARY 2022

REPORT OF CABINET MEMBER: Cllr Neil Cutler, Cabinet Member for Finance and Risk

Contact Officer: Richard Botham Tel No: 01962 848421 Email
rbotham@winchester.gov.uk

WARD(S): ALL

PURPOSE

This report sets out the detailed General Fund Budget for 2022/23, reflecting the impact of the one year spending review announcement and a range of budget proposals.

The spending review announcement included an unexpected announcement of a further one year of New Homes Bonus. Whilst this does not assist the council to address longer term funding pressures, the report does include £1.3m of "one off" proposals to support the delivery of the Council Plan which can be funded from this allocation.

Projections indicate a balanced budget for 2022/23. A £0.3m deficit forecast for 2023/24 can be covered by the existing Transitional Reserve to ensure the Council can maintain a balance budget through to March 2024. However, significant uncertainty remains in relation to future funding of local government and projections indicate the potential for longer term deficits, subject to Government funding announcements. It is proposed that a strategic service review is completed by March 2023 to identify how the longer term deficits can be addressed.

RECOMMENDATIONS:

That Cabinet:

- 1 Approve a contribution of £200k to the Community Grants Reserve, funded from the forecast surplus in 2021/22, to reduce the immediate impact of planned grant reductions over the next three year period of the programme 2022/23 to 2024/25.

- 2 To reinstate the 2021/22 contributions of £250k to the Asset and Property reserve and £200k to the Parking and Access reserve to support future investment and maintenance programmes, funded from the forecast surplus in 2021/22.
- 3 Approve an increase to fees and charges of 3% for sessions at the Winchester Sport and Leisure Park and Meadowside Centre as set out in Appendix F.

That Cabinet recommend that Council:

- 4 Agree the level of General Fund Budget for 2022/23, and recommend the summary as shown in Appendix A.
- 5 That the additional year of New Homes Bonus Allocation be used to fund the following proposals:
 - a) Increased provision for Local Council Tax Support, with £100,000 additional one off provision to the Council's Hardship Fund
 - b) £450k to fund essential maintenance work to Monuments and Historic Assets
 - c) Low Carbon Transport - £250k to fund trials of low carbon bin lorries and/or buses operating existing Council services
 - d) £40k to fund the installation of bike storage and other measures to support the promotion of cycling and walking
 - e) £150k to fund feasibility work to prepare for the implementation of a food waste trial collection system in 2023.
 - f) £185k to fund the cost of additional city and market town centre cleansing, the maintenance and replacement of street furniture (litter bins, seats, bollards bin stores etc) and also to fund an increased emphasis on fly tipping (additional clearance, surveillance and promotion)
 - g) £25k to support work to embed the principles of the Council's "City of Sanctuary" commitments and to review the diverse needs of communities across the district.
 - h) £100k to fund fixed term IT staff to develop council systems to meet the requirements of flexible/agile working
- 6 Support the investment proposals set out in section 13.4 of this report, including:
 - a) To reinstate the annual contribution of £250k to the Asset and Property reserve to support future investment and maintenance of council assets
 - b) To increase the annual revenue contribution to the Parking and Access reserve by £200k per annum to support the implementation works set out in the annual Parking investment programme
 - c) Increasing the annual staffing budget by £175k per annum from 2022/23 to

create additional capacity in the Legal Services, Communications and Economic Development teams

- d) Increasing the annual staffing budget by £60k per annum from 2023/24 to create additional capacity in the Strategic Planning team
 - e) An increase in the budget for annual audit fees of £30,000
- 7 Approve the 2022 Council Tax Hardship Scheme allocation of £100,000 and the distribution of this funding as set out in Appendix F; to be administered by the Revenues & Benefits teams under the Service Lead for Revenues & Benefits.
 - 8 That 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 as set out in section 16 and Appendix D.
 - 9 That the Council Tax for the Special Expenses in the Winchester Town area at Band D for 2022/23 be increased by 4.5% to £76.71, an increase of £3.30.
 - 10 That the surplus balance on the Council Tax Collection Fund for distribution to this Council, calculated in January 2022 of £24,315, be approved.
 - 11 Recommend the level of Council Tax at Band D for City Council services for 2022/23 be increased to £151.29, an increase of £3.95 reflecting an average Council tax increase of 2.7%

IMPLICATIONS:1 COUNCIL PLAN OUTCOME

- 1.1 Key priorities set out in the Council Plan remain unchanged. The Plan 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 – Funding to support the completion of work to “final business case” was approved in CAB3322 in December 2021. Additional provision to support major project delivery was also approved in CAB3318 in October 2021 and is included within the budget set out in Appendix 1..
 - c) Economic recovery – The Council continues to play a critical role in supporting the economic recovery of the district.
 - d) Maintaining high quality services - Maintaining the existing high quality services remains a key priority and can be supported by the budget, which also includes proposals for additional staffing in some teams.
 - 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
- 1.2 Homes for All – Targets for New Homes Delivery are fully funded through the Housing Revenue Account Business Plan.

2 FINANCIAL IMPLICATIONS

- 2.1 The proposals set out in this report represent a balance budget for 2022/23, with a small forecast deficit for 2023/24 of £0.284m, which can be funded from the Transitional reserve. Deficits in future years are projected to increase to £1.147m in 2024/25 and to £2.401m in 2025/26, although it should be noted that the forecasts are subject to a high degree of uncertainty, with the Government only confirming a one year Spending Review announcement late in 2021.
- 2.2 The Spending Review Announcement in December 2021 confirmed a further one year delay to the “reset” of business rates and also included a further year of New Homes Bonus which had not been anticipated in the Budget Options report in October 2021 (CAB3318 refers). Proposals for the “one off” allocation are included in section 13 below.

- 2.3 All indications are that a “reset” of retained business rates will be brought forward for 2023/24 and the forecast impact of this is included in Appendix A.
- 2.4 The 2021/22 budget included provision for income reductions of 20% as a result of the pandemic. This is now projected to be 14% by March 2022 and in light of the strong recovery of city centre parking, projected ongoing income losses in 2022 have been adjusted to 7.5% and to 3.5% for 2023/24.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 Under section 151 of the Local Government Act 1972, a local authority must make proper arrangements for the administration of its financial affairs. Under s28 of the Local Government Act 2003 a local authority must 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 financial 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. 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 include specific recommendations for additional staffing resources in Legal Services, Communications, Economic Development, Strategic Planning and IT teams. In addition, proposals for additional project delivery resources approved in CAB3318 in October 2021 have also been reflected within the budget set out in appendix A.

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 for 2022/23 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 funded through the capital programme aim to generate income, such as Bishops Waltham Depot and the Goods Shed proposals.

- 5.2 The Council has ongoing maintenance and stewardship obligations in relation to historic monuments. Specific budget provision is included within this report to bring forward £450k of investment in these assets in 2022/23.

6 CONSULTATION AND COMMUNICATION

- 6.1 A range of options were considered as part of CAB3318 – General Fund Budget Options and Medium Term Financial Strategy dated 20 October 2021, which presented a balanced budget for 2022/23 but with increasing forecast deficits in future years. 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 2021 and to the Chamber of Commerce/BID business briefing in January 2022. In addition the publication of a Budget Summary and an online budget consultation which was undertaken following the October report which received 32 responses broadly supporting the proposals set out in the summary and this report. A link to the results is included as a background paper to this report.
- 6.3 The Scrutiny Committee discussed the Budget Options and Medium-Term Financial Strategy report (CAB3318) and commented on proposals prior to its consideration by Cabinet in October 2021. It has also considered this report at its meeting held on 15 February 2022. Due to the dispatch date any particular matters that the Committee wishes to raise with Cabinet will be reported at the meeting.
- 6.4 The budget proposals include provision to support wider engagement and consultation with a range of diverse and potentially underrepresented groups to ensure council services and policies take full account of their needs and expectations. This will support the strategic review of the budget planned for 2022 and proposed in the medium-term financial strategy.

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 The budget set out in Appendix 1 includes revenue provision to support the delivery of the Council's carbon neutrality programme. Specific proposals include additional resources for project support from 2023 and to fund transport and food waste trials.
- 7.2 Specific budget provision has been included within this report to increase funding for fly tipping clearance and additional surveillance. In addition, resources to fund improvements to city and town centre street scenes, including replacing bins and street furniture is also proposed.

8 EQUALITY IMPACT ASSESSEMENT

- 8.1 Cabinet approved a new Public Sector Equality Duty (PSED) policy and corporate approach for the Council on 19 January 2022. This new approach

will require every service in the Council to be reviewed with regards to the PSED.

- 8.2 This year the Equality Impact Assessment (EQIA) for service provision has relied on existing EQIA's at individual service level. No Service leads have highlighted gaps in our service provision for 2022/23.
- 8.3 Once the new and more consistent process for EQIA is in place the equalities lead will have access to the overarching picture of our service impacts and will highlight to the S151 officer any needs in our service provision.
- 8.4 Proposals for a strategic service review, to commence in 2022 with a view to identifying appropriate measures to reduce net operating costs prior to finalising the 2023/24 budget, were set out in the Budget Options paper in October 2021 (CAB3318). In preparation for doing this work, the council will carry out consultation to inform service delivery and all options will be assessed against the PSED; with Equality Impact Assessments undertaken where necessary.
- 8.5 The 2022/23 budget's operational decisions being presented in this paper (e.g. staffing proposals; changes to forecasts; creation of general budgets; and those relating to reserves) do not directly impact residents and do not require an EQIA under the PSED. Other options designed to have a positive impact on residents (e.g. introduction of the Council Tax Hardship Scheme) have had an EQIA undertaken and no adverse impacts on any groups of residents with protected characteristics were identified.

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 where appropriate.

10 RISK MANAGEMENT

Risk	Mitigation	Opportunities
<i>Property Commercial tenants unable to pay rents or subject to business failure</i>	Rent abatement process was established to support tenants in 2020/21 and could be extended if needed, although deferrals of rent remain the main option where appropriate.	
<i>Slowdown in commercial property investment, meaning that the council's development schemes achieve less interest or</i>	The council's advisors are reviewing the property investment market and will provide advice as to timing of any marketing.	

<i>less income than expected</i>		
<p><i>Legal</i> The council is unable to balance the revenue budget resulting in the issuing of a S114 notice</p> <p><i>Contract claims – risk of additional contract claims in relation to unforeseen events, high inflation, covid impacts etc</i></p>	<p>Proposals set out in this report, including the strategy for management of reserves mitigate against this.</p> <p>Robust contract conditions protect against this</p> <p>Risk reserves reviewed and considered appropriate to mitigate against this.</p>	Present a balanced budget in difficult circumstances
<p><i>Timescales</i> Slower than projected economic recovery affecting income received by the council</p>	We are supporting high street recovery through the governments / ERDF Welcome Back Fund and future economic support will be framed under the new Winchester District Green Economic Development Strategy	The council has £12m uncommitted revenue reserves available to support further increases to the projected deficit
<p><i>Financial</i></p> <p><i>Significant uncertainty due to one year spending review announcement</i></p> <p><i>The council is unable to balance the revenue budget</i></p> <p><i>Risk of lower than projected demand for</i></p>	<p>Transitional reserve retained at existing levels and strategic budget review planned for 2022 to prepare for potential impact of Business rates reset</p> <p>Proposals set out in this report, including the strategy for management of reserves mitigate against this.</p> <p>The council has around £12m of uncommitted</p>	

<p><i>income generating services specifically parking as well as leisure centre operations</i></p>	<p>revenue reserves available which can be utilised as a last resort. This risk is also mitigated through robust contract conditions.</p>	
<p><i>Inflation risk Salary inflation higher than budgeted</i></p>	<p>Budgets take account of latest national inflation forecasts. Minimum balances are maintained at £2.8m to mitigate against such variations. The transitional reserve would also support this.</p>	
<p><i>Additional costs of national programmes such as waste strategy</i></p>	<p>Any 21/22 year end surplus to be transferred to the Major Investment Reserve.</p>	<p>Feasibility/trial of Food Waste planned for 22/23</p>

11 SUPPORTING INFORMATION:

11.1 CAB3318 dated 20 October 2021 set out budget options and the medium term financial strategy. The report highlighted the potential to set a balanced budget for 2022/23 and also for 2023/24 (with the support of the transitional reserve) but forecast increasing deficits in future years.

11.2 At that meeting, Cabinet approved:

- a) £200k to fund essential short term staffing in relation to Legal and Planning teams
- b) £1m provision to support project delivery
- c) A £75k grant to the Hampshire Cultural Trust
- d) An average increase of 3% to fees and charges from April 2022 and for city centre off street parking in the "Air Quality Management area" with effect from October 2022
- e) A £10 discount to existing garden waste subscriptions for residents in receipt of Council tax reduction
- f) £300k of the Tranche 5 COVID 19 grant fund to upgrade the Council's IT desktop infrastructure to support "agile/flexible working" proposals

- g) A medium term financial strategy, including a proposal for a Strategic Budget Review to be completed in 2022 to address future forecast deficits.
- 11.3 The forecasts included in CAB3318 assumed that the Government Spending Review would be based on a 3 year settlement including a “reset” of business rates and an end to New Homes Bonus. However, at the end of December 2021, the Government confirmed a one year settlement, with no detail regarding longer term proposals and a further one year provision of New Homes Bonus, effectively providing additional “one off” funding of £1.3m that had not been included in CAB3318.
- 11.4 The proposals in this report and the forecasts in Appendix A take account of the budget option proposals, the decisions made at the October Cabinet meeting, latest budget projections and have been adjusted to take account of the spending review announcement. The report also includes additional proposals for investing the additional £1.3m from the spending review.
- 12 2021/22 Budget Forecast
- 12.1 CAB3318 dated October 2021 forecast a net surplus of £0.415m for 2021/22 as set out in the table below:

Projected surplus at Jul 21		£800,000
a.	Additional Garden Waste Income	£165,000
b.	Reduced net Business Rates	-£700,000
c.	Additional P&R Subsidy	£250,000
d.	Additional Leisure Centre Income	£500,000
e.	Project Delivery Resources	-£400,000
f.	Support for core service delivery	-£200,000
21/22 Projected Net Surplus (at Sept 21)		£415,000

- 12.2 In light of the impact of COVID19 on 2020/21 income budgets, the 2020/21 general budget reduced forecast income by 20% (£3.65m). Current indications suggest a stronger than budgeted income recovery across all services. Parking income forecasts indicate that recovery will be £2m below 2019 base budget targets, mainly in relation to off street parking outside of Winchester city centre and the park and ride service. However, with other income recovering, by March 2021 overall income will be 14% below previous budgets rather than 20% (a potential difference of c£1.5m). However, this remains uncertain, will be subject to activity in the final quarter and will be confirmed as part of the budget outturn in June 2022.
- 12.3 With the positive projected outturn, it is proposed to transfer any remaining surplus to reserves, including £200k to the Community Grants reserve, £250k to the Asset reserve and £200k to the parking reserve to ensure appropriate resources to support annual spending plans for these services. These annual contributions were suspended as part of the revised budget in September 2020 to address the unexpected shortfalls arising as a result of the pandemic.

Any remaining surplus will be allocated to the Major Investment Reserve to support major projects and the specific work highlighted in the paragraph below.

- 12.4 The Council is currently pursuing complex enforcement action to address planning breaches on two large sites, as well as a number of smaller sites across the district. To progress formal action, specialist external support and additional legal services will be required. Some cases are expected to be subject to appeal to the Planning Inspectorate and will require significant additional capacity over and above the core capacity in planning and legal teams. An additional £200k provision for support was approved in October 2021 as part of CAB3318. Whilst this is sufficient cover the costs of initial enforcement, a lengthy appeal process is likely to require additional funding and will be a further call on reserves.

13 Revenue budget forecasts and proposals

- 13.1 A review of COVID19 income contingency provision has taken place for 2022/23 and 2023/24. As a result of the positive in-year data for 2021/22 to the end of December, central case contingency provision has been reduced from 10% to 7% (£1.825m to £1.278m) in 2022/23 and from 5% to 3.5% (£0.913m to £0.639m) in 2023/24. This provision is based on no major lockdowns taking place and an assumption that income continues to consistently recover over the two year period. This will be kept under review and adjusted if required.
- 13.2 The Hampshire Pension Fund actuarial review 2020 led to general fund savings of £0.852m per annum through a reduction in past service contributions, as the pension was no longer in a forecast deficit position. The decision, in line with recommendations from Hampshire, was taken not to move all of this to baseline savings but instead to transfer these savings into the transition reserve each year for three years. This decision was based on the risk of contributions increasing again following the 2023 triennial pension review. The latest guidance suggests that there is no longer a high risk that past service contributions will re-commence and therefore these savings can now be treated as baseline savings from 2022/23.
- 13.3 CPI inflation increased to 5.4% in December 2021 and whilst this is expected to reduce back down to the 2% target over the medium term, contract inflation projections have been revised in Appendix A.

2022/23 = 4%

2023/24 = 3%

2024/25 = 2.5%

2025/26 & onwards = 2%

- 13.4 CAB3318 Budget Options report in October 2021 included a number of proposals and changes that will impact on base budgets. The following items are recommended and are reflected in the budget detailed in Appendix A:

- a) Asset/Parking reserves – The £250k annual contribution to the Asset reserve was suspended and the Parking reserve annual contribution reduced by £100k as part of the emergency budget changes in September 2020. The asset and parking investment plans require ongoing funding to support annual programmes and so it is proposed to reinstate these contributions.
- b) Climate Emergency - Previous revenue funding to support this essential programme will be exhausted in 2022. It is therefore proposed to make additional base budget provision of £200k from 2023 to support the revenue costs of the programme (feasibility studies, project support, trials etc.)
- c) Staffing - Additional staffing requirements totaling £175,000 per year from 2022/23 in the Legal, Communications and Economic Development teams have been identified and will impact on ongoing base budgets. An additional £60,000 per year is also proposed from 2023/24 to address resources in the Strategic Planning team (funding is already available to support this in 2022/23). These proposals take account of existing workload, specific pressures on teams and also new areas of works such as the Green Economic Development Strategy.
- d) Audit Fees – The statutory audit requirements in relation to the independent review of the council’s financial accounts have changed in recent years, with additional obligations on external auditors. The Audit and Governance Committee has reviewed increases and directly challenged auditors in relation to additional fees. It is projected that an increase of £30k is needed to meet annual audit fees.
- e) Leisure centre fees – CAB3326 dated 8 December 2021 approved a 3% increase to fees and charges and the impact of this increase is reflected in the appendices. The report did not include fees for the Winchester Sports and Leisure Park or Meadowside Leisure Centre, as the operator contract required a review nearer to the April implementation date. That review has now been completed and despite December inflation being at 5.4%, it is recommended that any increase in fees be 3% in line with other fees and charges. The operator has proposed an increase to some fees, while others remain at 2021/22 levels to stimulate demand and remain in line with market prices – see appendix E.

13.5 The budget set out in Appendix A also takes account of the following issues which will impact on costs and income in 2022/23:

- a) Guildhall – Her Majesty’s Courts and Tribunal Service has given notice that it intends to end its tenure in the Guildhall at the end of March. Until further notice and at least for the 2022/23 financial year, the Council will revert to the previous “turnkey” letting operation promoting wider community and commercial use of meeting rooms and function

space as well as supporting council business. Options for the long term management arrangements for the Guildhall and currently subject to review and will be determined once the strength and pace of the recovery of the events sector is clearer. For next year, it is anticipated income will be reduced by £175k

- b) West Wing - It is proposed to lease the West Wing offices to a local organisation and final details of the lease are currently subject to negotiation. This will generate circa. £200k per annum. Teams previously located in the West Wing now work within the main city offices, which has been facilitated by the adoption of more flexible working.
- c) Fees and Charges – As stated in 13.4 e) above, CAB3326 approved increases to fees and charges averaging 3%. The impact of this has been incorporated into the budget in Appendix A and B. This includes a 3% increase to off street parking charges for those car parks in the central “air quality management area”. This will be effective from October 2022. It is also proposed to review proposals for on street charging to ensure consistency with off street provision.
- d) Garden Waste Discount – CAB3318 dated 20 October 2021 approved a £10 discount to garden waste subscriptions for residents in receipt of council tax support and/or universal credit.

13.6 In addition to the above proposals, the one year settlement and a further unexpected year of New Homes Bonus provision, provides an opportunity to either supplement reserves as further mitigation towards future forecasts deficits or alternatively for additional one off investment of up to £1.3m that will make a positive contribution to key Council Plan priorities. Proposals for additional one off investment include:

Proposal	Comment	Cost (Total £1.3m)
Council Tax Support	Utilities costs and inflation pressure on household budgets will increase in 2022. Additional funding to continue the “Hardship grant” provision will help to support those most in need (a policy setting out how the fund is distributed if approved is set out in Appendix F)	£100,000
Historic Assets/ Monuments	The Council will need to spend over £1m on historic assets in the next five years. Specific funding in 2022 will support bringing forward works on important assets and associated public realm such as the King Alfred Statue, the Buttercross, Hyde Gate and St Maurice’s Tower being brought	£450,000

	forward.	
Climate Emergency/ Transport	Transport remains the largest contributor to Council emissions and potential barrier to the 2024 target. Provision is needed to support freighter testing and electric bus trials ahead of the new Park and Ride contract in 2023	£250,000
Promoting Cycling/walking	The Parking and Transport investment programme includes proposals for extending cycle parking/storage and improved access from “park and walk” car parks to the city. An additional provision will help enhance those plans	£40,000
Food Waste Trial Feasibility	A food waste trial could potentially be launched in 2023. Investment is needed to prepare for this and to complete a detailed feasibility study of options with a view to bringing forward a trial scheme in April 2023.	£150,000
Fly tipping/Street Scene	The current contract has insufficient provision to meet the recent increase in fly tipping. Also, there is no provision for enhanced city centre/market town cleansing, street washing and general maintenance of bins, bin stores and street furniture. This provision will help address fly tipping, improve cleaning, replace old litter bins in town centres and fund improvement works to other open space.	£185,000
Equality and Diversity (“City of Sanctuary”)	Following the very positive response to the “City of Sanctuary” Council motion and the Cabinet adoption of the new Equality Impact assessment policy, it is proposed to commission support to help ensure that the principles of the City of Sanctuary scheme are embedded across the Council and to review and improve awareness of the diverse needs of protected groups and of all communities across the district.	£25,000
IT/Agile working systems	Work to ensure Council systems are modernised to support a more flexible approach and greater emphasis on flexible and agile working will require some one off investment in IT project staff (provision for additional equipment has already been funded in 21/22). This will ensure system improvements can be made as a priority in 2022.	£100,000

14 Collection Fund

- 14.1 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.

- 14.2 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 £337,686 resulted from 2020/21 and a surplus of £538,069 is estimated for 2021/22, totalling a net £200,383. This is shared between the County Council £143,988, the Police & Crime Commission £24,942, the Fire & Rescue Authority £7,138 and this Council £24,315. Under new guidance introduced due to Covid19 the 2020/21 deficit must be spread over the three year period from 2021/22 to 2023/24.
- 14.3 The council tax referendum limits have been confirmed at 2% for lower tier authorities. However, shire districts (such as Winchester) can increase their precept by up to £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.
- 14.4 The Council could consider not increasing council tax in 2022 or setting a lower increase than the 3% recommended in CAB3318 Budget Options report in October. The better than expected settlement detailed in section 15 below is expected to be for one year only and the forecast deficits from 2023/24 as set out in Appendix A would increase as a result of such a decision. It is therefore recommended that consideration be given to a below inflation council tax increase of 2.7%, but that additional monies to be set aside to supplement the hardship fund available for those in receipt of Council tax support (see section xx below). This increase would also allow a slightly higher increase in the "Town" precept, required to meet additional funding pressures on the Town account.
- 14.5 Therefore, to assist in addressing short to medium term projected shortfalls, the proposed budget set out in Appendix A assumes a 2.7% increase in council tax for the district along with a town forum recommended increase of 4.5% for the Winchester town area, in 2022/23.
- 14.6 The current level of tax for the district is £147.34 (Band D equiv.). The proposed tax for 2022/23 is £151.29, an increase of £3.95.
- 14.7 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.
- 14.8 The current level of tax for the town is £73.41 (Band D equiv.). An increase of 4.5% would increase this to £76.71.
- 14.9 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 2022/23. The current precept table is awaiting confirmation from a number of parishes who have their budget meetings in late January so a precept table will be dispatched for Council meeting.

15 Government Funding – 2022/23

- 15.1 A further one year of funding has been provisionally confirmed for 2022/23 with significant uncertainty remaining over the ongoing fair funding review and what changes may be announced for 2023/24 and 2024/25. 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.
- 15.2 Medium term funding forecasts have not materially changed because the fair funding review is still expected to result in a reset in business rates retention and the end of the new homes bonus scheme. This is before any further changes which may emerge from the fair funding review.
- 15.3 The Government funding settlement was released just before Christmas. This included additional "one off" funding, over and above the estimates included in CAB3318 dated October 2021 of approximately £1.5m, for 2022/23 only. The additional funding is detailed below. Final confirmation of the settlement is expected in February.
- a) New Homes Bonus - £1.357m – A further one year of reward for 2022/23 due to the delay in the fair funding review.
 - b) Business rates Compensation for under-indexing the multiplier - £0.183m – relating to the freeze in business rates multiplier. This has been added to the retained income forecast for 2022/23.
- 15.4 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 £2.85m, giving a total business rates retention of £5.08m.
 - c) The forecast in Appendix A assumes a full reset of business rates retention from April 2023.
- 15.5 Other government grants (2022/23, £0.603m):
- a) Lower Tier Services Grant - £100k. This is generally seen as an interim grant pending the fair funding review, providing for some minimal damping effects of the reductions from the new homes bonus scheme.
 - b) Services Grant - £154k. It has been made very clear this is a one-off grant for 2022/23 only and will not even feature in any future damping calculations. The increase in employer national insurance contributions of 1.25% will not be compensated directly and must therefore be funded from within this grant in 2022/23. The forecast general fund cost for 2022/23 is £116k.

- c) The rural services delivery grant – £49k - allocations are proposed to remain at 2021/22 levels.
- d) Homelessness reduction grant will be £300k and again will be used directly to address homelessness and rough sleeping.
- e) New burdens payments relating to Universal Credit and other changes have not yet been confirmed.

16 Winchester Town charge – Section 35

- 16.1 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 2021.
- 16.2 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.
- 16.3 The services currently covered by special expenses are listed in Appendix D.
- 16.4 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 2021/22 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 £1,103,623 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.
- 16.5 The Winchester Town Forum met on 27 January 2022 and recommended the budget which is currently set out in Appendix D, including a proposed Council Tax increase of 4.5% for 2022/23.

17 Earmarked Reserves

- 17.1 The strategy for managing reserves was set out in CAB3318 dated October 2021 and forms part of the overall Medium Term Financial Strategy that was approved as part of that report.
- 17.2 Total General Fund earmarked reserves, including proposals in this paper, are forecast to reduce from £33.9m at 01 April 2021 to £19.2m at 31 March 2026. The forecast closing balances (31 March 2026) of key earmarked reserves are summarised below;

- a) Operational reserves (£3.7m), 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 (£4.0m), such as business rates retention, are available to mitigate risks faced by the council. The overall levels are reviewed each year in line with the medium term financial strategy.
 - c) Asset reserves (£4.0m), 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 (£7.5m), 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.
- 17.3 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.
- 18 Balances / risk reserves
- 18.1 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.
- 18.2 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.
- 19 Adequacy of reserves and robustness of estimates
- 19.1 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.
- 19.2 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.
- 19.3 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.

- 19.4 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.

20 OTHER OPTIONS CONSIDERED AND REJECTED

- 20.1 Consideration has been given to not increasing Council tax in 2022/23. However, it should be noted that the Government settlement and additional resources allocated to the Council is a one year announcement and forecasts still indicate increasing deficits in future years and therefore this cannot be recommended.

- 20.2 The proposals set out in this report do result in increasing base budget costs in future years. Consideration has been given to not taking forward the proposals in light of this. However, they are considered to be essential to support the delivery of the Council Plan. A strategic budget review is planned for 2022 as set out in the Medium Term Financial Strategy (CAB3318 refers).

- 20.3 Consideration has also been given to transferring the New Homes Bonus allocation for 2022/23 to reserves to mitigate against future deficits. However, it is recommended that this funding be used to support specific one off projects which make a positive contribution to the Council Plan as set out in the report.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

[CAB3318 - General Fund Budget Options and Medium Term Financial Strategy dated 20 October 2021](#)

Other Background Documents:-

[Winchester City Council Budget consultation results – website](#)

[Winchester City Council Budget consultation results - document](#)

APPENDICES:

Appendix A: General Fund Medium Term Financial Projections

Appendix B: Summary of Budget Proposals

Appendix C: Reserves

Appendix D: Winchester Town Account

Appendix E: Leisure Centre Fees and Charges

Appendix F: Council Tax 2022 Hardship Fund Policy

This page is intentionally left blank

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%		2.7%	2.5%	2.5%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Contractual Inflation	1.0%		4.0%	3.0%	2.5%	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%
Reduction in Income	20.0%		7.0%	3.5%	0.0%							
General Fund Revenue (£m)	Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	2021/22	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Funding												
Council Tax (excluding Parish Precepts)	8.517	8.517	8.822	9.125	9.439	9.721	10.013	10.314	10.624	10.943	11.273	11.614
Retained Business Rates	4.918	4.218	5.083	2.527	2.654	2.787	2.787	2.787	2.787	2.787	2.787	2.787
New Homes Bonus	1.963	1.963	2.327									
COVID Tranche 5	0.494	0.494										
Lower Tier Services Grant	0.461	0.461	0.100									
Services Grant			0.154									
Local Council Tax Support	0.169	0.169										
Damping Forecast				2.469	1.031	0.000						
Other Grants	0.349	0.349	0.349	0.349	0.349	0.349	0.349	0.349	0.349	0.349	0.349	0.349
	16.871	16.171	16.835	14.470	13.473	12.857	13.149	13.450	13.760	14.080	14.409	14.750
Investment Activity	1.876	2.579	1.860	1.777	1.547	1.521	1.632	1.610	1.587	1.563	1.539	1.515
Resources available	18.747	18.750	18.695	16.247	15.021	14.378	14.781	15.060	15.347	15.643	15.949	16.264
Baseline Net Expenditure												
Gross Income	11.627	13.127	14.339	15.827	17.132	17.402	17.478	17.498	17.593	17.584	17.672	17.657
Gross Expenditure	-29.298	-29.298	-30.492	-31.518	-32.255	-32.972	-33.481	-34.039	-34.766	-35.497	-36.248	-37.009
Baseline resource requirements	-17.671	-14.456	-16.153	-15.691	-15.122	-15.570	-16.003	-16.541	-17.173	-17.913	-18.575	-19.352
One-off budgets & Reserve Related Movements	-1.077	-4.292	-2.542	-0.840	-1.045	-1.209	-1.248	-1.078	-0.631	-0.627	-0.627	-0.480
Total net resource requirements	-18.748	-18.748	-18.695	-16.531	-16.167	-16.779	-17.251	-17.619	-17.803	-18.540	-19.203	-19.832
Budget Surplus / (Shortfall)	0.000	0.000	-0.000	-0.284	-1.147	-2.401	-2.470	-2.559	-2.456	-2.898	-3.254	-3.568
<i>% of Gross Expenditure</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.9%</i>	<i>3.6%</i>	<i>7.3%</i>	<i>7.4%</i>	<i>7.5%</i>	<i>7.1%</i>	<i>8.2%</i>	<i>9.0%</i>	<i>9.6%</i>

This page is intentionally left blank

Budget Proposals (£m)	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26
<u>2021/22 Revised Budget Forecast</u>					
Loss of Income - reduced requirement	1.500				
Park and Ride Bus Subsidy	0.750				
Winchester Sport and Leisure Park	0.500				
Guildhall Hire	0.300				
Additional Garden Waste Income	0.165				
	<hr/>				
	3.215				
Employee Costs - Staffing Support	-0.200				
Project Delivery	-0.400	-0.600			
Transfer to Community Grants Reserve	-0.200				
Reduced Business Rates	-0.700				
	<hr/>				
	-1.500	-0.600			
<u>Additional New Homes Bonus - Spending Plan</u>					
Council Tax Support		-0.100			
IT Staff Support		-0.100			
Historic Assets / Monuments		-0.500			
Climate Emergency / Transport		-0.250			
Promoting Cycling/Walking		-0.025			
Food Waste Trial		-0.150			
Fly Tipping / Street Scene		-0.150			
City of Sanctuary		-0.025			
		<hr/>			
		-1.300			
<u>Additional Ongoing Budget Proposals</u>					
Legal Staffing		-0.100	-0.100	-0.100	-0.100
Communications Staffing		-0.030	-0.030	-0.030	-0.030
Economic Development/GEDS work		-0.045	-0.045	-0.045	-0.045
Strategic Planning Staff			-0.060	-0.060	-0.060
RPLC NNDR		-0.155	-0.155	-0.155	-0.155
Transport Strategy / Car Park Reserve	-0.200	-0.200	-0.200	-0.200	-0.200
On-street parking agency			-0.250	-0.250	-0.250
Reduced Car Parking Income - climate change agenda				-0.150	-0.200
Central Zone car parking charges		0.050	0.100	0.150	0.200
Provision for Asset Maintenance	-0.250	-0.250	-0.250	-0.250	-0.250
West Wing Lease - NET Income & Cost Savings		0.100	0.200	0.200	0.200
Climate Emergency			-0.200	-0.200	-0.200
Audit Fees		-0.030	-0.030	-0.030	-0.030
Additional Garden Waste Income		0.100	0.100	0.100	0.100
Reduced Guildhall Income		-0.175	-0.150	-0.150	-0.150
		<hr/>			
	-0.450	-0.735	-1.070	-1.170	-1.170
TOTAL	1.265	-2.635	-1.070	-1.170	-1.170

This page is intentionally left blank

GENERAL FUND EARMARKED RESERVES (£000)

OPERATIONAL RESERVES

Major Investment Reserve
Transformation
Council Plan Support
Community Grants & Commissions
Flood Support Schemes
Landscape Mitigation
Local Development Framework (LDF)
New Burdens

ASSET RESERVES

Property - Asset Management Reserve
Car Parks Property
Information Management and Technology

RESTRICTED RESERVES

S106 (Interest)
Community Infrastructure Levy - General Fund
Community Infrastructure Levy - Winchester Town
COVID - Discretionary Grants
Winchester Town Reserve

RISK RESERVES

Municipal Mutual Insurance
Transitional Reserve
Business Rates Retention

Total General Fund Earmarked Reserves

General Fund Balance

Usable Capital Receipts Reserve - General Fund

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Outturn					Forecast end of year balances							
	(6,920)	(6,248)	(4,442)	(3,820)	(3,669)	(3,669)	(3,669)	(3,669)	(3,669)	(3,669)	(3,669)	(3,669)
	(236)	()	()	()	()	()	()	()	()	()	()	()
	(138)											
	(364)	(564)	(314)	(236)	(114)	(49)	(49)	(49)	(49)	(49)	(49)	(49)
	(67)											
	(14)	(12)	(10)	(8)	(6)	(4)	(2)					
	(290)	(134)										
	(636)	(424)	()	()	()	()	()	()	()	()	()	()
	(8,664)	(7,382)	(4,767)	(4,065)	(3,790)	(3,723)	(3,721)	(3,719)	(3,719)	(3,719)	(3,719)	(3,719)
	(3,511)	(3,335)	(3,240)	(1,823)	(1,653)	(1,603)	(1,553)	(1,503)	(1,453)	(1,403)	(1,103)	(1,053)
	(1,549)	(1,799)	(1,804)	(2,034)	(2,184)	(2,334)	(2,484)	(2,634)	(2,784)	(2,934)	(3,084)	(3,234)
	(63)	(190)	(113)	(79)	(42)	(85)	(2)	(16)	(76)	(34)	(96)	(11)
	(5,123)	(5,324)	(5,158)	(3,936)	(3,879)	(4,022)	(4,039)	(4,153)	(4,314)	(4,371)	(4,283)	(4,298)
	(236)	(236)	(236)	(236)	(236)	(236)	(236)	(236)	(236)	(236)	(236)	(236)
	(10,903)	(10,376)	(7,635)	(6,885)	(6,885)	(6,885)	(6,885)	(6,885)	(6,885)	(6,885)	(6,885)	(6,885)
	(1,078)	(779)	(421)	(284)	(284)	(284)	(284)	(284)	(284)	(284)	(284)	(284)
	(2,021)											
	(403)	(363)	(154)	(177)	(93)	(101)	(94)	(94)	(94)	(94)	(94)	(94)
	(14,641)	(11,754)	(8,446)	(7,582)	(7,498)	(7,506)	(7,499)	(7,499)	(7,499)	(7,499)	(7,499)	(7,499)
	(139)	(139)	(139)	(139)	(139)	(139)	(139)	(139)	(139)	(139)	(139)	(139)
	(3,434)	(1,827)	(2,429)	(2,629)	(2,829)	(2,829)	(2,829)	(2,829)	(2,829)	(2,829)	(2,829)	(2,829)
	(1,900)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
	(5,473)	(2,965)	(3,567)	(3,767)	(3,967)	(3,967)	(3,967)	(3,967)	(3,967)	(3,967)	(3,967)	(3,967)
	(33,901)	(27,426)	(21,938)	(19,351)	(19,134)	(19,219)	(19,227)	(19,338)	(19,499)	(19,556)	(19,469)	(19,484)
	(2,789)	(2,789)	(2,789)	(2,789)	(2,789)	(2,789)	(2,789)	(2,789)	(2,789)	(2,789)	(2,789)	(2,789)
	(3,944)	(3,681)	(1,747)	(1,299)	(1,449)	(1,787)	(2,129)	(2,474)	(2,823)	(3,175)	(3,531)	(3,890)

This page is intentionally left blank

WINCHESTER TOWN ACCOUNT - Financial Projections

	2020/21 Outturn	2021/2022 Forecast	2022/2023 Forecast	2023/2024 Forecast	2024/2025 Forecast	2025/2026 Forecast	2026/2027 Forecast
Assumptions:							
Contract inflation			4.0%	3.0%	2.5%	2%	2%
Utilities			25%	5%	5%	5%	5%
Percentage increase in tax			4.5%	2%	2%	2%	2%
Tax Base		14,461	14,387	14,560	14,734	14,911	15,090
Cost of Services							
Recurring Budgets:							
Allotments	(3,940)	(1,864)	(1,864)	(1,864)	(1,864)	(1,864)	(1,864)
Bus Shelter Cleaning / Maintenance / New Provision	9,596	10,000	10,000	10,000	10,000	10,000	10,000
Cemeteries	49,891	38,339	41,520	44,665	48,006	51,578	55,421
Christmas Lights	7,500	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	16,402	21,226	21,540	21,870	22,216	22,580	22,962
Citizens Advice Grant	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Other Grants	7,000	7,000	7,000	7,000	7,000	7,000	7,000
Grants Bidding Process and Vision Delivery	0	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	0	5,500	5,500	5,500	5,500	5,500	5,500
Night Bus Contribution	7,827	10,220	10,629	10,948	11,221	11,446	11,675
Public Conveniences (Contribution)	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Recreation Grounds & Open Spaces	641,857	647,324	675,684	694,827	714,954	735,303	755,878
Recreation Grounds & Open Spaces - Tennis Courts				9,000	9,000	9,000	9,000
Recreation Grounds & Open Spaces - GROWTH BID			50,000	50,000	50,000	50,000	50,000
Town Forum Support	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Total Recurring Budgets	878,134	922,032	1,004,472	1,036,587	1,060,859	1,085,554	1,110,774
One-off Budgets:							
St Maurice's Covert	5,787						
Community Infrastructure		200,000	100,000				
Local Plan	25,000						
Tree Survey Works		61,639					
Total One-off Budgets	30,787	261,639	100,000				
Total Cost of Services	908,921	1,183,671	1,104,472	1,036,587	1,060,859	1,085,554	1,110,774
Taxation and Non-specific grant income							
Council Tax Income	(1,006,776)	(1,061,591)	(1,103,623)	(1,139,143)	(1,175,798)	(1,213,765)	(1,252,927)
Interest on Balances	(3,272)	(1,701)	(1,816)	(771)	(888)	(467)	(510)
Total Taxation and Non-specific grant income	(1,010,048)	(1,063,292)	(1,105,439)	(1,139,914)	(1,176,686)	(1,214,232)	(1,253,438)
Transfers to/(from) Earmarked reserves							
(Surplus added to Reserves) / Deficit taken from Reserves	(101,127)	120,379	(967)	(103,327)	(115,827)	(128,678)	(142,664)
Capital Expenditure funded by Town Reserve	84,000	120,000	310,000	80,000	200,000	120,000	150,000
Release from Town Community Infrastructure Levy Reserve		(200,000)	(100,000)				
Opening Reserve Balance (at 1st April)	(386,526)	(403,653)	(363,274)	(154,241)	(177,568)	(93,395)	(102,072)
Closing Reserve Balance (carried forward)	(403,653)	(363,274)	(154,241)	(177,568)	(93,395)	(102,072)	(94,736)
Closing Reserves forecast as % of net expenditure	44%	39%	15%	17%	9%	9%	9%

This page is intentionally left blank

Fees and Charges Extract – Leisure Centres

Meadowside leisure centre Core Fees)

22.1 Facilities and activity

Description	Details/ Type	2021/22 Fee £	2022/23 Fee £	% uplift
Gym adult session		8.05	8.30	3%
Fitness classes		6.25	6.45	3%
Exercise referral session		3.30	3.40	3%
Badminton court hire - peak		12.90	12.90	0

23. Winchester Sport and Leisure Park (Core Fees)

23.1 Gym Sessions

Description	Details/ Type	2021/22 Fee £	2022/23 Fee £	% uplift
Gym adult session		9.50	9.80	3%
Junior Session		5.50	5.70	3%
Disabled Session		5.50	5.50	0
Fitness Classes		8.50	8.80	3%
Exercise Referral Sessions/Classes		4.00	4.00	0

23.2 Swimming

Description	Details/ Type	2021/22 Fee £	2022/23 Fee £	% uplift
Adult Session		4.75	4.90	3%
Junior Session		3.00	3.00	0
Senior Session		3.00	3.10	3%
Disabled Session		3.00	3.00	0

23.2 Other charges

Description	Details/ Type	2021/22 Fee £	2022/23 Fee £	% uplift
Badminton Court Hire *Peak		12.50	12.50	0
Squash Court Hire Adult *Peak		8.60	8.90	3%
Squash Court Hire Junior *Peak		6.40	6.40	0

Council Tax 2022 Hardship Fund Policy

Introduction

The expectation is that this 2022 hardship fund will be used to provide council tax relief, alongside existing local Council Tax Reduction (CTR) schemes.

COVID-19 is continuing to cause fluctuations in household incomes and that combined with the pressures of inflationary increases in household bills some individuals may struggle to meet council tax payments. Councils have already established their CTR schemes for 2022-23 so cannot amend them for this year to take account of these changes. However, this hardship fund can be used to reduce the council tax liability of individuals in our area, using the discretionary powers under s13A(1)(c) of the Local Government Finance Act 1992.

The proposed 2022 hardship fund is **£100,000**.

Summary of Scheme

The scheme will be split in to two parts for the purpose of administration.

Part 1 will provide up to a £50 discount on Council Tax for the 2022/23 financial year. This will apply to all Council Tax payers with domestic residences that existed in the Council Tax valuation list on 1st April 2022, and who were in receipt of working age Council Tax Reduction between 1st April 2022 and 30th September 2022.

Part 2 will be an allocation of the fund set aside for Council Tax hardship on a case-by-case basis. This is for households which are either not eligible for CTR or, receiving CTR, plus the top-up described in Part 1 of the policy, but still have Council Tax to pay. In both scenarios the Council Tax payer must be financially struggling to pay their Council Tax. This fund will enable more targeted relief to those most financially challenged as a result of the current climate and should be used in conjunction with WACTR (detailed below).

Part 1: Eligibility for Working Age CTR Claimants (WACTR)

- Any application must be made by the person responsible for paying Council Tax at the property.
- The property address must be within the Winchester District.
- The property must be occupied.
- The Council Tax payer must be, or have been, in receipt of Working Age CTR for at least one week between 1st April 2022 and 30th September 2022.
- The discount will apply regardless of whether the Council Tax payer has been impacted by current economic circumstances, or not.

Where eligible, a discount will be applied to the relevant Council Tax account for up to £50. Where a taxpayer's liability for the year is less than £50 after the application of CTR and any other discounts, then their liability would be reduced to nil. Where a taxpayer's liability is already nil, no reduction to the Council Tax bill will be available. To clarify, in no circumstances will a cash credit of 'excess' discount be awarded.

The discount for all current CTR claimants will be awarded automatically by the Revenues team to the relevant Council Tax accounts. Any new claims received after this will be awarded by the Benefits & Welfare team who are responsible for the administration of the CTR scheme.

Part 2: Eligibility for Council Tax Hardship Fund (CTHF)

- The application must be made by the person responsible for paying Council Tax at the property.
- The property address must be within the Winchester District.
- The property may be occupied or unoccupied, furnished or unfurnished.
- The Council Tax payer must have been considered for CTR since 1st April 2022, or be in receipt of CTR, before being considered for CTHF. A discount may be awarded to a Council Tax payer who is not eligible for CTR.
- This discount will only apply to Council Tax payers who have been impacted by the current economic conditions.
- To qualify for this discount clear evidence of financial hardship must be provided. Wage slips, bank statements and any other relevant documentation must be produced as requested and the appropriate application form and financial statement completed. It is at the discretion of the Council to require the provision of any other information necessary to consider a discount under this scheme.
- This discount will be awarded to Council Tax payers after all other discounts, exemptions or CTR have been applied.
- The discount may be awarded to Council Tax payers who are in receipt of Benefits which are administered by the Council, the DWP in respect of Universal Credit or other DWP benefits, or HMRC in respect of Tax Credits.
- A discount may be awarded for an amount that would be equivalent to CTR in the case where CTR is unable to be backdated during the 2022/23 financial year.

Where eligible, a discount will be applied to the relevant Council Tax account for up to £50 (in addition to any amount for the WACTR discount) or, in exceptional circumstances, up to 100% of the outstanding Council Tax for 2022/23. Where a taxpayer's liability for the year is less than £50 after the application of CTR, any other discounts and exemptions, or payments, then their liability will be reduced to nil.

Where a taxpayer's liability is already nil, an application for this discount is not relevant. To clarify, in no circumstances will a cash credit of 'excess' discount be awarded to the Council Tax payer

The Service Lead for Revenues and Benefits will be responsible for overseeing the award of these discounts to Council Tax under WACTR and CTHF.

Application process

- The scheme will be administered through Winchester City Council.
- An online application form will be available for Council Tax payers to use.
- An application must be made as soon as reasonably practicable. Any delay in applying may affect the decision to award a discount.
- The Council reserves the right to verify the evidence via any reasonable means.
- The discount will be awarded after all other discounts have been applied.

Review

A review will be undertaken at mid-year to consider any changes in the above criteria.

This page is intentionally left blank

COUNCIL TAX RESOLUTION	EXPLANATORY NOTES
<p>1. That any expenses incurred by the Council in performing in a part of its area a function performed elsewhere in its area by a Parish Council/Town Council/Parish Meeting shall not be treated as special expenses for the purposes of Section 35 of the Local Government Finance Act 1992, except in the case of the following special items relating to the non-parished area the aggregate amount of which is £1,103,623 (Appendix D to report CAB3335 refers) and which is shown within the total of special items at paragraph 4(e) below:-</p> <ul style="list-style-type: none"> (a) Magdalen Hill and West Hill Cemeteries; (b) Allotments; (c) Town centre Christmas lighting; (d) Footway lighting; (e) Bus shelter maintenance; (f) Grants for community facilities in the Town and Vision Delivery (“parish” element); (g) Recreation Grounds & Open Spaces (except Abbey Gardens, Riverside Walks, the Weirs and St Giles Hill); (h) Neighbourhood Services; (i) Public Conveniences (j) Theatre Royal (k) Maintenance work to Council Owned Bridges (l) Community Speed Watch (m) Night Bus Contribution (n) St Maurice’s Covert (o) Neighbourhood Plans (p) Community Infrastructure (q) Administration of the Town Forum 	<p><i>1. Expenditure on special items carried out in the Winchester Town non-parished area.</i></p> <p><i>Details of the Winchester Town budget were considered by the Winchester Town Forum on 27 January and Cabinet at a meeting on 17 February 2022 and recommended for approval to Council.</i></p>

COUNCIL TAX RESOLUTION	EXPLANATORY NOTES
<p>2. That it be noted that the Head of Revenues, in consultation with the Strategic Director (Resources) calculated the Council Tax Base for 2022/23 at</p> <p>(a) 51,554.09</p> <p>being the amount calculated by the Council for the whole Council area, in accordance with Section 31B(1) (Item T) of the Local Government Act 1992, as amended (the “Act”), as its Council Tax base for the year.</p> <p>(b) for dwellings in those parts of its area to which a Parish/Town precept relates as in the attached Annex 1.</p> <p>3. Calculate that the Council Tax requirement for the Council’s own purposes for 2022/23 (excluding Parish Precepts) is £8,903,241.</p> <p>4. That the following amounts be now calculated by the Council for the year 2022/23 in accordance with Sections 31 to 36 of the Act:</p> <p>(a) £111,545,636</p> <p>being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils.</p> <p>(b) £98,865,983</p> <p>being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.</p> <p>(c) £12,679,653</p> <p>being the amount by which the aggregate at 4(a) above exceeds the aggregate at 4(b) above, calculated by the Council in accordance with Section 31A(4) of the Act, as its Council Tax requirement for the year. (Item R in the formula in Section 31B of the Act).</p>	<p><i>2(a) The tax base (number of properties expressed as Band D equivalent) for the whole District.</i></p> <p><i>3. The Council Tax Requirement for the City Council, including Special Expenses (the Winchester Town non parished area) but excluding Parish Precepts.</i></p> <p><i>4(a) Gross expenditure for the Council (including the Housing Revenue Account – HRA – the contribution from the Major Investment Reserve), the parish precepts, and transfers from the General Fund to the Collection Fund.</i></p> <p><i>4(b) Gross income for the Council (including the HRA), plus Non-ringfenced Government Grants, and any collection fund surplus</i></p> <p><i>4(c) The Council Tax requirement including the parish precepts ie. 4(a) less 4(b).</i></p>

COUNCIL TAX RESOLUTION	EXPLANATORY NOTES								
<p>(d) £245.95</p> <p>being the amount at 4(c) above (Item R), all divided by Item T (2(a) above), calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its Council Tax for the year (including Parish Precepts).</p> <p>(e) £4,880,035</p> <p>being the aggregate amount of all special items referred to in Section 34(1) of the Act (as per the attached Annex 2)</p> <p>(f) £151.29</p> <p>being the amount at 4(d) above less the result given by dividing the amount at 4(e) above by Item T (2(a) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no special item relates.</p>	<p><i>4(e) The Total of the Parish Council budgets and the Winchester Town part of the budget.</i></p> <p><i>4(f) The City Council element of the tax at Band D excluding the Winchester Town tax.</i></p>								
<p>5. That it be noted for the year 2022/23, Hampshire County Council and the Police and Crime Commissioner - Hampshire have stated, and the Hampshire Fire and Rescue Authority has recommended the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:</p>	<p><i>5. The tax applicable in the different bands for the County, Police Authority and Fire and Rescue Authority elements.</i></p>								
<table border="0"> <thead> <tr> <th style="text-align: left;"><u>Precepting Authority</u></th> <th style="text-align: right;"><u>Precept Amount</u></th> </tr> </thead> <tbody> <tr> <td>Hampshire County Council (HCC)</td> <td style="text-align: right;">£63,254,291</td> </tr> <tr> <td>Police and Crime Commissioner – Hampshire (PCCH)</td> <td style="text-align: right;">£12,190,480</td> </tr> <tr> <td>Hampshire Fire and Rescue Authority (HFRA)</td> <td style="text-align: right;">£3,888,725</td> </tr> </tbody> </table> <p style="text-align: right;">Page 81</p>	<u>Precepting Authority</u>	<u>Precept Amount</u>	Hampshire County Council (HCC)	£63,254,291	Police and Crime Commissioner – Hampshire (PCCH)	£12,190,480	Hampshire Fire and Rescue Authority (HFRA)	£3,888,725	
<u>Precepting Authority</u>	<u>Precept Amount</u>								
Hampshire County Council (HCC)	£63,254,291								
Police and Crime Commissioner – Hampshire (PCCH)	£12,190,480								
Hampshire Fire and Rescue Authority (HFRA)	£3,888,725								

COUNCIL TAX RESOLUTION				EXPLANATORY NOTES
<u>Valuation</u> <u>Bands</u>	<u>HCC</u>	<u>PCCH</u>	<u>HFRA</u>	<p>5. The total tax applicable in the different bands (ie. the County tax, the Police Authority tax and the Fire and Rescue Authority tax).</p>
A	927.24	157.64	50.29	
B	1,081.78	183.91	58.67	
C	1,236.32	210.19	67.05	
D	1,390.86	236.46	75.43	
E	1,699.94	289.01	92.19	
F	2,009.02	341.55	108.95	
G	2,318.10	394.10	125.72	
H	2,781.72	472.92	150.86	
<p>6. That the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts shown in columns 2-9 of Annex 2 as the amounts of Council Tax for 2022/23 for each part of its area and for each of the categories of dwellings shown.</p> <p>7. That the Council determines that the Council's basic amount of Council Tax for 2022/23 is not excessive in accordance with principles approved under Section 52ZB of the Local Government Finance Act 1992.</p>				

DISTRICT, TOWN & PARISH COUNCIL PRECEPTS

	2021/22			2022/23			Council Tax Increase/ (decrease)
	Tax Base	Precepts £	Council Tax Band D (£)	Tax Base	Precepts £	Council Tax Band D (£)	
BILLING AUTHORITY							
WINCHESTER	50,810.47	7,486,415	147.34	51,554.09	7,799,618	151.29	2.7%
SPECIAL AREAS							
(BILLING AUTHORITY)							
WINCHESTER TOWN	14,461.12	1,061,446	73.41	14,386.95	1,103,623	76.71	4.5%
PARISHES/TOWN							
BADGER FARM	958.29	60,405	63.03	962.12	60,405	62.78	(0.4%)
BEAUWORTH	56.61	0	0.00	59.46	0	0.00	0.0%
BIGHTON	173.38	4,000	23.07	179.12	5,000	27.91	21.0%
BISHOPS SUTTON	206.42	6,500	31.49	207.02	7,750	37.44	18.9%
BISHOPS WALTHAM	2,946.08	498,613	169.25	2,907.16	505,255	173.80	2.7%
BOARHUNT	324.14	28,072	86.60	326.28	24,544	75.22	(13.1%)
BRAMDEAN & HINTON AMPNER	222.20	8,000	36.00	222.05	8,240	37.11	3.1%
CHERITON	321.01	25,770	80.28	328.24	26,543	80.86	0.7%
CHILCOMB	63.23	0	0.00	61.80	0	0.00	0.0%
COLDEN COMMON	1,662.43	199,340	119.91	1,677.75	207,174	123.48	3.0%
COMPTON & SHAWFORD	873.76	28,263	32.35	879.57	33,293	37.85	17.0%
CORHAMPTON & MEONSTOKE	422.42	17,320	41.00	424.46	17,320	40.80	(0.5%)
CRAWLEY	221.37	17,500	79.05	225.71	18,000	79.75	0.9%
CURDRIDGE	817.11	55,190	67.54	960.55	70,409	73.30	8.5%
DENMEAD	2,706.59	445,861	164.73	2,760.83	473,895	171.65	4.2%
DROXFORD	348.72	37,665	108.01	347.51	37,665	108.39	0.4%
DURLEY	470.44	30,000	63.77	483.01	32,000	66.25	3.9%
EXTON	137.00	675	4.93	135.45	657	4.85	(1.6%)
HAMBLEDON	519.71	22,597	43.48	519.94	43,970	84.57	94.5%
HEADBOURNE WORTHY	590.85	25,125	42.52	639.19	32,760	51.25	20.5%
HURSLEY	436.18	41,000	94.00	438.83	41,000	93.43	(0.6%)
ITCHEN STOKE & OVINGTON	125.32	6,225	49.67	127.23	6,225	48.93	(1.5%)
ITCHEN VALLEY	739.22	34,044	46.05	744.91	34,044	45.70	(0.8%)
KILMESTON	138.93	4,564	32.85	139.21	5,000	35.92	9.3%
KINGS WORTHY	1,932.60	172,218	89.11	1,966.12	174,863	88.94	(0.2%)
LITTLETON & HARESTOCK	1,513.92	113,076	74.69	1,528.49	120,265	78.68	5.3%
MICHELDEVER	680.13	49,000	72.05	677.16	49,500	73.10	1.5%
NEW ALRESFORD	2,310.12	320,645	138.80	2,355.04	336,694	142.97	3.0%
NEWLANDS	848.81	33,670	39.67	943.28	40,100	42.51	7.2%
NORTHINGTON	136.30	4,500	33.02	130.07	4,500	34.60	4.8%
OLD ALRESFORD	262.54	15,600	59.42	271.31	16,000	58.97	(0.8%)
OLIVERS BATTERY	766.72	36,000	46.95	777.52	39,664	51.01	8.6%
OTTERBOURNE	710.44	40,710	57.30	705.88	40,091	56.80	(0.9%)
OWSLEBURY	393.15	28,579	72.69	392.78	29,722	75.67	4.1%
SHEDFIELD	1,855.13	106,943	57.65	1,866.42	189,917	101.75	76.5%
SOBERTON	838.29	36,658	43.73	842.28	39,169	46.50	6.3%
SOUTH WONSTON	1,238.21	108,385	87.53	1,286.59	108,375	84.23	(3.8%)
SOUTHWICK & WIDLEY	253.44	18,000	71.02	268.88	14,500	53.93	(24.1%)
SPARSHOLT	297.13	19,209	64.65	308.52	19,609	63.56	(1.7%)
SWANMORE	1,452.15	216,039	148.77	1,463.08	223,735	152.92	2.8%
TICHBORNE	117.66	4,219	35.86	121.18	4,219	34.82	(2.9%)
TWYFORD	751.06	109,489	145.78	758.51	112,335	148.10	1.6%
UPHAM	363.83	28,500	78.33	369.05	28,500	77.23	(1.4%)
WARNFORD	113.68	1,400	12.32	118.05	1,500	12.71	3.2%
WEST MEON	386.14	35,261	91.32	392.43	35,261	89.85	(1.6%)
WHITELEY	1,283.87	137,542	107.13	1,441.17	154,187	106.99	(0.13%)
WICKHAM	1,738.19	228,420	131.41	1,783.72	264,557	148.32	12.9%
WONSTON	624.43	38,000	60.86	642.21	38,000	59.17	(2.78%)
TOTAL/AVERAGE	50,810.47	4,560,238	89.75	51,554.09	4,880,035	94.66	5.5%
PARISH/TOWN TOTAL	36,349.35	3,498,792	96.25	37,167.14	3,776,412	101.61	
WINCHESTER TOWN	14,461.12	1,061,446	73.40	14,386.95	1,103,623	76.71	
TOTAL	50,810.47	4,560,238	89.75	51,554.09	4,880,035	94.66	

This page is intentionally left blank

WINCHESTER CITY COUNCIL, TOWN & PARISH COUNCILS AND PRECEPTING AUTHORITIES								
COUNCIL TAXES FOR THE YEAR ENDING 31 MARCH 2023								
COUNCIL TAX SCHEDULE 2022/23	BAND A	BAND B	BAND C	BAND D	BAND E	BAND F	BAND G	BAND H
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	£	£	£	£	£	£	£	£
WINCHESTER CITY COUNCIL	100.86	117.67	134.48	151.29	184.91	218.53	252.15	302.58
HAMPSHIRE COUNTY COUNCIL (MAIN PRECEPT)	817.97	954.29	1,090.62	1,226.95	1,499.61	1,772.26	2,044.92	2,453.90
HAMPSHIRE COUNTY COUNCIL (ADULT SOCIAL CARE)	109.27	127.49	145.70	163.91	200.33	236.76	273.18	327.82
POLICE & CRIME COMMISSIONER FOR HAMPSHIRE	157.64	183.91	210.19	236.46	289.01	341.55	394.10	472.92
HAMPSHIRE FIRE AND RESCUE AUTHORITY	50.29	58.67	67.05	75.43	92.19	108.95	125.72	150.86
Parish/Town only	67.74	79.03	90.32	101.61	124.19	146.77	169.35	203.22
Parish/Town & District	168.60	196.70	224.80	252.90	309.10	365.30	421.50	505.80
Total	1,303.77	1,521.06	1,738.36	1,955.65	2,390.24	2,824.82	3,259.42	3,911.30
SPECIAL AREAS								
(BILLING AUTHORITY)								
WINCHESTER TOWN	1,287.17	1,501.69	1,716.23	1,930.75	2,359.81	2,788.85	3,217.92	3,861.50
PARISHES								
BADGER FARM	1,277.88	1,490.86	1,703.84	1,916.82	2,342.78	2,768.73	3,194.70	3,833.64
BEAUWORTH	1,236.03	1,442.03	1,648.04	1,854.04	2,266.05	2,678.05	3,090.07	3,708.08
BIGHTON	1,254.64	1,463.74	1,672.85	1,881.95	2,300.16	2,718.36	3,136.59	3,763.90
BISHOPS SUTTON	1,260.99	1,471.15	1,681.32	1,891.48	2,311.81	2,732.13	3,152.47	3,782.96
BISHOPS WALTHAM	1,351.90	1,577.21	1,802.53	2,027.84	2,478.47	2,929.09	3,379.74	4,055.68
BOARHUNT	1,286.18	1,500.53	1,714.90	1,929.26	2,357.99	2,786.70	3,215.44	3,858.52
BRAMDEAN & HINTON AMPNER	1,260.77	1,470.89	1,681.03	1,891.15	2,311.41	2,731.65	3,151.92	3,782.30
CHERITON	1,289.94	1,504.92	1,719.92	1,934.90	2,364.88	2,794.85	3,224.84	3,869.80
CHILCOMB	1,236.03	1,442.03	1,648.04	1,854.04	2,266.05	2,678.05	3,090.07	3,708.08
COLDEN COMMON	1,318.35	1,538.07	1,757.80	1,977.52	2,416.97	2,856.41	3,295.87	3,955.04
COMPTON & SHAWFORD	1,261.26	1,471.47	1,681.68	1,891.89	2,312.31	2,732.72	3,153.15	3,783.78
CORHAMPTON & MEONSTOKE	1,263.23	1,473.76	1,684.31	1,894.84	2,315.92	2,736.98	3,158.07	3,789.68
CRAWLEY	1,289.20	1,504.06	1,718.93	1,933.79	2,363.52	2,793.24	3,222.99	3,867.58
CURDRIDGE	1,284.90	1,499.04	1,713.20	1,927.34	2,355.64	2,783.93	3,212.24	3,854.68
DENMEAD	1,350.46	1,575.54	1,800.62	2,025.69	2,475.84	2,925.99	3,376.15	4,051.38
DROXFORD	1,308.29	1,526.33	1,744.39	1,962.43	2,398.53	2,834.61	3,270.72	3,924.86
DURLEY	1,280.20	1,493.56	1,706.93	1,920.29	2,347.02	2,773.74	3,200.49	3,840.58
EXTON	1,239.26	1,445.80	1,652.35	1,858.89	2,271.98	2,685.06	3,098.15	3,717.78
HAMBLEDON	1,292.41	1,507.81	1,723.21	1,938.61	2,369.41	2,800.21	3,231.02	3,877.22
HEADBOURNE WORTHY	1,270.20	1,481.89	1,693.60	1,905.29	2,328.69	2,752.08	3,175.49	3,810.58
HURSLEY	1,298.32	1,514.70	1,731.09	1,947.47	2,380.24	2,813.00	3,245.79	3,894.94
ITCHEN STOKE & OVINGTON	1,268.65	1,480.09	1,691.53	1,902.97	2,325.85	2,748.73	3,171.62	3,805.94
ITCHEN VALLEY	1,266.50	1,477.57	1,688.66	1,899.74	2,321.91	2,744.06	3,166.24	3,799.48
KILMESTON	1,259.98	1,469.97	1,679.97	1,889.96	2,309.95	2,729.93	3,149.94	3,779.92
KINGS WORTHY	1,295.32	1,511.21	1,727.10	1,942.98	2,374.75	2,806.52	3,238.30	3,885.96
LITTLETON & HARESTOCK	1,288.48	1,503.23	1,717.98	1,932.72	2,362.21	2,791.70	3,221.20	3,865.44
MICHELDEVER	1,284.76	1,498.89	1,713.02	1,927.14	2,355.39	2,783.64	3,211.90	3,854.28
NEW ALRESFORD	1,331.34	1,553.23	1,775.12	1,997.01	2,440.79	2,884.56	3,328.35	3,994.02
NEWLANDS	1,264.37	1,475.09	1,685.83	1,896.55	2,318.01	2,739.45	3,160.92	3,793.10
NORTHINGTON	1,259.10	1,468.94	1,678.80	1,888.64	2,308.34	2,728.03	3,147.74	3,777.28
OLD ALRESFORD	1,275.34	1,487.90	1,700.46	1,913.01	2,338.12	2,763.23	3,188.35	3,826.02
OLIVERS BATTERY	1,270.04	1,481.70	1,693.38	1,905.05	2,328.40	2,751.73	3,175.09	3,810.10
OTTERBOURNE	1,273.90	1,486.21	1,698.53	1,910.84	2,335.47	2,760.09	3,184.74	3,821.68
OWSLEBURY	1,286.48	1,500.88	1,715.30	1,929.71	2,358.54	2,787.35	3,216.19	3,859.42
SHEDFIELD	1,303.86	1,521.17	1,738.48	1,955.79	2,390.41	2,825.02	3,259.65	3,911.58
SOBERTON	1,266.36	1,477.42	1,688.48	1,899.54	2,321.66	2,743.77	3,165.90	3,799.08
SOUTH WONSTON	1,292.18	1,507.54	1,722.91	1,938.27	2,369.00	2,799.72	3,230.45	3,876.54
SOUTHWICK & WIDLEY	1,271.98	1,483.98	1,695.98	1,907.97	2,331.96	2,755.95	3,179.95	3,815.94
SPARSHOLT	1,278.40	1,491.47	1,704.54	1,917.60	2,343.73	2,769.86	3,196.00	3,835.20
SWANMORE	1,337.98	1,560.97	1,783.97	2,006.96	2,452.95	2,898.93	3,344.94	4,013.92
TICHBORNE	1,259.24	1,469.11	1,678.99	1,888.86	2,308.61	2,728.35	3,148.10	3,777.72
TWYFORD	1,334.76	1,557.22	1,779.68	2,002.14	2,447.06	2,891.97	3,336.90	4,004.28
UPHAM	1,287.52	1,502.10	1,716.69	1,931.27	2,360.44	2,789.60	3,218.79	3,862.54
WARNFORD	1,244.50	1,451.92	1,659.34	1,866.75	2,281.58	2,696.41	3,111.25	3,733.50
WEST MEON	1,295.93	1,511.91	1,727.91	1,943.89	2,375.87	2,807.83	3,239.82	3,887.78
WHITELEY	1,307.36	1,525.24	1,743.14	1,961.03	2,396.82	2,832.59	3,268.39	3,922.06
WICKHAM	1,334.91	1,557.39	1,779.88	2,002.36	2,447.33	2,892.29	3,337.27	4,004.72
WONSTON	1,275.48	1,488.05	1,700.64	1,913.21	2,338.37	2,763.52	3,188.69	3,826.42

This page is intentionally left blank

CAB3332
CABINET

REPORT TITLE: CAPITAL INVESTMENT STRATEGY 2022-2032

17 FEBRUARY 2022

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 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 Department for Levelling Up, Housing and Communities (DLUHC) 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 Investment Strategy be approved including:
 - the Capital Programme and Capital Programme Financing (Appendices A and B to the report);
 - the Minimum Revenue Provision (MRP) Policy Statement (Appendix E);

- the Flexible Use of Capital Receipts Strategy (Appendix G); and
- the prudential indicators detailed in the report and its appendices.

That Cabinet:

2. Subject to Council approval of the capital programme, approves IMT equipment and software expenditure (£343,000 in 2022/23) as detailed in paragraph 11.8.7.
3. 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 2031/32 totals £417.3 million of which £60.7 million is General Fund and £356.6 million is Housing Revenue Account.
- 2.2. The proposed financing is made up of £174.7 million of prudential borrowing, £119.9 million from revenue including earmarked reserves, £95.4 million of capital receipts and £27.3 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 (CAB3333).
- 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 2022/23 the strategy includes the remaining unallocated funding for the Strategic Asset Purchase (SAP) scheme of £20.5m 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 SAP scheme, ensuring a positive contribution to the Council Plan objectives. It should be noted that income from property investments cannot be used to support wider services but should be incidental and required to support the viability of the specific scheme. It is possible for any surplus income to be used for similar projects (e.g. regeneration) in the district, but not to underpin the medium term financial strategy or address future forecast deficits. This has recently been clarified through the publication of updated regulations from CIPFA and the Public Works Loan Board. The total funding set aside for this programme is reasonable within the overall context of the council's capital strategy and the scale of the Council's balance sheet. However, the aims and terms of the scheme will be reviewed in 2022 in light of the latest regulations.
- 2.8. Over the next ten years, the strategy forecasts up to £417.3m of capital spend. Within this financial context and the council's balance sheet (£661.7m of fixed assets as at 31 March 2021), the council has a long history of managing and acquiring assets to support its objectives. The council also utilises its treasury management advisors, Arlingclose, to consider the implications of the prudential code and the impact on the treasury management strategy.
- 2.9. 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 Department for Levelling Up, Housing & Communities (DLUHC) 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 Council's draft Asset Management Strategy 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 15 February 2022. Due to the dispatch date any particular matters that the Committee wishes to raise with Cabinet will be reported at the meeting.

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 are considered as part of the business case for specific capital projects.

9. DATA PROTECTION IMPACT ASSESSMENT

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

10. RISK MANAGEMENT

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

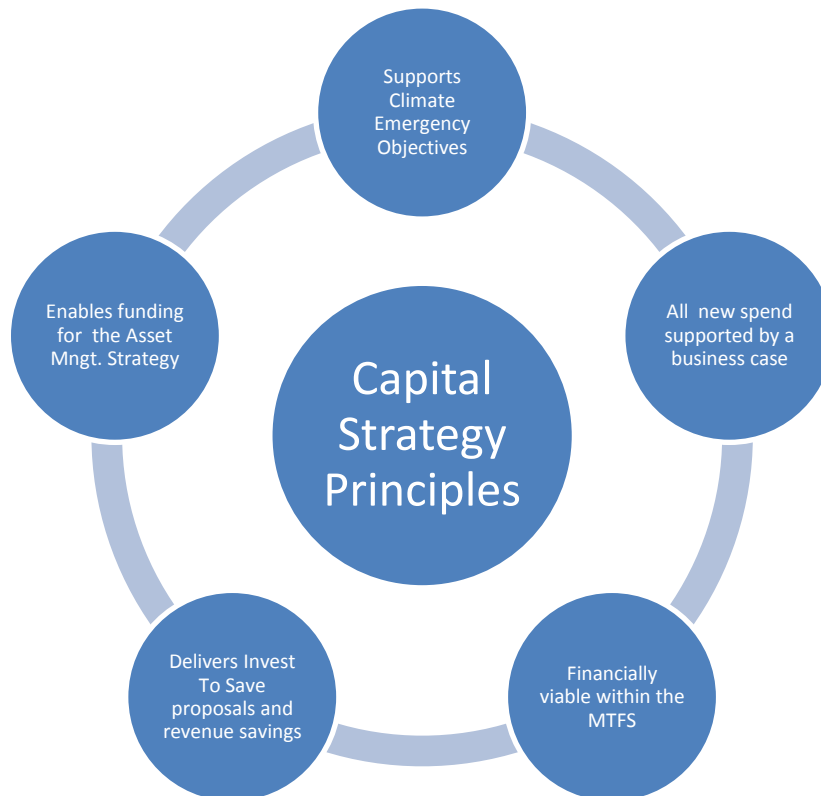
Risk	Mitigation	Opportunities
<i>Property</i> Council assets not fully utilised	An effective capital strategy and its delivery helps to ensure council assets are used to achieve	Investment in the council's assets can increase income generation

	the council's priorities	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:

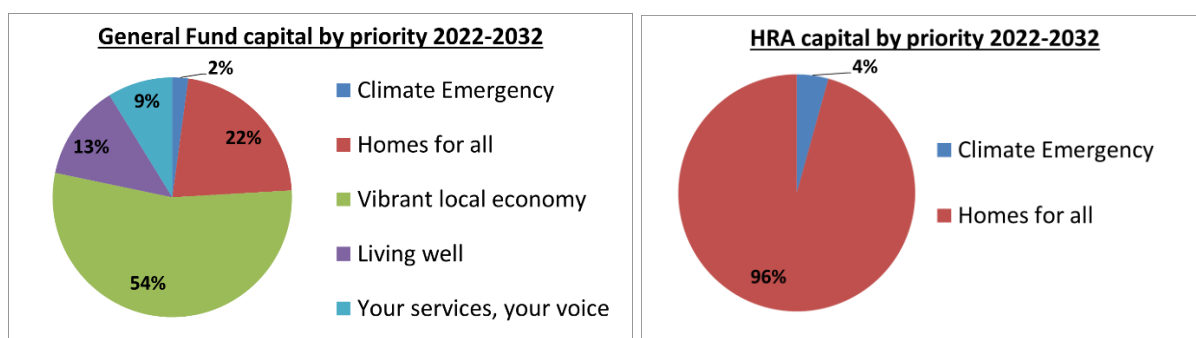
11.1. Purpose

- 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 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, the draft Asset Management Strategy, 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 over the next 4 years. 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; the refurbishment of council's existing assets; and provision of leisure facilities.
- 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. For example, while a project may have a primary purpose of improving the local economy it may contain elements such as the installation of solar panels in order to tackle the climate emergency):



11.2. The Capital Programme

- 11.2.1. The council has made further progress in 2021/22 in delivering its ambitious capital programme. In the General Fund, works completed or due to complete this year have included:
- Winchester Sport & Leisure Park which opened in May 2021
 - A major flood defence scheme at Durngate
 - A new multi-storey car park on the former Vaultex site
 - The provision of 3 small business units at the former depot site in Bishop's Waltham
 - The conversion of the former 1871 café at the Guildhall into a self-contained restaurant
 - The installation of Solar PV at Marwell Zoo and on the council's depot at Barfield Close

- Disabled facilities grants (totalling £0.7m by the end of December) enabling those in private or housing association to stay in their homes by funding necessary adaptations

11.2.2. In addition to works to the existing stock, a number of HRA new build schemes have been completed, or are in progress:

- The Valley with 77 units (23 shared ownership and 54 social)
- 35 units at Hookpit (8 shared ownership, 25 affordable, and 2 sales)
- 3 affordable housing acquisitions
- Winnall Flats with 76 units (35 shared ownership, and 41 market rent) – not complete
- 54 units at North Whiteley (27 shared ownership, and 27 affordable) – not complete

11.2.3. Over the period 2022 to 2032, the council's total estimated capital expenditure is £417.3m of which £60.7m is General Fund and £356.6m is Housing Revenue Account. The programme includes an ambitious target to deliver **1000 new homes** in the HRA as well as plans to get the most from our existing estate including a proposed development at the **former goods shed**, and refurbishments in order to secure new tenancies at **158-159 High Street, 59 Colebrook Street** and the **Casson block** have been added to the programme.

11.2.4. The following table summarises the capital programme by year for the period. Further detail by project is included in Appendix A.

Capital Expenditure 2022 - 2032	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	TOTAL Est.
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
General Fund	30.6	11.2	5.9	2.1	1.9	1.8	1.8	1.8	1.9	1.7	60.7
HRA	43.2	53.7	43.5	35.7	31.7	30.5	32.1	32.1	33.5	20.6	356.6
Total Expenditure	73.8	64.9	49.4	37.8	33.6	32.3	33.9	33.9	35.4	22.3	417.3

11.2.5. The programme includes the following **key projects** (quoted budget figures are for the period 2022-2032 and do not include prior years):

Priority: Tackling the Climate Emergency & creating a greener district (£16.7m)

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

- £15m has been allocated over the next 10 years to invest in the **council's housing stock to improve energy efficiency and reduce emissions.**

- Following the installation of Solar PV at the council's depot and at Marwell Zoo in 2021/22, a further £1m budget has been allocated for **energy management projects** over 4 years from 2022/23 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.
- The installation of up to 36 **Electric Vehicle (EV) charging points** in car parks across the district was completed in 2021/22 and additional charging points were added for the council's own fleet in the Guildhall Yard and Cipher House.
- The council was successful in securing a £260,000 grant from the Salix Decarbonisation Fund (SDF) in order to **decarbonise City Offices** and in line with the council's target to be carbon neutral by 2024. Works to remove asbestos have commenced this year and the installation of new windows will be completed in early 2022/23.
- 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 have been installed at the new Sport & Leisure Park, 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 (£354.5m)

- Over the next 10 years, £246m has been allocated to the council's New Build programme to enable the delivery of **one thousand council homes**.
- A total of £79m has been allocated to major repairs and maintenance of our existing housing stock in addition to £1.7m to improve fire safety.
- Following a review of delivery models which identified a leasing model could deliver the same outcomes without the need for a significant capital loan, the budget of £4m has been reduced to £1m for the establishment of a **Housing Company** to support the delivery of sub-market rented housing and alternative tenures. This change in approach will reduce the risk to council tax payers.
- An estimated £12.3m 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 (£32.9m)

- The **Strategic Asset Purchase Scheme (SAPS)** seeks to identify assets for the council to acquire which will assist it in meeting its strategic objectives such as regeneration whilst also generating ongoing revenue streams in order to ensure a scheme is financially viable overall or to be recycled in to other similar schemes. Following a number of acquisitions a budget of £20.5m remains in order to continue the acquisition of property to support the council's ambitions.
- Budgets of £0.5m and £0.55m respectively have been included for the refurbishments of **158-159 High Street** and **59 Colebrook Street** in order to bring the assets into a lettable condition. The estimated potential gross income for each site is in the region of £40,000 per annum.
- A provisional budget of £0.7m has been included in 2023/24 for refurbishment works to the **Casson Block** offices. Further feasibility work will be carried out and initial estimates are that rental income of up to £120,000 per annum could be generated following the work.
- 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 £0.4m 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 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.
- In addition, a total of £3.9m 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**.

Priority: Living Well (£7.8m)

- A budget of £2.3m has been allocated to replace the **King George V (KGV) 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. Following design work, the estimated cost of KGV pavilion has increased by £0.9m; as well as offering a modern facility for

its users, it will help the council achieve its carbon neutral goals by incorporating several features including EV charging points, solar panels, an air source heat pump, and a green roof.

- Over the next 4 years, £0.8m 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, £1.2m of CIL funded capital grants have been awarded to community groups for projects expected to take place in 2022/23. The scheme allows community groups to apply for a share of between £10,000 and £200,000 for essential infrastructure projects.
- £120,000 has been set aside in the 10 year programme for replacement equipment at **Meadowside Leisure Centre** as well as £40,000 in 2022/23 for 3G pitch drainage improvements to address flooding issues.
- £2m has been included in 2024/25 for the **demolition of River Park leisure centre** although the exact timing is uncertain and to be determined as part of the wider plans for the site. This expenditure will be funded from the capital receipts reserve and offset by any capital receipt from the disposal of the site.

Priority: Your services Your voice (£5.3m)

- The majority of the budgets are for long term capital maintenance works to the council's operational assets. This includes the replacement of the City Offices heating system which is nearing the end of its economic life and is inefficient to run. Its replacement with a more efficient system will reduce carbon emissions and provide ongoing energy savings; a budget of £100,000 has also been allocated for additional solar PV so that further savings can be made if an electric system replaces the current gas-powered heating.
- 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.

11.2.6. Future capital ambitions and **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, further capital projects will be required to meet this goal in addition to those already carried or in the capital programme. Exploratory work has been undertaken on the potential for the council to invest in a solar farm in the district with more feasibility to be carried over the next 12 months. 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 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 economy, and make it a more attractive place for residents and visitors alike. Working with a development partner, it is not anticipated that the council will be making further capital investment in CWR but it is expecting to put its assets into the scheme in exchange for a capital receipt.
- 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).
- **North Walls Park Plan** – the North Walls Park Plan was brought to Winchester Town Forum in November 2021 following a public consultation (WTF303). Feasibility work is required to determine future funding requirements and this will be reported back to the forum in due course for the required improvements to the site.
- Up to £1m will be required to the **Brooks car park ventilation system** which has been in operation since its opening. The exact timing and cost will need to be determined and the solution will not only provide cleaner air but will reduce carbon emissions and running costs.

11.3. Financing the Capital Programme

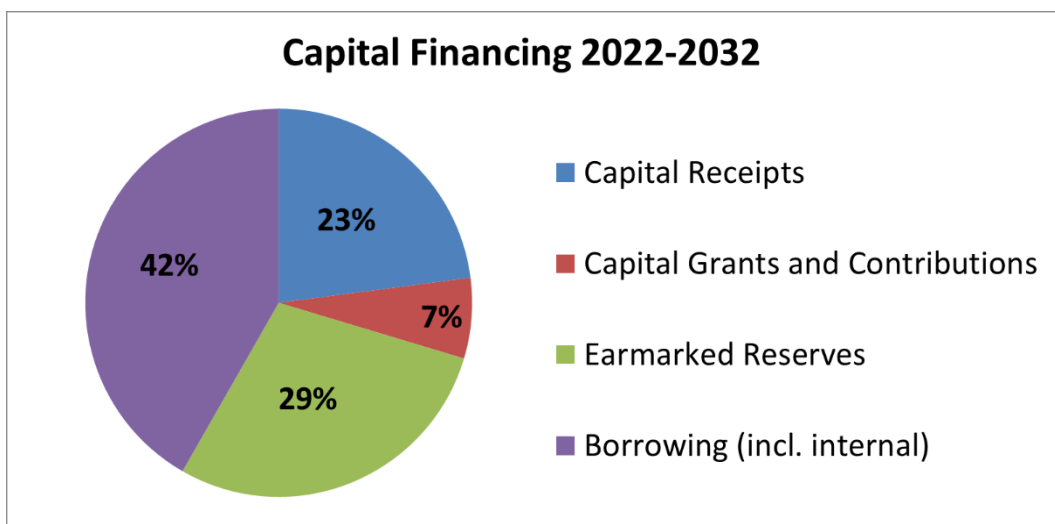
11.3.1. The council can invest in a capital programme so long as its capital spending plans are “affordable, prudent and sustainable”.

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, in the future, need to increase its external borrowing in addition to the £166.7m the council has already borrowed on behalf of the HRA. 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

	2020/21 actual	2021/22 forecast	2022/23 budget	2023/24 budget	2024/25 budget
Minimum Revenue Provision (GF)	0.4	0.5	1.2	1.3	1.3
Reserves (HRA)	0.0	0.0	0.0	0.0	0.0
Total	0.4	0.5	1.2	1.3	1.3

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

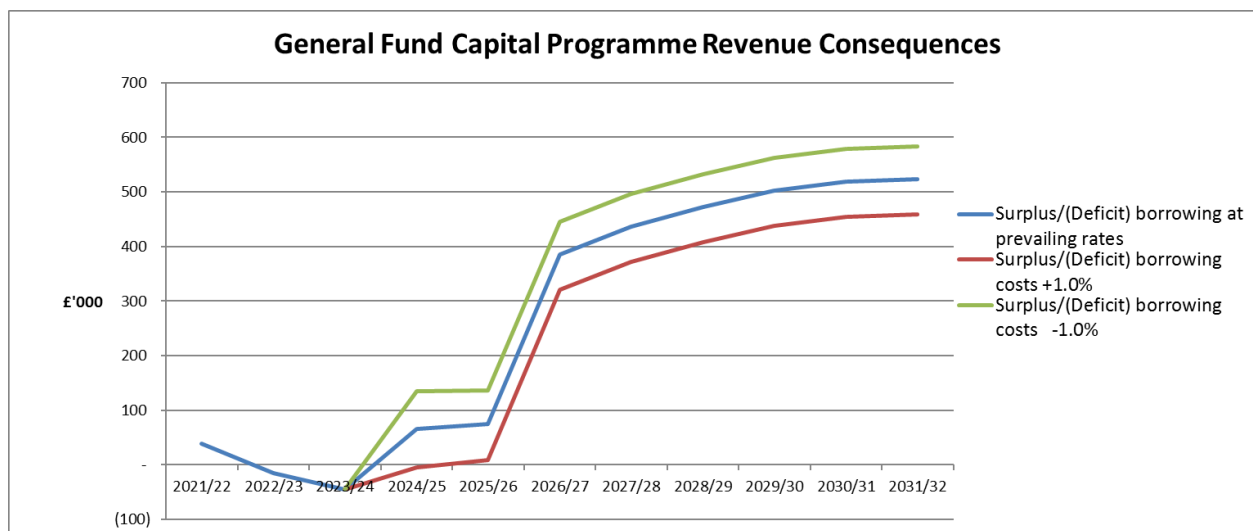
- 11.3.6. The council's cumulative outstanding amount of debt finance (borrowing need) is measured by the Capital Financing Requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and voluntary contributions from revenue or capital receipts. CFR is estimated to increase by up to £54.4m during 2022/23 subject to full delivery of the Capital Programme.

Estimates of Capital Financing Requirement (CFR) in £ millions

	31.3.2021 actual	31.3.2022 forecast	31.3.2023 budget	31.3.2024 budget	31.3.2025 budget
General Fund	68.1	70.6	90.5	94.7	95.2
Housing Revenue Account	178.2	195.0	229.5	278.2	279.4
TOTAL CFR	246.3	265.6	320.0	372.9	374.6

- 11.3.7. Further information including borrowing forecasts and borrowing limits are set out in the Treasury Management Strategy (CAB3333).
- 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 small negative impact on the General Fund prior to this year which reflects 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. 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

	2020/21 actual	2021/22 forecast	2022/23 budget	2023/24 budget	2024/25 budget
GF financing costs (£m)	0.7	0.5	1.2	1.3	1.5
GF proportion of net revenue stream	3.4%	2.8%	7.1%	8.8%	11.2%
HRA financing costs (£m)	5.2	5.4	5.9	7.9	7.9
HRA proportion of net revenue stream	17.8%	18.7%	19.9%	25.8%	23.9%

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 used £194,000 in qualifying receipts for severance costs in 2020/21 which will continue to provide significant ongoing savings of over £700,000 per annum. In 2021, the government confirmed that the direction would be extended by another 3 years from 2022/23; while the council has no plans to make further redundancies, it may use qualifying capital receipts, when appropriate, to help fund the revenue costs of any transformation projects identified. 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 involves reviewing all of the council's assets on a rolling basis to establish why the council holds assets; what options the council has, for example, to 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, procurement 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 Strategy (AMS)
- 11.7.1. The emerging AMS will seek 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 AMS covering was approved in December 2016 (CAB2870 refers) and a revised strategy will be published early in 2022.
- 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 the last two years has been under pressure. This has been monitored carefully and a “Rent Abatement” programme has supported tenants through this period, resulting in only one business having to give up their tenancy due to business failure. 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 underlying asset management plan held by the council’s Estates team.

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.
- 11.8.3. As part of our Covid recovery strategy, the council is exploring new ways of working for staff. A key element of this will be the IT investment to enable flexible working from a range of locations. Coupled with the digital transformation strategy, this will help to make services agile and customer focused; making them more accessible than ever to all our customers.
- 11.8.4. 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.
- 11.8.5. 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.
- 11.8.6. 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.

- 11.8.7. The following table sets out the proposed IMT capital expenditure for 2022/23 to be financed from the IMT reserve:

IMT Capital 2022/23	£'000
Equipment	55
Corporate network	50
ArcServe backup	48
Telephony replacement	30
Uninterruptable power supply (UPS)	20
Meeting rooms equipment	80
New website	60
Total	343

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 2022/23 and forecasts to 2031/32. Further detailed information can be found in the Housing budget paper (CAB3334).

11.10. Commercial and non-Treasury Investment Activities

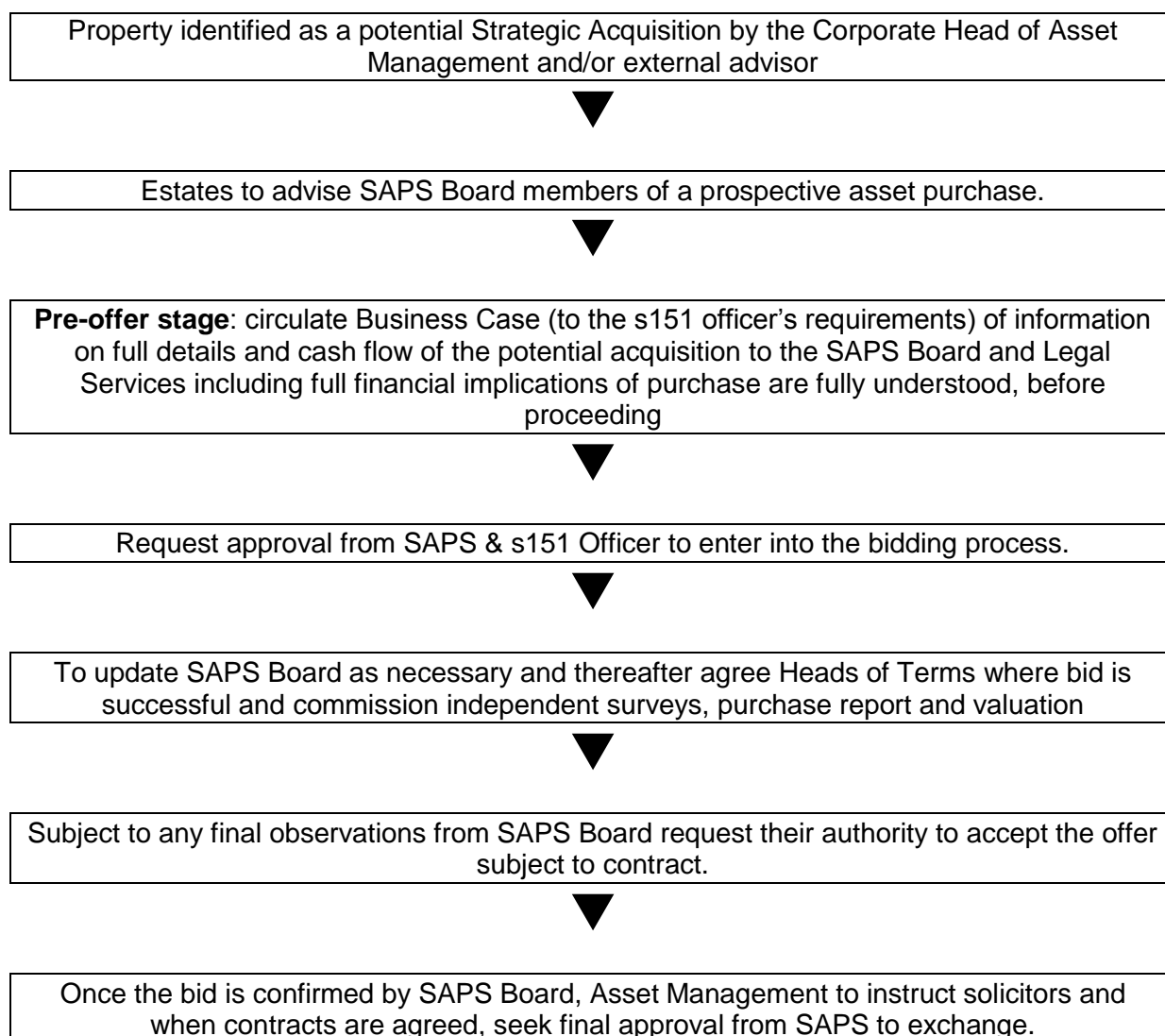
- 11.10.1. The council invests for three broad purposes:

- 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 CAB3333. 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 Strategy 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 March 2021 (CAB3245).
- 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 Risk Appetite Statement supports members and officers in decision making by setting out where the cabinet is comfortable taking different levels of risk, and which levels of risk are unacceptable. The council's risk appetite is considered in conjunction with the risk section of all committee reports when decisions are made.
- 11.11.4. The council's current overall risk appetite is defined as MODERATE (see table below for definitions). This means the council remains open to innovative ways of working and to pursue options that offer potentially substantial rewards, despite also having greater level of risks. However, the council's preference is for safe delivery options which have a lower degree of risk, especially for those services required by statute.

Risk Appetite Definitions	
Avoid	No appetite. Not prepared to take risk.
Adverse	Prepared to accept only the very lowest levels of risk, with the preference being for ultra-safe delivery options, while recognising that these will have little or no potential for reward/return.
Cautious	Willing to accept some low risks, while maintaining an overall preference for safe delivery options despite the probability of these having mostly restricted potential for reward/return.
Moderate	Tending always towards exposure to only modest levels of risk in order to achieve acceptable outcomes.
Open	Prepared to consider all delivery options and select those with the highest probability of productive outcomes, even when there are elevated levels of associated risk.
Hungry	Eager to seek original/creative/pioneering delivery options and to accept the associated substantial risk levels in order to secure successful outcomes and meaningful reward/return.

- 11.11.5. Risk appetite is not a single, fixed concept and there will be a range of appetites for different risks which may vary over time. The council's risk appetite by corporate priority and guiding principles are set out below.

Council Plan Priority	Risk Appetite	
Tackling the climate emergency	Moderate	Maintaining good levels of standards we tend towards exposure to modest levels of risk in order to achieve acceptable outcomes.
Homes for all	Open	We invest when there is a good likelihood of return and opportunities to grow, choosing innovative options in order to deliver a significant contribution.
Living well	Moderate	Often working with partners we will continue to encourage and deliver; usually taking moderate to low risk options.
Vibrant local economy	Moderate	Promoting and supporting opportunities we tend towards exposure to modest levels of risk in order to achieve satisfactory outcomes.
Your services, your voice	Cautious	It is important the council is getting its best from available resources whilst ensuring long term sustainability. We will seek best use of our resources, and generation of alternative funding in order to protect services.

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. In December 2021 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. The council could elect to have no capital programme at all or to plan for an alternative programme. Both these options have been rejected as the council would no longer be able to meet its objectives.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

The Capital Strategy and Programme are approved annually.

Other Background Documents:-

None

APPENDICES:

Appendix A – Capital Programme 2022-2032

Appendix B – Capital Programme Financing 2022-2032

Appendix C – Revenue Consequences of General Fund Capital Programme 2022 to 2032

Appendix D – Capital Receipts Reserve Forecast

Appendix E – Minimum Revenue Provision Statement 2022/23

Appendix F – Investment activities

Appendix G – Flexible Use of Capital Receipts Strategy

Capital programme 2022-32

		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	TOTAL
	Priority	Revised estimate	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	2022-2032 Forecast
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
General Fund													
Approved*													
Disabled Facility Grants	Homes for all	1,230	1,230	1,230	1,230	1,230	1,230	1,230	1,230	1,230	1,230	1,230	12,300
IMT Assets	Your services, your voice	330	343	325	185	117	265	140	90	190	85	85	1,825
SAPS - Car Park at the Dean, Alesford	Vibrant local economy	-	-	1,005	-	-	-	-	-	-	-	-	1,005
CIL funded community projects	Living well	202	992	-	-	-	-	-	-	-	-	-	992
North Walls Pavilion replacement	Living well	40	350	342	-	-	-	-	-	-	-	-	692
Friarsgate Medical Centre - demolition & interim open space	Vibrant local economy	50	450	-	-	-	-	-	-	-	-	-	450
Kings Walk improvements	Vibrant local economy	5	380	-	-	-	-	-	-	-	-	-	380
Car Parks	Vibrant local economy	22	325	-	-	-	-	-	-	-	-	-	325
River Park Leisure Centre site - decommissioning	Living well	105	300	-	-	-	-	-	-	-	-	-	300
Chesil Multi Storey car park	Vibrant local economy	-	299	-	-	-	-	-	-	-	-	-	299
Decked car park at former Vaultex site	Vibrant local economy	5,458	250	-	-	-	-	-	-	-	-	-	250
Open Spaces & Recreational Facilities - Abbey Gardens	Living well	-	230	-	-	-	-	-	-	-	-	-	230
City Offices decarbonisation	Climate Emergency	335	205	-	-	-	-	-	-	-	-	-	205
North Walls - new fencing & floodlights, tennis court resurfacing	Living well	99	150	-	-	-	-	-	-	-	-	-	150
Meadowside Leisure centre - new equipment	Living well	200	-	-	22	-	-	-	101	-	-	-	123
Open Spaces & Recreational Facilities - KGV play and skate park	Living well	120	120	-	-	-	-	-	-	-	-	-	120
The Weirs - essential repairs	Vibrant local economy	242	186	-	-	-	-	-	-	-	-	-	186
Theatre Royal grant	Living well	-	68	-	-	-	-	-	-	-	-	-	68
Hockpit Farm lay-by and footpath link	Living well	6	55	-	-	-	-	-	-	-	-	-	55
Blackbridge Rd steps to railway station	Living well	-	50	-	-	-	-	-	-	-	-	-	50
Goods Shed, Barfield Close	Vibrant local economy	35	60	-	-	-	-	-	-	-	-	-	60
Bishop's Waltham footpath & cycle link	Living well	-	50	-	-	-	-	-	-	-	-	-	50
Bishop's Waltham Depot	Vibrant local economy	1,573	-	-	-	-	-	-	-	-	-	-	0
Winchester Sport & Leisure Park	Living well	1,544	-	-	-	-	-	-	-	-	-	-	0
Durngate flood prevention works	Climate Emergency	244	-	-	-	-	-	-	-	-	-	-	0
Guildhall café	Vibrant local economy	93	-	-	-	-	-	-	-	-	-	-	0
Garden waste bins	Your services, your voice	56	-	-	-	-	-	-	-	-	-	-	0
Garrison Ground drainage improvements	Living well	60	-	-	-	-	-	-	-	-	-	-	0
Guildhall microphones	Your services, your voice	40	-	-	-	-	-	-	-	-	-	-	0
Former registry office refurbishment	Vibrant local economy	52	-	-	-	-	-	-	-	-	-	-	0
King George V Pavilion replacement	Living well	108	-	-	-	-	-	-	-	-	-	-	0
Solar PV Marwell Zoo	Climate Emergency	150	-	-	-	-	-	-	-	-	-	-	0
Solar PV Biffa Depot Barfield Close	Climate Emergency	68	-	-	-	-	-	-	-	-	-	-	0
EV charging points	Climate Emergency	18	-	-	-	-	-	-	-	-	-	-	0
Hampshire Community Bank - share purchase	Vibrant local economy	62	-	-	-	-	-	-	-	-	-	-	0
Coitbury House - conversion to temporary accommodation	Homes for all	10	-	-	-	-	-	-	-	-	-	-	0
Winchester Hospice grant	Living well	25	-	-	-	-	-	-	-	-	-	-	0
Broadway bus shelters	Your services, your voice	23	-	-	-	-	-	-	-	-	-	-	0
Guildhall Yard - EV charging points	Climate Emergency	15	-	-	-	-	-	-	-	-	-	-	0
Cipher House - EV charging point	Climate Emergency	13	-	-	-	-	-	-	-	-	-	-	0
WCFC all weather 3G pitch	Living well	11	-	-	-	-	-	-	-	-	-	-	0
Total Approved*		12,644	6,093	2,902	1,437	1,347	1,495	1,370	1,421	1,420	1,315	1,315	20,115

Capital programme 2022-32

		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	TOTAL
	Priority	Revised estimate	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	2022-2032 Forecast
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Subject to Appraisal*													
Goods Shed, Barfield Close	Vibrant local economy	-	-	3,500	1,405	-	-	-	-	-	-	-	4,905
Demolition of former leisure centre at River Park	Living well	-	-	-	2,000	-	-	-	-	-	-	-	2,000
Asset Management Plan	Your services, your voice	50	200	200	200	200	200	200	200	200	200	200	2,000
Car Parks	Vibrant local economy	-	-	355	180	180	180	180	180	180	180	180	1,795
King George V Pavilion replacement	Living well	-	2,190	-	-	-	-	-	-	-	-	-	2,190
City Offices - refurbishments inc. new lifts, lighting, and heating system	Your services, your voice	-	-	770	-	-	-	-	-	-	250	-	1,020
Housing Company	Homes for all	-	500	500	-	-	-	-	-	-	-	-	1,000
Energy Management Projects	Climate Emergency	-	250	250	250	250	-	-	-	-	-	-	1,000
Casson Block refurbishment	Vibrant local economy	-	-	700	-	-	-	-	-	-	-	-	700
59 Colebrook Street refurbishment	Vibrant local economy	-	550	-	-	-	-	-	-	-	-	-	550
Chesil Multi Storey car park	Vibrant local economy	-	-	400	120	-	-	-	-	-	-	-	520
159-159 High St refurbishment	Vibrant local economy	-	-	500	-	-	-	-	-	-	-	-	500
Public Realm - Station Approach CIL funded	Vibrant local economy	-	-	500	-	-	-	-	-	-	-	-	500
Open Spaces & Recreational Facilities - various sites	Living well	-	40	80	200	120	-	-	-	-	-	-	440
West Wing refurbishment	Your services, your voice	-	-	397	-	-	-	-	-	-	-	-	397
WCFC all weather 3G pitch	Living well	-	189	-	-	-	-	-	-	-	-	-	189
Open Spaces & Recreational Facilities - North Walls	Living well	-	150	-	-	-	-	-	-	-	-	-	150
City Offices - additional solar PV	Climate Emergency	-	-	100	-	-	-	-	-	-	-	-	100
Replacement printers	Your services, your voice	-	-	-	93	-	-	-	-	-	-	-	93
Meadowside Leisure Centre - 3G pitch drainage improvements	Living well	-	40	-	-	-	-	-	-	-	-	-	40
Subject to Appraisal*		50	4,109	8,252	4,448	750	380	380	380	380	630	380	20,089
Total General Fund		12,694	10,202	11,154	5,885	2,097	1,875	1,750	1,801	1,800	1,945	1,695	40,204

* 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	-	20,453	-	-	-	-	-	-	-	-	-	20,453
Total SAPS - unallocated		-	20,453	-	-	-	-	-	-	-	-	-	20,453

Housing Revenue Account													
New build	Homes for all	11,762	33,866	44,592	32,051	23,831	19,058	19,629	20,218	20,825	21,450	10,777	246,298
Major repairs	Homes for all	5,878	5,672	6,313	8,378	8,620	9,337	7,424	8,340	7,626	8,971	8,603	79,284
Improvements & conversions	Homes for all	200	300	315	539	555	572	589	606	625	-	-	4,099
Disabled adaptations	Homes for all	797	821	846	871	897	924	952	980	1,010	1,040	1,071	9,411
Fire Safety provision	Homes for all	1,077	680	-	-	-	-	-	-	-	-	-	680
Climate Change Emergency	Climate Emergency	500	1,512	1,557	1,604	1,652	1,702	1,753	1,805	1,860	1,915	-	15,361
Other capital spend	Homes for all	140	304	114	118	121	125	129	133	137	141	145	1,465
Total Housing Revenue Account		20,354	43,154	53,737	43,560	35,677	31,717	30,476	32,082	32,082	33,517	20,597	356,598

Grand Total		33,048	73,809	64,891	49,445	37,774	33,592	32,226	33,883	33,882	35,462	22,292	417,255
--------------------	--	---------------	---------------	---------------	---------------	---------------	---------------	---------------	---------------	---------------	---------------	---------------	----------------

Capital Programme Financing 2022 to 2032

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
General Fund												
<i>Externally Funded</i>												
Government Grants	6,711	1,480	1,230	1,230	1,230	1,230	1,230	1,230	1,230	1,230	1,230	12,550
External Contributions												0
Non governmental grants	1,323	500	205	0	0	0	0	0	0	0	0	705
Open Space Fund	148	310	0	0	0	0	0	0	0	0	0	310
Developer's Contributions	0	0	349	0	0	0	0	0	0	0	0	349
Total Externally Funded	8,182	2,290	1,784	1,230	1,230	1,230	1,230	1,230	1,230	1,230	1,230	13,914
<i>Earmarked Reserves</i>												
Car Parks Property	0	175	100	180	180	180	180	180	180	180	180	1,715
Community Infrastructure Levy (CIL)	469	1,986	750	0	0	0	0	0	0	0	0	2,736
Town CIL	99	358	137	0	0	0	0	0	0	0	0	495
Information, Management, and Technology	44	245	0	0	117	265	140	90	190	85	85	1,217
Landscape Mitigation	0	0	0	0	0	0	0	0	0	0	0	0
Major Investment Reserve	56	250	0	0	0	0	0	0	0	0	0	250
Property - Asset Management Reserve	0	245	1,567	320	200	200	200	200	200	450	200	3,782
Winchester Town	120	310	80	200	120	0	0	0	0	0	0	710
Total Earmarked Reserves	788	3,569	2,634	700	617	645	520	470	570	715	465	10,905
<i>Capital Receipts</i>												
General fund	768	2,262	780	2,185	0	0	0	0	0	0	0	5,227
Right to buy allowable	0	500	500	0	0	0	0	0	0	0	0	1,000
Total Capital Receipts	768	2,762	1,280	2,185	0	0	0	0	0	0	0	6,227
<i>Revenue Contribution to Capital</i>	28	0	0	0	0	0	0	0	0	0	0	0
<i>Capital Financing Requirement</i>	2,928	22,034	5,456	1,770	250	0	0	101	0	0	0	29,611
Total General Fund	12,694	30,655	11,154	5,885	2,097	1,875	1,750	1,801	1,800	1,945	1,695	60,657
Housing												
Capital Grants and Contributions	1,611	919	306	800	2,600	1,400	4,400	3,000	0	0	0	13,425
Community Infrastructure Levy (CIL)	0	755	0	0	0	0	0	0	0	0	0	755
Major Repairs Reserve	0	0	1,375	14,613	25,525	10,916	10,369	10,746	11,138	11,542	11,960	108,184
Capital Receipts	1,886	7,052	3,360	26,858	7,552	6,802	4,109	8,844	9,014	7,871	7,703	89,165
Revenue Contribution to Capital	0	0	0	0	0	0	0	0	0	0	0	0
<i>Capital Financing Requirement</i>	16,856	34,429	48,695	1,289	0	12,598	11,598	9,492	11,930	14,104	934	145,069
Total Housing Revenue Account	20,354	43,154	53,737	43,560	35,677	31,717	30,476	32,082	32,082	33,517	20,597	356,598
Total Financing of Capital Programme	33,048	73,809	64,891	49,445	37,774	33,592	32,226	33,883	33,882	35,462	22,292	417,255

This page is intentionally left blank

Revenue Consequences of General Fund Capital Programme 2022 to 2032

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	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Surplus/(Deficit) - approved*	39	(15)	(49)	(77)	(77)	30	81	115	123	127	131
Surplus/(Deficit) - subject to appraisal*	-	-	4	143	152	355	355	357	380	392	392
TOTAL SURPLUS/(DEFICIT)	39	(15)	(45)	66	75	385	436	472	503	519	523

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%)	-	(0)	0	(71)	(66)	(64)	(64)	(64)	(64)	(64)	(64)
Difference to TOTAL SURPLUS/(DEFICIT) (-1.0%)	-	(0)	0	69	61	60	60	60	60	60	60

This page is intentionally left blank

Capital Receipts Reserve Forecast

CAPITAL RECEIPTS RESERVE	2021/22 Forecast £000	2022/23 Forecast £000	2023/24 Forecast £000	2024/25 Forecast £000	2025/26 Forecast £000	2026/27 Forecast £000	2027/28 Forecast £000	2028/29 Forecast £000	2029/30 Forecast £000	2030/31 Forecast £000	2031/32 Forecast £000
Consolidated Opening Balance	(13,235)	(19,003)	(12,561)	(11,790)	(2,859)	(2,774)	(3,086)	(6,349)	(5,144)	(4,044)	(4,371)
GENERAL FUND											
Opening Balance	(3,944)	(3,681)	(1,747)	(1,299)	(1,449)	(1,787)	(2,129)	(2,474)	(2,823)	(3,175)	(3,531)
Forecast receipts	(505)	(1,258)	(332)	(2,335)	(338)	(342)	(345)	(349)	(352)	(356)	(359)
Forecast utilisation	768	3,192	780	2,185	0	0	0	0	0	0	0
Closing Balance	(3,681)	(1,747)	(1,299)	(1,449)	(1,787)	(2,129)	(2,474)	(2,823)	(3,175)	(3,531)	(3,890)
HOUSING REVENUE ACCOUNT											
Opening Balance	(9,291)	(15,322)	(10,814)	(10,491)	(1,410)	(987)	(957)	(3,875)	(2,321)	(869)	(840)
Forecast receipts	(7,918)	(2,543)	(3,038)	(17,776)	(7,129)	(6,772)	(7,028)	(7,290)	(7,562)	(7,842)	(8,130)
Forecast utilisation	1,886	7,052	3,360	26,858	7,552	6,802	4,109	8,844	9,014	7,871	7,703
Closing Balance	(15,322)	(10,814)	(10,491)	(1,410)	(987)	(957)	(3,875)	(2,321)	(869)	(840)	(1,267)
Consolidated Closing Balance	(19,003)	(12,561)	(11,790)	(2,859)	(2,774)	(3,086)	(6,349)	(5,144)	(4,044)	(4,371)	(5,157)

This page is intentionally left blank

Annual Minimum Revenue Provision Statement 2022/23

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 Department for Levelling Up, Housing and Communities' Guidance on Minimum Revenue Provision (the DLUHC Guidance) most recently issued in 2018.

The broad aim of the DLUHC 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 DLUHC 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 2022/23 will not be subject to an MRP charge until at least 2023/24 or the year following which an asset becomes operational.

Based on the Council's latest estimate of its Capital Financing Requirement on 31st March 2022, the budget for MRP has been set as follows:

	31.03.2022 Estimated CFR £m	2022/23 Estimated MRP £
Unsupported capital expenditure after 31.03.2008	70.6	1,186,000
Finance leases and Private Finance Initiative	0.0	Nil
Total General Fund	70.6	1,186,000
Assets in the Housing Revenue Account	195.0	Nil
Total Housing Revenue Account	195.0	Nil
Total	265.6	1,186,000

Investment Activities

The council invests for three broad purposes:

- because it has surplus cash as a result of the reserves it holds and its day to day activities such 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	31.3.2021 actual			2022/23
	Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Subsidiaries	0m	0m	0m	10m
Housing associations	0.09m	0.05m	0.04m	1m
Other entities*	-	-	-	1m
TOTAL	0.09m	0.05m	0.04m	12m

**loans to other entities will be considered on a case by case basis by the Treasury Investment Group (TIG). Further information on TIG is provided in CAB3333*

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 £35,000 of loans which have an allowance of the full amount; these loans are in respect of asset purchases for the provision of temporary accommodation to prevent homelessness and are only repayable in the event the asset is sold or its use changes.

Risk assessment: The 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 2022/23.

Commercial Investments: Property

Contribution: The council owns an investment property portfolio (assets held solely for rental income or capital appreciation) which was valued at £66.8m as at 31 March 2021 and generated gross income of £3.0m and net income after costs of £2.2m in 2020/21. This income helps contribute to the Council Strategy priorities.

In 2021/22 £1.6m of capital expenditure is budgeted for enhancements to existing properties (the former Bishop's Waltham depot).

Table 3: Property held for investment purposes in £ millions

1 April 2020	61.5
Acquisitions	0.0
Garage transfer from HRA	3.0
Enhancements	0.0
Gains/(losses) in fair value	2.3
Transfers (to)/from PPE (operational assets)*	0.0
31 March 2021	66.8
Budgeted	
Acquisitions	0.0
Enhancements	1.6
Gains/(losses) in fair value**	-
Transfers (to)/from PPE (operational assets)*	0.0
31 March 2022	68.4

*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 2021	Retail	Offices	Industrial	Residential / Garages	Other	Total
Value £000s	27,710	9,686	4,757	23,785	872	66,810

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 2021, the Council had £9.0m 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

	2020/21 Actual £000	2021/22 Forecast £000	2022/23 Budget £000	2023/24 Budget £000	2024/25 Budget £000
Gross service expenditure	32,905	36,312	34,155	32,318	32,875
Investment income*	2,829	3,022	3,050	2,992	2,992
Proportion	8.6%	8.3%	8.9%	9.3%	9.1%

**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 (CAB3333).

Table 6: Total investment exposure in £millions

Total investment exposure	31.03.2021 Actual	31.03.2022 Forecast	31.03.2023 Forecast
Treasury management investments	23.9m	15.0m	15.0m
Service investments: Loans	0.1m	0.1m	0.1m
Service investments: Shares	0.2m	0.2m	0.3m
Commercial investments: Property	66.8m	68.4m	69.0m
TOTAL EXPOSURE	91.0m	83.7m	84.4m

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

Table 7: Investments funded by external borrowing in £millions

Investments funded by external borrowing	31.03.2021 Actual	31.03.2022 Forecast	31.03.2023 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	0.0m	0.0m
TOTAL FUNDED BY EXTERNAL BORROWING	0.0m	0.0m	0.0m

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	2020/21 Actual	2021/22 Forecast	2022/23 Forecast
Treasury management investments	1.3%	0.5%	1.0%
Service investments: Loans	0.0%	0.0%	0.0%
Service investments: Shares	0.0%	0.0%	0.0%
Commercial investments: Property	3.5%	3.8%	3.7%
ALL INVESTMENTS*	2.7%	3.1%	3.2%

*weighted average return

Capital financing requirement (CFR) to total fixed assets value: Capital Financing requirement represents the total borrowing need of the Council. This indicator shows the CFR as a percentage of total fixed assets and forecasts assume the full delivery of the capital programme. The Council is able to internally borrow an element of its need and actual external borrowing stood at £166.7m at 31 March 2021. Further detail on borrowing is included in the Treasury Management Strategy (CAB3333)

Table 9: Capital Financing Requirement to total fixed assets value

Capital Financing Requirement to total fixed assets value	2020/21 Actual	2021/22 Forecast*	2022/23 Forecast*
General Fund - total fixed assets (£m)	177.5	190.0	219.7
Outstanding CFR (%)	38.4%	37.2%	41.2%
Housing Revenue Account - total fixed assets (£m)	484.2	496.7	537.3
Outstanding CFR (%)	36.8%	39.3%	42.7%

*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 DLUHC 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, and announced in 2021 that this would be extended by a further 3 years. 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” (a further direction is expected to add a further 3 years to 1 April 2024).

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 £425,000 in capital receipts which meet the criteria to be used under this direction of which £194,000 were applied in 2020/21 and £231,000 remains available.

4. Proposed use

2021/22 – the council does not plan to apply capital receipts to transformation projects.

2022/23 - the council has no plans to make redundancies, but it may use qualifying capital receipts, when appropriate, to help fund the revenue costs of any transformation projects identified though none specifically has been identified to date. In accordance with the direction, any such projects must deliver ongoing savings to the council

5. Prudential indicators

As the capital receipts available under the direction are 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.

CAB3333
CABINET

REPORT TITLE: TREASURY MANAGEMENT STRATEGY 2022/23

17 FEBRUARY 2022

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 WARDS

PURPOSE

This report sets out the proposed Treasury Management Strategy Statement, including the Annual Investment Strategy for the council for 2022/23.

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 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:

That Cabinet recommends to Council:

1. That the Treasury Management Strategy Statement which includes the Annual Treasury Investment Strategy for 2022/23 (and the remainder of 2021/22) 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 Operations, 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 £25m, would yield £0.25m 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 November 2021 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 15 February 2022. Due to the dispatch date any particular matters that the Committee wishes to raise with Cabinet will be reported at the meeting.

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

Risk	Mitigation	Opportunities
<i>Returns from investments are too low</i>	A diversified strategy that attempts to manage the balance between liquidity risk, credit risk and yield within the Council's risk appetite.	Returns above budgeted levels
<i>A counterparty fails</i>	A diversified strategy that has relatively low levels of counter-party risk	
<i>Cash is not available</i>	A balanced portfolio of liquid and long-term funds are held to ensure cash is available to utilise. The Council also mitigates this risk through cashflow forecasting	More accurate and immediate cashflow forecasting can help improve the return on investments through more active treasury management activity
<i>Access to Money Market Funds (MMFs) may be restricted when the UK exits the EU</i>	Invest in suitable alternatives	
<i>Insufficient capacity to deliver day to day treasury management</i>	Since 2014, Hampshire County Council's Investments and Borrowing Team has carried out the day to day management of the council's cash balances and investments	The economies of scale in HCC carrying out the day to day management gives the council access to a much wider range of skills, and resilience, at a far lower cost than managing in-house

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 that investment limits have been amended to reflect the higher investment balances expected to be held due primarily to slippage in the capital programme as a consequence of global transportation and supply issues (Tables 5, 6 and 9). This will enable the council to take advantage of higher yielding investments over longer periods.

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 ongoing impact on the UK from coronavirus, together with higher inflation, higher interest rates, and the country's trade position post-Brexit, will be major influences on the council's treasury management strategy for 2022/23.
- 13.3 The Bank of England (BoE) increased Bank Rate to 0.25% in December 2021 while maintaining its Quantitative Easing programme at £895bn. Within this announcement the Monetary Policy Committee (MPC) noted that the pace of the global recovery was broadly in line with its November Monetary Policy Report. Prior to the emergence of the Omicron coronavirus variant, the BoE also considered the UK economy to be evolving in line with expectations, however due to the increased uncertainty and risk to activity that the new variant presents, the Bank revised down its estimates for Quarter 4 of 2021 Gross Domestic Product (GDP) growth. The BoE projects that inflation will be higher than previously forecast, with the Consumer Price Index (CPI) likely to remain above 5% throughout the winter and peak at 6% in April 2022. The labour market was generally performing better than previously forecast and the BoE now expects the unemployment rate to fall to 4%, but notes that Omicron could potentially weaken the demand for labour.

Credit outlook

- 13.4 Since the start of 2021, relatively benign credit conditions have led to credit default swap (CDS) prices for the larger UK banks to remain low and had steadily edged down throughout the year up until mid-November when the emergence of Omicron has caused them to rise modestly. CDS prices are used as an indicator of credit risk, where higher premiums indicate higher perceived risks.
- 13.5 The generally improved economic outlook during 2021 helped UK banks' profitability and reduced the level of impairments many had made as provisions for bad loans. However, the relatively recent removal of coronavirus-related business support measures by the government means the full impact on bank balance sheets may not be known for some time.
- 13.6 The improved economic picture during 2021 led the credit rating agencies to reflect this in their assessment of the outlook for the UK sovereign as well as several financial institutions, revising them from negative to stable and even making a handful of rating upgrades.
- 13.7 Looking ahead, while there is still the chance of bank losses from bad loans as government and central bank support is removed, the institutions on the council's counterparty list are well-capitalised and general credit conditions across the sector are expected to remain benign. Duration limits for counterparties on the council's lending list are under regular review and will continue to reflect economic conditions and the credit outlook.

Interest rate forecast

- 13.8 The council's treasury management adviser Arlingclose is forecasting that Bank Rate will continue to rise in Quarter 1 of 2022 to subdue inflationary pressures and the perceived desire by the BoE to move away from emergency levels of interest rates.
- 13.9 Investors continue to price in multiple rises in Bank Rate over the next forecast horizon, and Arlingclose believes that although interest rates will rise again, the increases will not be to the extent predicted by financial markets.
- 13.10 Yields are expected to remain broadly at current levels over the medium-term, with the 5, 10 and 20 year gilt yields expected to average around 0.65%, 0.90%, and 1.15% respectively. However, as ever there will almost certainly be short-term volatility due to economic and political uncertainty and events.
- 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 2021, the council held £166.7m of borrowing and £50.8m 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 2022/23.

Table 1: Balance sheet summary and forecast

	31/03/21 Actual £m	31/03/22 Estimate £m	31/03/23 Forecast £m	31/03/24 Forecast £m	31/03/25 Forecast £m
General Fund CFR	68.1	70.6	90.5	94.7	95.2
HRA CFR	178.2	195.0	229.5	278.2	279.4
Total CFR	246.3	265.6	320.0	372.9	374.6
Less: External borrowing *	(166.7)	(166.7)	(166.7)	(166.7)	(166.7)
Internal borrowing	79.6	98.9	153.3	206.2	207.9
Less: Balance sheet resources:					
- GF Usable reserves	(53.6)	(34.7)	(27.4)	(24.4)	(24.3)
- HRA Usable reserves	(33.2)	(48.0)	(51.4)	(56.8)	(41.9)
- Allowance for working capital	(16.7)	(24.0)	(17.0)	(17.0)	(17.0)
	(103.5)	(106.7)	(95.8)	(98.2)	(83.2)
New borrowing or (investments)	(23.9)	(7.8)	57.5	108.0	124.7

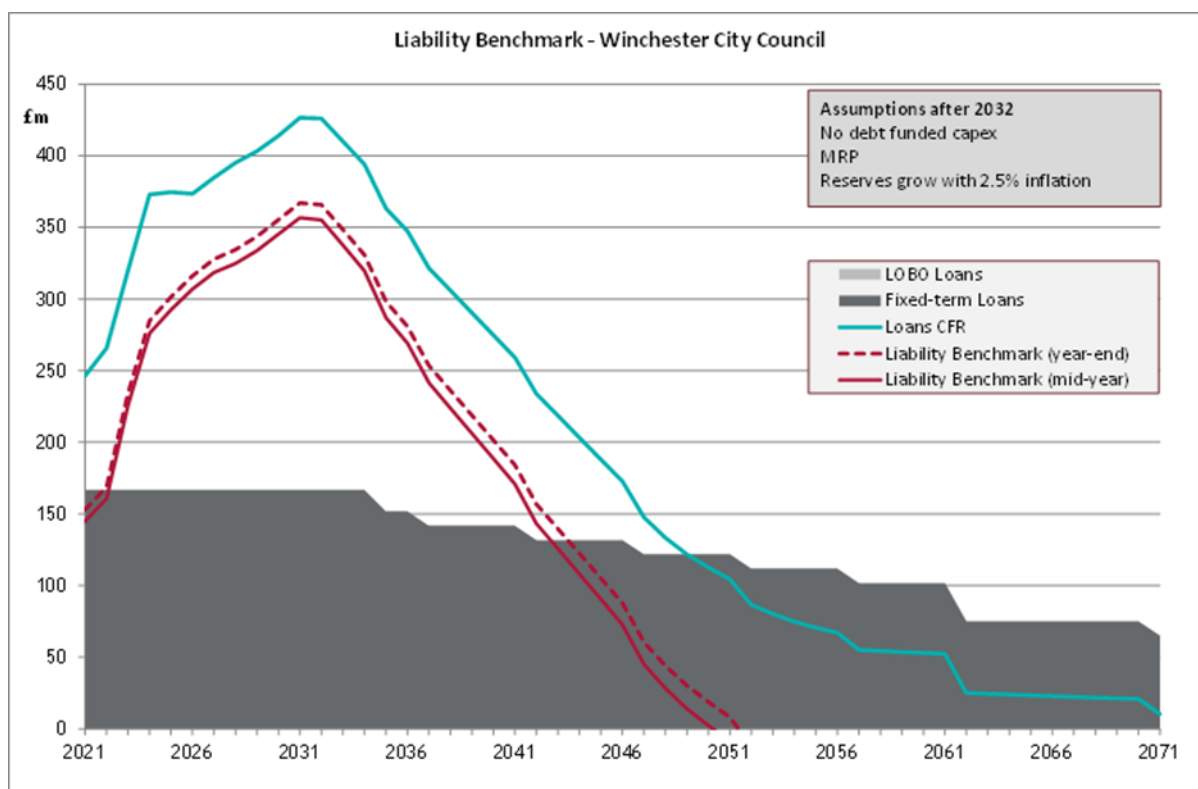
* shows existing external borrowing and assumes this will be refinanced on maturity

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, but that cash and investment balances are kept to a minimum level of £10m at each year-end to maintain sufficient liquidity but minimise credit risk.

Table 2: Liability benchmark

	31/03/21 Actual £m	31/03/22 Estimate £m	31/03/23 Forecast £m	31/03/24 Forecast £m	31/03/25 Forecast £m
Total CFR	246.3	265.6	320.0	372.9	374.6
Less: Balance sheet resources					
- Total usable reserves	(86.8)	(82.7)	(78.8)	(81.2)	(66.2)
- Working capital	(16.7)	(24.0)	(17.0)	(17.0)	(17.0)
Net loans requirement	142.8	158.9	224.2	274.7	291.4
Plus: Liquidity allowance	10.0	10.0	10.0	10.0	10.0
Liability benchmark	152.8	168.9	234.2	284.7	301.4



- 14.6 At the start of the period, 31st March 2021, the council had a Loans CFR of £246.3m, fixed term loans of £166.7m and a liability benchmark of £152.8m. The difference of £79.6m 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 £128.3m will occur from the position at the 31 March 2021 to 31 March 2025 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 £134.7m 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 £166.7m 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 £67.5m in 2022/23 in order to maintain a minimum balance of £10m, dependent on delivery of the capital programme. 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 £353.9m.

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 2022/23 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 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
- 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. Currently the cost of premiums charged by the PWLB for repaying loans prior to maturity outweighs the cost of repaying at maturity.

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 £26.1m and £64.6m.

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 increased the risk that the Bank of England would set its Bank Rate at or below zero, which would likely have fed through to negative interest rates on all low risk, short-term investment options, and in some instances negative interest rates were being seen. As the Bank of England has started to raise Bank Rates this eventuality is now not an immediate concern, however in the event of negative rates, 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 funds that are available for longer-term investment.

- 16.6 At 31 December 2021 approximately 42% of the council's investment balances were invested so that they were not subject to bail-in risk as they were invested in Government investments, pooled property funds, and secured bank bonds.
- 16.7 Of the 58% of investment balances that were subject to bail-in risk, 68% were held in cash plus funds and overnight money market funds which are subject to a reduced risk of bail in due to the high level of diversification within these investments, and 17% were held in overnight bank call accounts for liquidity purposes. In addition 13% of investment balances held subject to bail-in risk were held in very short term notice accounts providing a comparatively favourable rate of interest in exchange for a short notice period within the 100 day maximum recommended by Arlingclose and the remainder were held in short term certificates of deposit which are saleable.
- 16.8 Unfortunately, the availability of appropriate longer term investment opportunities has been reduced in comparison to previous years due to an uncertain economic market, very low interest rates and the local authority market has been much reduced due to the amount of funding that has been supplied to the sector from Central Government in relation to the pandemic.
- 16.9 The council made a payment of £2.525m on 1 April 2021 to prepay its employer's LGPS pension contributions for one year. By making this payment in advance the council was able to generate an estimated saving of £0.054m over the year on its pension contributions. Subject to any unforeseen cash flow requirements the council plans to prepay its employer's LGPS pension contributions for one year again on 1 April 2022 and expects to make a similar saving.
- 16.10 Further detail is provided at Appendix B and this diversification represents a continuation of the strategy adopted in 2015/16.

Business models

- 16.11 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.

Investment targeting higher returns

- 16.12 In order to minimise the risk of receiving unsuitably low investment income, the council has continued to invest a proportion of steady core balances in an externally managed pooled fund investing in pooled property. This allows

diversification into an asset class other than cash without the need to own and manage the underlying assets.

- 16.13 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.
- 16.14 The CIPFA Code requires the council to invest its funds prudently and to have regard to the security and liquidity of its investments before seeking the highest yield. As a result, the council's investment targeting higher yields has been made from its most stable balances and with the intention that it will be held for at least the medium term. This means that the initial costs of any investment and any periods of falling capital values can be overcome and mitigates the risk of having to sell an asset for liquidity purposes, helping to ensure the long-term security of the council's investment.
- 16.15 The council's investment in the pooled property fund fell considerably in value when the coronavirus pandemic hit world markets but has since recovered well. This recovery means these investments are now worth more in aggregate than the initial sums invested, as shown in Table 3, demonstrating the importance of taking a longer term approach and being able to ride out periods of market volatility, ensuring the council is not a forced seller at the bottom of the market.

Table 3: Higher yielding investments - market value performance

	Amount invested	Market value at 31/12/2021	Gain/(fall) in capital value	
			Since purchase	One year
	£m	£m	£m	£m
Pooled property fund	5.0	5.9	0.9	0.6
Total	5.0	5.9	0.9	0.6

- 16.16 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 will not be a forced seller and will not crystallise any capital losses.
- 16.17 The IFRS 9 accounting standard that was introduced in 2018/19 means that annual movements in the capital values of investments need to be reflected in the revenue account on an annual basis, although a five year statutory override was put in place for local authorities that exempts them from complying with this requirement.

- 16.18 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 0.10%. By investing in the pooled fund, the weighted average return at 31 December 2021 was 0.48%, meaning the allocation to higher yielding investments has added 0.38% to the average interest rate earned by the remainder of the portfolio.
- 16.19 This benefit to the revenue budget is demonstrated in Table 4, using cash balances and average returns at 31 December 2021. 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.

Table 4: Estimated annual income returns

	Cash balance at 31/12/2021	Weighted average return	Estimated annual income return
	£m	%	£m
Short-term and long-term cash investments	45.8	0.10	0.04
Investments targeting higher yields	5.0	3.97	0.20
Total	50.8	0.48	0.24

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

Investment limits

- 16.21 The maximum that will be lent to any one organisation (other than the UK Government) will be £7m, which is an increase in comparison to the previous TMSS due to the possibility of temporarily increased investment balances. Although over the longer term it is expected that the council's cash balances will reduce and new external borrowing will need to be taken, due to world transportation and supply issues the delivery of elements of the agreed capital programme has been delayed, which may result in raised investment balances for a short time. Increased limits allow the flexibility to ensure that all of the council's cash can be invested in accordance with this TMSS.

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

	Cash limit
Any single organisation, except the UK Central Government	£7m each
UK Central Government	Unlimited
Any group of pooled funds under the same management	£17.5m per manager

Approved counterparties

16.22 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

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	30 years	Unlimited	n/a
Local authorities & other government entities	25 years	£7.0m	Unlimited
Secured investments *	25 years	£7.0m	Unlimited
Banks (unsecured) *	13 months	£3.5m	Unlimited
Building societies (unsecured) *	13 months	£3.5m	£7.0m
Registered providers (unsecured) *	5 years	£3.5m	£17.5m
Money market funds *	n/a	£7.0m	Unlimited
Strategic pooled funds	n/a	£7.0m	£35.0m
Real estate investment trusts	n/a	£7.0m	£17.5m
Other investments *	5 years	£3.5m	£7.0m

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

* Minimum credit rating

16.23 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.

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

Government

- 16.25 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

- 16.26 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)

- 16.27 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)

- 16.28 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

- 16.29 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

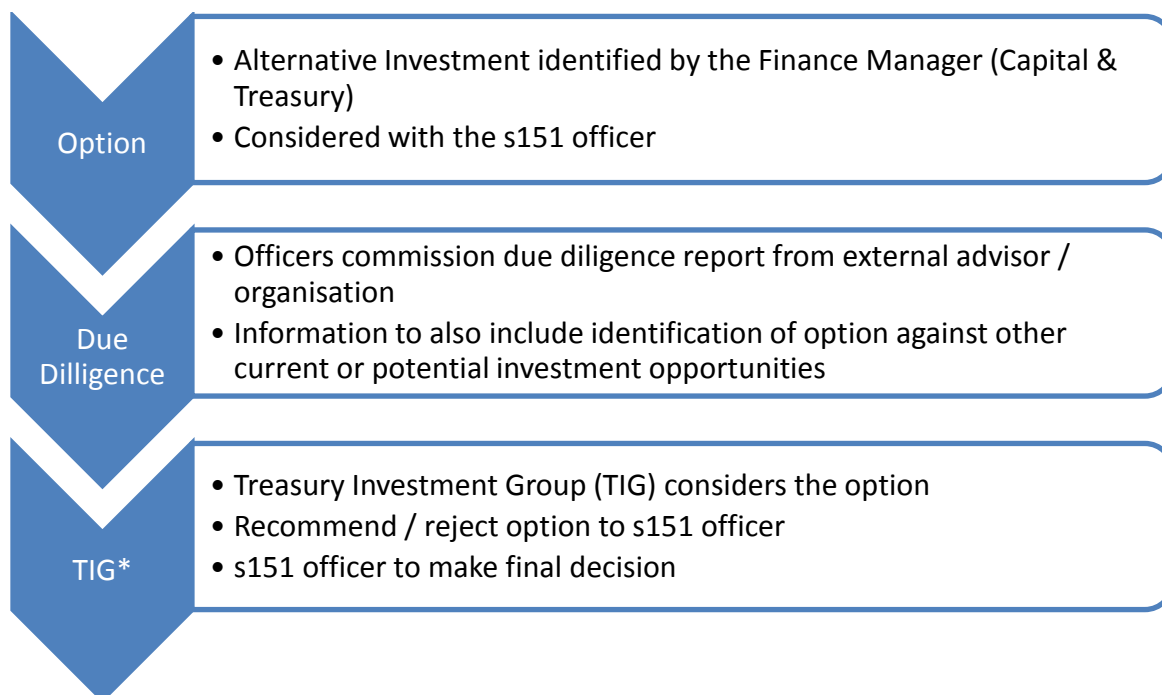
- 16.30 Shares or units in diversified investment vehicles consisting of bond, equity and property investments. These funds offer the potential for enhanced returns over the longer term but are more volatile in the short term and allow the council to diversify into asset classes other than cash without 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)

- 16.31 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

- 16.32 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.
- 16.33 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

16.34 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 council's operational bank account is with National Westminster and aims to keep the overnight balances held in current accounts as positive, with a maximum of £500,000. 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

- 16.35 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.
- 16.36 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

- 16.37 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 otherwise meet the above criteria.
- 16.38 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

- 16.39 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.

- 16.40 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

	31 December 2021	Impact of +/-1% interest rate change
	£m	£m
Sums subject to variable interest rates:		
- Investment	50.8	+/- £0.5m
- Borrowing	0.0	+/- £0.0m

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

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

- 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

	2022/23	2023/24	2024/25
Limit on principal invested beyond year end	£20m	£18m	£15m

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

	31/03/22 Revised £m	31/03/23 Estimate £m	31/03/24 Estimate £m	31/03/25 Estimate £m
Borrowing	(166.7)	(166.7)	(166.7)	(166.7)
New borrowing	(2.2)	(67.5)	(118.0)	(134.7)
Finance leases	-	-	-	-
Total Debt	(168.9)	(234.2)	(284.7)	(301.4)

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

	2021/22 Revised £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m
Borrowing	282.6	337.0	389.9	391.6
Total Debt	282.6	337.0	389.0	391.6

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

	2021/22 Limit £m	2022/23 Limit £m	2023/24 Limit £m	2024/25 Limit £m
Borrowing	299.5	353.9	406.8	408.5
Total Debt	299.5	353.9	406.8	408.5

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 15 November 2021, which gave an update of treasury matters. A further Arlingclose workshop is planned for 2022.

Investment advisers

- 19.10 Hampshire County Council has appointed Arlingclose Limited as treasury management advisers for all partner 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 £353.9m.

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 CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Section 151 Officer believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed in Table 13.

Table 13: Alternative strategies and their implications

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

[AUD119: Treasury Management Practices, 22 June 2015](#)

CAB3282: Treasury Management Strategy 2020-21, 9 February 2021

AG0057: Treasury Management Outturn 2020/21, 22 July 2021

AG065: Treasury Management Mid-Year Monitoring Report 2021/22, 16 December 2021

Other Background Documents:

None

APPENDICES:

Appendix A – Arlingclose Economic & Interest Rate Forecasts October 2021

Appendix B - Existing Investment & Debt Portfolio Position at 31 December 2021

Appendix A – Arlingclose Economic & Interest Rate Forecast December 2021

Underlying assumptions:

- The global recovery from the pandemic has entered a more challenging phase. The resurgence in demand has led to the expected rise in inflationary pressure, but disrupted factors of supply are amplifying the effects, increasing the likelihood of lower growth rates ahead. The advent of the Omicron variant of coronavirus is affecting activity and is also a reminder of the potential downside risks.
- Despite relatively buoyant activity survey data, official Gross Domestic Product (GDP) data indicates that growth was weakening into Quarter 4 of 2021. Other data, however, suggested continued momentum, particularly for November. Retail sales volumes rose 1.4%, and the labour market continued to strengthen. The end of furlough did not appear to have had a significant impact on unemployment. Wage growth is elevated.
- The Consumer Price Index (CPI) rate rose to 5.1% for November and will rise higher in the near term. While the transitory factors affecting inflation are expected to unwind over time, policymakers' concern is persistent medium term price pressure.
- These factors prompted the Monetary Policy Committee (MPC) to raise Bank Rate to 0.25% at the December 2021 meeting. Short term interest rate expectations remain elevated.
- The outlook, however, appears weaker. Household spending faces pressures from a combination of higher prices and tax rises. In the immediate term, the Omicron variant has already affected growth – activity for Quarter 4 of 2021 and Quarter 1 of 2022 could be weak at best.
- Longer-term government bond yields remain relatively low despite the more hawkish signals from the Bank of England (BoE) and the Federal Reserve. Investors are concerned that significant policy tightening in the near term will slow growth and prompt the need for looser policy later. Geo-political and coronavirus risks are also driving safe haven buying. The result is a much flatter yield curve, as short-term yields rise even as long-term yields fall.
- The rise in Bank Rate despite the Omicron variant signals that the MPC will act to bring inflation down whatever the environment. It has also made clear its intentions to tighten policy further. While the economic outlook will be challenging, the signals from policymakers suggest their preference is to tighten policy unless data indicates a more severe slowdown.

Forecast:

- The MPC will want to build on the strong message it delivered this month by tightening policy despite Omicron uncertainty.
- Arlingclose therefore expects Bank Rate to rise to 0.50% in Quarter 1 of 2022, but then remain there. Risks to the forecast are initially weighted to the

upside, but becoming more balanced over time. The Arlingclose central forecast remains below the market forward curve.

- Gilt yields will remain broadly flat from current levels. Yields have fallen sharply at the longer end of the yield curve, but expectations of a rise in Bank Rate have maintained short term gilt yields at higher levels.
- Easing expectations for Bank Rate over time could prompt the yield curve to steepen, as investors build in higher inflation expectations.
- The risks around the gilt yield forecasts vary. The risk for short and medium term yields is initially on the upside but shifts lower later. The risk for long-term yields is weighted to the upside.

	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Official Bank Rate													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	0.00	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
3-month money market rate													
Upside risk	0.05	0.05	0.25	0.35	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.25	0.55	0.55	0.60	0.60	0.60	0.60	0.65	0.65	0.65	0.65	0.65	0.65
Downside risk	0.00	-0.25	-0.25	-0.30	-0.30	-0.30	-0.30	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35
5yr gilt yield													
Upside risk	0.00	0.35	0.45	0.55	0.55	0.55	0.55	0.55	0.55	0.50	0.50	0.45	0.45
Arlingclose Central Case	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.65	0.70	0.75	0.75
Downside risk	-0.10	-0.20	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.30	-0.35	-0.40	-0.40
10yr gilt yield													
Upside risk	0.10	0.25	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55
Arlingclose Central Case	0.80	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.90	0.90	0.95	0.95
Downside risk	-0.10	-0.25	-0.30	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35	-0.40	-0.40	-0.40	-0.40
20yr gilt yield													
Upside risk	0.30	0.40	0.45	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	1.00	1.05	1.10	1.10	1.10	1.10	1.15	1.15	1.15	1.20	1.20	1.20	1.20
Downside risk	-0.15	-0.30	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45
50yr gilt yield													
Upside risk	0.25	0.30	0.40	0.45	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.70	0.75	0.80	0.85	0.90	0.95	1.00	1.05	1.05	1.10	1.10	1.15	1.15
Downside risk	-0.15	-0.30	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45

PWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00%

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 2021

Treasury investment position

Investments	30/09/2021 Balance	Net movement	31/12/2021 Balance	31/12/2021 Income return	31/12/2021 Weighted average maturity years
	£m	£m	£m	%	
Short term investments					
Banks and building societies:					
- Unsecured	7.1	2.4	9.5	0.07	0.08
- Secured	3.2	2.0	5.2	0.09	0.24
Money Market Funds	18.6	0.5	19.1	0.05	0.01
Government:					
- Local authorities	0.0	1.5	1.5	0.06	0.4
- UK Treasury bills	0.0	3.0	3.0	0.15	0.32
- Debt Management Office	4.4	0.1	4.5	0.09	0.38
Cash plus funds	1.0	-	1.0	0.55	0.02
	34.38	9.5	43.7	0.08	0.08
Long term investments					
Banks and building societies:					
- Secured	2.0	-	2.0	0.42	1.03
	2.0	-	2.0	0.42	1.03
Long term investments - higher yielding strategy					
Pooled property fund*	5.0	-	5.0	3.97	n/a
	5.0	-	5.0	3.97	n/a
TOTAL INVESTMENTS	41.3	9.5	50.8	0.48	0.17

* The rate provided for the pooled property fund investment is reflective annualised income returns over the year to 31 December 2021 based on the market value of investments 12 months earlier.

Treasury management position

	31/12/2021 Balance £m	31/12/2021 Rate %
External borrowing:		
- PWLB	(166.7)	(3.22)
Investments		
- Total investments	50.8	0.48
Net (Debt) / Investments	(116.0)	