Public Document Pack

Meeting	Cabinet
Date and Time	Thursday, 9th February, 2023 at 9.30 am.
Venue	Walton Suite, Winchester Guildhall

Note: This meeting is being held in person at the location specified above. Members of the public should note that a live video feed of the meeting will be available from the council's YouTube channel (youtube.com/WinchesterCC) during the meeting.

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 wishing to attend and address the meeting over those wishing to attend and observe.

AGENDA

PROCEDURAL ITEMS

1. **Apologies**
   To record the names of apologies given.

2. **Membership of Cabinet bodies etc.**
   To give consideration to the approval of alternative arrangements for appointments to bodies set up by Cabinet or external bodies, or the making or terminating of such appointments.

3. **Disclosure of Interests**
   To receive any disclosure of interests from Members and Officers in matters to be discussed.
   Note: Councillors are reminded of their obligations to declare disclosable pecuniary interests, personal and/or prejudicial interests in accordance with legislation and the Council's Code of Conduct.

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

BUSINESS ITEMS

5. **Public Participation**

– to note the names of members of the public wishing to speak on general matters affecting the District or on agenda items (in the case of the latter, representations will normally be received at the time of the agenda item, after the Cabinet Member's introduction and any questions from Cabinet Members).
NB members of the public are required to register with Democratic Services three clear working days before the meeting (contact: democracy@winchester.gov.uk or 01962 848 264).

6. **Minutes of the previous meeting held on 25 January 2023.** (Pages 5 - 10)

Members of the public and visiting councillors may speak at Cabinet, provided they have registered to speak three working days in advance. Please contact Democratic Services **by 5pm on Friday 3 February 2023** via democracy@winchester.gov.uk or (01962) 848 264 to register to speak and for further details.

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

8. Housing Revenue Account (HRA) Budget 2023/24 (Pages 11 - 42)

   Key Decision (CAB3387)

9. General Fund Budget 2023/24 (Pages 43 - 86)

   Key Decision (CAB3388)

10. Capital Investment Strategy 2023-2033 (Pages 87 - 132)

   Key Decision (CAB3389)

11. Treasury Management Strategy 2023/24 (Pages 133 - 162)

   Key Decision (CAB3390)

12. To note the future items for consideration by Cabinet as shown on the March 2023 Forward Plan. (Pages 163 - 170)

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.

1 February 2023

Agenda Contact: Nancy Graham, Senior Democratic Services Officer
Tel: 01962 848 235, Email: ngraham@winchester.gov.uk

**With the exception of exempt items, Agenda, reports and previous minutes are available on the Council's Website www.winchester.gov.uk*

CABINET – Membership 2022/23

Chairperson: Councillor Tod (Leader and Asset Management)
Councillor

Councillor	-	**Cabinet Member**
Ferguson	-	Deputy Leader and Cabinet Member for Community and Housing
Becker	-	Cabinet Member for Inclusion and Engagement
Gordon-Smith	-	Cabinet Member for Service Quality
Learney	-	Cabinet Member for Climate Emergency
Power	-	Cabinet Member for Finance and Value
Porter	-	Cabinet Member for Place and Local Plan
Thompson	-	Cabinet Member for Business and Culture

Quorum = 3 Members

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

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

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

Filming and Broadcast Notification
This meeting 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. Please note that the video recording is subtitled but you may have to enable your device to see them (advice on how to do this is on the meeting page).

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.

Terms Of Reference

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

CABINET

Wednesday, 25 January 2023

Attendance:

Councillors
Tod (Chairperson)

Ferguson
Becker
Gordon-Smith
Learney
Power
Porter
Thompson

Members in attendance who spoke at the meeting

Councillors Bolton, Godfrey, Horrill and Wallace

Other members in attendance:

Councillors Clear and Westwood

Full audio recording and video recording

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1. **APOLOGIES**

There were no apologies received.

2. **MEMBERSHIP OF CABINET BODIES ETC.**

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

3. **DISCLOSURE OF INTERESTS**

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

Councillor Tod declared a personal (but not prejudicial) interest in respect of various discussions regarding the facilities within the council’s public conveniences due to his role as an employee of a related charity.

4. **PUBLIC PARTICIPATION**

Ian Tait and Julian Perkins spoke during the public participation session as summarised briefly below.

Ian Tait

He raised concerns about the general poor condition of the public conveniences in Winchester town and highlighted that this matter had been drawn to his attention by a number of market traders and visitors over the Christmas period. He emphasised the importance of well-maintained facilities and suggested that some of the additional income generated by the success of the street markets be used for their improvements. He also queried when the drinking water fountain in St Maurices Covert would be switched back on?

Julian Perkins

As a user of a mobility scooter, he highlighted the lack of suitable public conveniences following the closure of the Middle Brook Street disabled access facility. He had recently visited the disabled access public conveniences at both St Maurices Covert and Abbey Gardens and had found them to be lacking in terms of cleanliness or availability of running water to wash hands. He urged the council to improve the provision of disabled public conveniences.

On behalf of the Council, Councillor Tod apologised to Mr Perkins for his experience and confirmed that various actions were being taken to address the situation as a priority. He thanked both speakers for raising the issues at the meeting.

5. MINUTES OF THE PREVIOUS MEETING

RESOLVED

That the minutes of the previous meeting held on 14 December 2022 be agreed as a correct record.

6. LEADER AND CABINET MEMBERS' ANNOUNCEMENTS

Councillor Becker wished the members of the community a happy Chinese New Year and also those celebrating Burns night.

Councillor Porter stated that the council would be making a formal response to the county council's mineral and waste Draft Regulation 18 Plan which would reflect the notice of motion proposed by Councillor Wallace at Council on 18 January 2023.

Councillor Thompson highlighted the deadline of 3 February 2023 for applying for a street closure order for King Charles III's coronation.

Following on from matters raised during public participation, Councillor Gordon-Smith highlighted the ongoing work to ensure improvements to the provision of public conveniences in Winchester town and across the district.

7. **ASSET MANAGEMENT PLAN 2022 - 2027**
(CAB3377)

Councillor Tod introduced the report emphasising the importance of the council's assets for a wide range of reasons, including a source of revenue, community value and heritage.

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

He welcomed the clear presentation of the strategy but he would have preferred if clearer metrics and specific targets for each objective were included. He highlighted that the council's annual contribution to the asset reserve had reduced since its introduction but the assets were still expected to contribute. He suggested that the costs associated with the council's regeneration projects should be considered separately. He requested details of the funding for delivering the various items in the strategy and also that the quarterly monitoring information provided include progress on delivering the solutions set out in section 6 of the strategy.

Councillor Tod responded to the comments made including explaining that the detail of spending on various capital projects would be included in the Capital Strategy which would be considered by The Scrutiny Committee, Cabinet and Council in February.

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

RESOLVED:

That the Asset Management Strategy 2022 to 2027 be approved.

8. **PRIDE IN PLACE - PARKING AND ACCESS IMPROVEMENT PROGRAMME**
(CAB3384)

Councillor Learney introduced the report highlighting the importance of ensuring ease of access to the city, towns and local centres across the district, whilst managing demand, reducing congestion and tackling emissions.

At the invitation of the Leader, Councillors Wallace and Bolton addressed Cabinet as summarised briefly below.

Councillor Wallace

He highlighted that traffic was the single largest source of greenhouse gas emissions in the district and the county council's draft local transport plan stated that a 10% reduction in car use between 2019 and 2030 was required. This would require a coordinated response across all aspects of transport. The programme's expenditure on car parking was 96% compared to 4% on cycling. He therefore queried how a greater focus on alternative transport solutions could be achieved?

Councillor Bolton

He drew attention to many parking places across the district which were situated at places offering walking and cycling access to nature, but were sometimes at risk of fly-tipping or other crimes. He acknowledged that these car parks might not be the responsibility of the council, but queried what improvements could be made to improve these areas for the wider community. He also requested an update on progress of delivery of the car park at The Dean, New Alresford.

Councillor Learney and the Head of Programme responded to the comments made.

One member requested that consideration be given to the size of car parking spaces to facilitate access for all users. The Service Lead – Environmental Services confirmed that the council did comply with national standards.

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

RESOLVED:

1. That, subject to Full Council approval of the Budget and Capital Investment Strategy in February 2023, expenditure of £580,000 for the car park major works programme 2023/24 be approved, as outlined in appendix A of CAB3384.

2. That a 2-year fixed term post for a Project Officer be approved to support delivery of this programme of work funded from the parking reserve fund.

3. That it be noted that the indicative programme for 2024/25 is yet to be fully defined subject to condition surveys and further evaluation work being completed.

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

9. WINCHESTER CITY COUNCIL CARBON OFFSETTING POLICY
(CAB3386)

Councillor Learney introduced the report and emphasised the importance of having a policy in place but that carbon offsetting would always be a last option for the council in meeting its net zero carbon emissions target.

At the invitation of the Leader, Councillors Wallace and Bolton addressed Cabinet as summarised below.

Councillor Wallace

He acknowledged that the council had made significant reductions in its carbon emissions and had plans in place to reduce further. However, he had concerns about the use of carbon offsetting because of uncertainties regarding the long-term effectiveness of the schemes used. In addition, he believed the promise of carbon offsetting schemes could delay or deter actual action in some circumstances. He requested that the council not agree to the use of carbon offsetting, but instead focus on more district-wide interventions.

Councillor Bolton

He welcomed the confirmation that carbon offsetting would only be used as a last resort. However, he expressed concern about any monies being spent on projects outside of the district and believed that instead the council should commit to a special fund for residential improvements to cut carbon emissions. He also questioned whether adequate account had been taken to the possibility of the cost of carbon offsetting credits per tonne rising significantly.

Councillor Learney and the Corporate Head of Economy and Community responded to the comments made, including confirming that the policy stipulated that carbon offsetting spending should be on schemes within the district.

The intention to include the Carbon Offsetting Policy within the Carbon Neutrality Action Plan was highlighted and a slight amendment to recommendation 2 of the report agreed to clarify this.

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

RESOLVED:

1 That the Winchester City Council Offsetting Policy be approved, with regard to a hierarchy approach of:

1.1 Carbon emission reduction
1.2 Carbon credits creation
1.3 Carbon removal
1.4 Buying carbon credits from accredited UK schemes.

2 That the inclusion of the Offsetting Policy into the Annual Carbon Neutrality Action Plan 2023 be approved.

10. UKRAINIAN RESETTLEMENT AND INTEGRATION PROGRAMME
(CAB3383)

Councillor Ferguson introduced the report and highlighting the measures taken by the council and the various hosts across the district in welcoming those from Ukraine.

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

She congratulated the officer team for the success of the programme to date. She queried whether more support to assist with learning English was to be offered. She requested that should the delegation set out in recommendation 2 of the report be approved, the action taken be reported back to members to ensure transparency. She also highlighted that careful consideration should be given to council communications regarding the funding.

Councillor Ferguson and the Corporate Head of Economy and Community responded to the comments made, including suggesting that a future update could be provided to Health and Environment Policy Committee, subject to agreement with the Cabinet Member

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

RESOLVED:

1. That the Homes for Ukraine Move-on Accommodation & Community Integration – proposed spending plan 2023 to 2025 be approved, as set out in Table 4 of report CAB3383.

2. That authority be delegated to the Service Lead Communities and Wellbeing and Service Lead for Strategic Housing in consultation with the Cabinet Member for Community and Housing to amend the 2023-2025 spending plan as needs and requirements of the Homes for Ukraine Scheme change.

11. **FUTURE ITEMS FOR CONSIDERATION**

RESOLVED:

That the list of future items as set out in the Forward Plan for February 2023 be noted.

The meeting commenced at 9.30 am and concluded at 11.05 am

Chairperson

CAB3387
CABINET

REPORT TITLE: HOUSING REVENUE ACCOUNT (HRA) BUDGET 2023/24

9 FEBRUARY 2023

REPORT OF CABINET MEMBER: CLLR PAULA FERGUSON – CABINET MEMBER FOR HOUSING AND DEPUTY LEADER

Contact Officer: Dick Johnson Tel No: 01962 848136 Email Djohnson@Winchester.gov.uk

WARD(S): ALL

PURPOSE

Winchester City Council is committed to providing secure, well designed, well maintained, greener homes for our tenants and continues to invest to make tenants' homes safer, warmer, more energy efficient and healthier. It is also committed to ensuring that it can continue to provide the quality tenant services that our tenants rightfully expect.

This report requests approval for the proposed HRA revenue budget for 2023/24, as detailed in Appendices 1 and 2.

The report also requests approval for the capital programme budget proposal for 2023/24 and the 10-year plan to 2032/33. These figures are detailed in Appendices 3 and 4, taking account of the funding shown in Appendix 5.

The report proposes a 7% increase in rent to ensure the HRA Budget remains sustainable and viable over the 30-year period given significant inflationary and other cost pressures, and to allow for an additional revenue investment of £0.400m in HRA services as detailed within the report, which include

- funding additional fire and building safety compliance measures - making homes safer;
- bringing forward the 'Retrofit Ready Programme' which tenants would like to see implemented quickly - making homes warmer, more energy efficient and reducing tenants' energy bills;
- allowing for additional investment in a preventative rather than reactive programme to address issues related to condensation, damp and mould – making tenants' homes healthier;

A draft HRA Business plan 2022/23 to 2051/52 was reported to Cabinet in November. The revised Business Plan in this report incorporates growth of £0.400m as detailed above, and an annual welfare support budget of £0.215m and is now in alignment with inflationary assumptions used in the General Fund budget. The updated Business Plan which incorporates all of these proposed changes is considered to be both viable and sustainable. A summary extract of the latest 30-year revenue operating account is included in Appendix 6.

RECOMMENDATIONS:

That Cabinet recommend that Council :-

1. Approve the 2023/24 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 2023/24 of £9.530m 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 budget in 2023-24 for new homes of £20.518m as detailed in Appendix 4 of the report subject to individual scheme approvals

5. Approve the proposed indicative funding for the HRA Capital Programme as detailed in Appendix 5.

6. Note the HRA Financial Plan operating account extract, including annual working balances, as detailed in Appendix 6.

7. Agree to support the proposal to fund £0.400m for the new initiatives detailed in section 13.1 of the report, which includes funding for additional staff resources to support the actions identified and the creation of a new disrepairs claims budget of £0.100m.

8. Agree to continue the provision of the Welfare Support budget of £0.215m and to refocus this on measures to support vulnerable tenants to maintain their tenancies during this period of unprecedented cost pressures.

9. Approve a rent increase of 7% from April 2023 for Social and Affordable housing within the HRA for existing tenants.

10. Approve a cap on the average overall increase for tenant service charges in 2023-24 of 7%.

11. In recognition of the Cost-of-Living crisis, approve a discretionary 7% cap on the annual rent increase for Shared Owners, in line with the increase in

social and affordable rents to existing tenants as opposed to 13.1% increase that would have been applied.

12. Approve in principle to the HRA funding approximately £3.5m from the unallocated New Homes budget in order to meet any grant requirements to acquire 17 properties in accordance with the Local Authority Housing Fund (LAHF) grant conditions, as detailed in Section 19.4.

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.

1.2. Tackling the Climate Emergency and Creating a Greener District

1.2.1. Carbon neutrality measures will be implemented across existing housing stock and included within the design and construction of new properties and included within the feasibility assessment when considering the purchase of any substitute properties. This includes the council's 10 year retrofit programme for existing properties.

1.3. Homes for all

1.3.1. Assist with the increase of affordable housing property stock across the Winchester district and meet the council's objective to provide a range of tenures to meet demand.

1.4. Vibrant Local Economy

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

1.5. Living Well

1.5.1. The wellbeing of residents is considered within the design of new properties and new homes are designed to be both energy efficient and to meet tenants' needs. Any substitute properties are assessed according to this criteria.

1.6. Your Services, Your Voice

1.6.1. Housing tenants are directly involved in decisions regarding service provision, both through the work of Tenants and Council Together (TACT), the council's tenant involvement group and through regular tenant and leaseholder digital surveys, capturing wider tenant views. The service continues to review options to provide an improved customer experience, increase opportunities for 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, 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. A full review of salary grades was undertaken in 2017 and a further focussed review indicates that some comparable posts at neighbouring councils attract more favourable terms. This directly impacts on recruitment and retention of staff and therefore service delivery. A more competitive market position could be achieved by uplifting all grades by one spinal column point and removing the lowest point in each grade. This will make starting salaries higher as well as providing headroom at the top of the grade for staff to progress further. These proposals have been included in the HRA budget in line with the General Fund budget. The direct cost of this change to the HRA is £0.044m in 2023-24, there will also be indirect impacts through the support service recharges from the General Fund that are driven by salary costs.

4.2. A proposed reorganisation and refocusing of the Housing Property Service will see the creation of 6.2 FTE posts to resource changes to fire and building safety regulations and to address the increased responsibilities of condensation, damp and mould. To ensure landlord compliance duties are met to keep tenants and leaseholders safe within their homes

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 demand. The proposals to strengthen and develop the property services area will support and enhance the council's capacity and capability in this area.

6. CONSULTATION AND COMMUNICATION

6.1. The council has consulted with TACT on the issue of a proposed rent increase cap on three separate occasions. A meeting was held on 26 October after the Government launched a consultation on three possible rent cap increases of 3%, 5%, and 7%. A second meeting was held on 15 December after the Government set the rent increase cap at 7% for 2023/24 in the autumn statement on 17 November 2022, which considered the possibility of a 6% or a 7% rent increase cap. At the TACT meeting on the 19 January the council outlined its proposal for a 7% rent increase and explained its rationale giving tenants an opportunity to ask questions and to understand the impact the rent increase would have on them and on the viability and sustainability of the HRA budget over the 30 years, including the budget growth options for 2023-24

6.2. At the meeting on the 15 December tenants were divided over their support for a 6% or 7% increase in rent. A number of tenants expressed concerns about tenants' ability to afford a 7% increase and especially for those not in receipt of housing benefit. Officers explained the Government review the level of benefits and tax credits each year and announced for the financial year 2023/24, that inflation-linked benefits and tax credits will rise by 10.1% from April 2023. It was also explained that State Pensions will increase by 10.1% from next April.

6.3. Reassurance was provided that tenants on low incomes and not in receipt of state benefits may be eligible for financial assistance through DWP grant programmes administered through the council and through dedicated landlord Welfare and Assist funds within the HRA. Tenants recognised the need for the HRA budget to be viable and sustainable whilst contending with inflationary pressures and sector costs.

7. ENVIRONMENT CONSIDERATION.

7.1. The Business Plan takes full account of and includes funding for the Council Homes Retrofit programme approved in 2020. It also sets out the current New

Homes programme and highlights the recent increase in build costs and the council's commitment to build to very high energy standards.

7.2. The retrofitting of the council's own housing stock to reduce both energy consumption and carbon is a key action in the Carbon Neutrality Action Plan and one to which the council has committed to investing £15.7m over 10 years

7.3. The budget also funds the provision of a dedicated Retrofit Co-ordinator and part funds an ecologist/biodiversity officer within the planning department. The retrofit co-ordinator is central to the two main council housing stock carbon reduction programmes - the fabric first void programme and the recently launched tenant "Retrofit Ready" programme to reduce carbon emissions and provide energy savings to tenants.

7.4. The council is committed to building to the highest energy efficiency standards and has recently approved a small 6 units scheme where units will be built to Passivhaus standard. Passivhaus is a low energy building standard which requires the fabric of the building to be extremely efficient and airtight. This reduces the heating requirement and carbon emissions and minimises over-heating as the climate heats up. Building to Passivhaus standards produces healthy homes which are affordable to run with lower energy bills and which are resilient to extreme climate events. This scheme will be evaluated to inform future schemes and energy efficiency build standards.

7.5. 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 ASSESSEMENT

8.1. This document is part of the budget consultation process, and the public sector equality duty is considered alongside any relevant budget options. The housing service holds data in respect of its tenants protected characteristics. Whilst there is no evidence to suggest the budget proposals and services within it would adversely affect those with protected characteristics, it is recognised that some tenant households will be impacted differently by the same budget objectives and associated services. Given the highly subjective nature and variety of services within the budget it would be difficult to determine an approach which is completely consistent and fair.

8.2. The 2023/24 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 cap on rent increases and the cap on service charge increases for all existing tenants.

9. DATA PROTECTION IMPACT ASSESSMENT

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

10. RISK MANAGEMENT

Risk	Mitigation	Opportunities
Property *That council owned dwellings fail to meet decent home standards*	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
Community Support *Lack of consultation will affect tenant satisfaction and cause objections to planning applications for new build developments.*	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.
Timescales *Delays to new build contracts may result in increased costs and lost revenue.*	New build contracts contain clauses to allow the council to recover damages if the project is delayed due to contractor actions.	
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*	Regular monitoring of budgets and business plans, together with the use of financial assessment tools enables the council to manage resources effectively.	The council monitors Government announcements on the use of RTB receipts and potential capital grant funding.

Risk	Mitigation	Opportunities
Deliverables *Risk that the council cannot deliver the programme of new build and meet the objective of 1000 homes in 10 years as a result of the lack of sites, the cost of development or the cost of financing this development*	The new homes is monitored on a regular basis and if appropriate could be delayed or re-profiled in light of the availability of these resources	Review the deliverable shape of the programme and its profiled delivery in light of available resources and risk appetite
Staffing resources (not always in Housing) reduce the ability to push forward new schemes at the required pace.	Staffing resources have been reviewed to support the delivery of the enhanced new build programme.	Given the challenging nature of the delivery targets it may be necessary to review the resourcing requirements needed to successfully deliver this programme
Financial / VFM *Risks, mitigation and opportunities are managed through regular project monitoring meetings*	New build Schemes are financially evaluated and have to pass financial hurdles and demonstrate VFM. 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. In addition, the HRA holds annual minimum levels of reserves based upon 5% of operating turnover and 10% new build costs.	
Interest rate volatility *The economic and fiscal environment for borrowing is both volatile and uncertain making external borrowing decisions difficult to take at present*	The HRA has cash reserves that allow it in the short term to effectively borrow from internal resources giving a period of time for interest rates to stabilise and reset and the fiscal environment to be more benign	The use of internal borrowing can help to reduce the short-term cost of borrowing as well as delay the need to seek external finance and delivers better overall returns to the HRA
Future Social Rent Policy *Uncertainty about long term rental income*	Rental income accounts for 94% of all the HRA annual income, and future	Sectorial lobbying of Government to seek future certainty will help to

Risk	Mitigation	Opportunities
streams as a result of the end of the current agreement on rent setting in April 2025.	potential Government intervention and constraint upon this has a significant impact on the size and deliverability of the plan	support better decision making
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.*	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.
Innovation *The creation of a Housing Company to support the new build programme is introduced without reference to existing rules and consents.*	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.	The Local Housing Company has the potential to increase the available supply of affordable housing options to support residents and to meet housing demand.
Reputation *Failure to complete major housing and retrofit projects due to lack of resources would have a direct impact on both customer satisfaction and the council's reputation.*	Business planning tools with regular updates are utilised to make sure resources are available to complete projects. In addition, the council has recruited a specialist officer to manage programme delivery.	
Other – environmental regulation such as that by Natural England on mitigating Phosphates	This delays the ability to bring forth schemes with planning permission and delays increase the cost and viability of schemes.	

11. BACKGROUND

11.1. The draft HRA Business Plan and budget options report 2023/24 was considered and noted by the Cabinet at its meeting on Tuesday 15 November, and reviewed by the council's Scrutiny Committee on Wednesday 23 November. TACT representatives were briefed and invited to comment at both committees.

11.2. The report identified the unprecedented difficulty of setting the HRA budget against a background of uncertainty around a number of factors including future interest rates, inflationary pressures and of the potential rent increase for 2023-24, following late Government intervention to cap rent increases.

11.3. The report commented on the Government consultation proposals for capping rent increases to ensure social housing rent increases next year were lower than the rate of inflation to help protect council tenants from the impact of the rising cost of living. Following the Government's rent setting announcement in November. Officers met with TACT representatives in order to provide an update and to discuss the impact on tenants and the effect on the viability of the HRA budget of setting a rent increase at the 7% cap. The impact and ramifications of setting a rent at a 6% increase were also discussed.

11.4. The Government proposals were made in light of the current cost of living crisis and were meant to strike a balance between the needs of existing tenants facing a potentially unaffordable 10.1% rent increase under the existing rent framework on the one hand, and the investment requirements of responsible social landlords to fund required future investment in their business plans on the other. The proposals were framed around a range of rent increase cap limits for 2023-24, of 3%, 5% and 7%.

11.5. In 2023-24 all new lettings into social rents will be at the formulae guideline rent which will increase by 10.1%, from an average of £106.99 per week to £117.80 per week, and all new lettings of affordable rent will be let at 70% of market rent.

12. HRA BUSINESS PLAN AND PROPOSED BUDGET for 2023-24

12.1. The council's HRA Business Plan is based on delivering growth through funding new sustainable and affordable housing and by maintaining existing council homes at the Decent Homes Standard, ensuring the housing stock is fit for purpose now and in the future. This includes council home retrofit works to provide warmer more energy efficient homes that will help to reduce heating costs which we know from recent tenant surveys is what tenants want and rightfully expect.

12.2. Being able to build well-designed, good quality, low-carbon, energy-efficient new homes relies on future borrowing and is susceptible to interest rate rises. Interest rates have recently been very volatile and are likely to increase to dampen down inflation this then creates more pressure upon the HRA Budget. Together with cost inflation pressures (which was 10.5% at December 2022) and construction inflation running much higher (now estimated at 42%), it is clear that the HRA Business Plan faces some significant challenges and future budget pressures.

12.3. In the Budget statement on 17 November 2022, the Government confirmed that the proposed rent cap on rent increases in 2023-24 would be set at 7% and suggested landlords should carefully explore and consider all viable rent increase options available to them. While the council recognises that many tenants are being significantly impacted by the current cost of living crisis, as a responsible landlord it also need to ensure that the HRA Business Plan is both viable and sustainable over the 30-year planning period.

12.4. The average weighted cost of inflation in 2023-24 on current inflation predictions is forecast to be 5.48% or to cost the HRA an additional £1.449m and it is important that there is enough financial headroom in the budget to cover inflationary costs should they prove to be higher and to allow for investment should predictions change. (A 6% rent increase would have generated around £1.457m and barely cover the inflationary cost increases anticipated.)

12.5. The draft HRA Business Plan was framed to continue to deliver existing core services, maintain decent homes, fund all borrowing and invest in neighbourhoods and in addition to deliver 1000 new homes over the next 10 years. It highlighted the very real challenges posed in relation to inflation, energy costs and interest rate volatility on future budgets and investment plans. Due to uncertainty in November this year the budget options were largely a continuation of the previous year's Business Plan and did not take account of any of the emerging and potential investment requirements some of which are new statutory duties. These include:

- Changes to building and fire safety regulations in response to the Grenfell fire that place increased safety and compliance duties on landlords to keep buildings well maintained and tenants and leaseholders safe within their homes.

- The cost of retrofitting the existing council housing stock. In March 2021, it was estimated that associated costs to retrofit the council's existing housing stock would be between £70m and £100m, and a budget of £15.7m over 10 years was allocated within the HRA for the retrofit programme with an assumption that the Government will provide external retrofit grant funding to enable the works.

- Changes to the minimum investment requirements of the Decent Homes standard.

13. PROPOSED GROWTH IN 2023-24

13.1. Since the draft Business Plan report was put forward officers have identified a number of new investment options that would enable Property Services to better meet emerging budget pressures partly driven by tenants expectations and investment requirement. These include:

a) Fund the additional resourcing requirement to effectively manage and monitor a growing demand for fire and building safety compliance checks to minimise risks to tenants

b) Resourcing the new “Retrofit Ready” programme which allows tenants to opt-in to the retrofit programme and offers a real opportunity to make homes warmer and more energy efficient by carrying out simple and non-intrusive measures which will help to lower tenants’ energy bills

c) Having a proactive programme and plan in place to deal with emerging condensation, damp and mould issues in many cases linked to the cost-of-living crisis and to invest in early intervention and monitoring measures to prevent issues escalating or going undetected.

d) The creation of a disrepairs budget of £100k to help better tackle and better resource the growing number of legal cases for compensation that the council is facing, which are being led by legal firms seeking to generate cases on a no win no fee basis.

e) To effectively resource the asset management area to improve the collection and use of key data in informing decision making with regard to investment priorities within the existing housing stock.

13.2. Monitoring of internal data suggests that the cost-of-living crisis is already leading to colder homes and poorer ventilation which exacerbate condensation issues and the mould that very often follows. Over recent months there has already been a significant increase in the reports of damp and condensation as residents worry about the impact it may be having on their health. In addition, there has also been a significant increase in disrepair claims over the last year - a number of which will also stem from ongoing damp and condensation issues. Reports of damp and condensation are currently dealt with on a reactive basis and so additional resource is needed to better manage individual cases, allowing for a more proactive and preventative approach to try and minimise problems before they arise.

13.3. The council recently launched a “Retrofit Ready” programme that allows council tenants to opt into the retrofit programme and offers a real opportunity to make homes warmer, more energy efficient in the short-term helping to reduce energy bills by carrying out simple and non-intrusive measures relevant quickly to a larger number of homes within the housing stock. (When 1400 tenants in properties with EPC rating of B and D and below were given the opportunity to opt into the Retrofit Ready programme, over 800 replied). Whilst the programme requires immediate additional resource to administer and manage the programme to meet tenant demand, it is anticipated that the actual remedial works emanating from this programme can be procured and managed within existing resources, although this will be kept under review.

13.4. Property Services typically spends approximately 10-15% of the revenue works budget on compliancy checks and controls. Whilst this proportion is not that large, these checks are generally low value, high volume works involving a very significant and disproportionate amount of administration and record keeping to satisfy statutory and best practice protocols. If these checks and controls are not carried out on a regular and systematic basis appliances risk becoming unsafe/dangerous and/or stop operating efficiently. The compliancy checks continue to increase for a number of reasons:

- Making homes safer controls
- The increasing number and prevalence of disability aids
- More complex and modern systems being fitted by new homes

13.5. Recent events have shown that a more appropriate Property Services structure is needed to better co-ordinate and manage the ever-expanding strands of compliancy risks and controls. Not only are these additional compliancy resources needed for the purposes of the existing and future predicted workload within Property Services but also for the broader needs of the Housing Landlord Service. The increasing Health and Safety duties will be better managed through the oversight and ownership of a dedicated compliance team within Property Services.

13.6. The last stock condition survey was carried out in 2012/13. Whilst the external elements have been re-assessed as part of the annual repair and paint cycle, the internal elements have not been proactively assessed for over 10 years. Additional resources are required in this area to carry out proactive stock condition surveys (internal and external) on a 5-year rolling basis (approx.1000 per annum). The internal surveys will include the Housing Health and Safety Rating System (HHSRS) assessments. A risk-based evaluation tool to help local authorities identify and protect against potential risks and hazards as identified within the home. Including the HHSRS process within the stock condition survey will help to identify and prevent condensation, damp and mould issues at an earlier stage.

13.7. The new Decent Homes standard is also likely to identify a requirement to collect new stock survey condition attributes to facilitate and evidence Government returns. The new resource will also be used to extract and populate the housing asset management database (Keystone) with new homes data and as a general resource to keep all stock condition information current and accurate.

13.8. These budget growth options will require an additional ongoing annual investment of £0.400m. In addition, the inclusion of the dedicated welfare support fund of £0.215m increases the overall growth to £0.615m.

14. RENT SETTING

14.1. Although the council's Housing Revenue Account remains in a healthy position with strong cash balances these are fully taken into account in setting a viable 30-year Business Plan. Service quality, customer satisfaction and avoiding negative impacts on the HRA budget is a priority for the council when setting rent increases, as is the need to plan for both current tenants and for future generations.

14.2. The Government has set a cap on any proposed rent increase for existing tenants at 7% for 2023/24 to replace what could have been a 10.1% rent increase under the normal rent setting formula and framework of Customer Price Index (CPI) plus 1%.

14.3. While the council recognises tenants' have concerns about next year's rent setting and are understandably worried about the likely impact of an increase as a responsible landlord, the council has to carefully look at both the challenges and the exceptional circumstances tenants are again facing and of the pressing need to continue to invest in our existing homes and build much-needed new affordable homes for future generations. The council needs to maintain and invest in our core landlord services including building and fire safety improvements alongside measures to retrofit tenant's homes to make them safer, warmer and healthier and to also reduce their carbon footprint.

14.4. When rent setting for next year, the council needs to ensure there is enough headroom within the HRA budget to ensure that that HRA budget is viable and sustainable whilst contending with inflationary pressures and substantial increases in sector costs. This is particularly important because in the financial tenants affected by the Covid 19 pandemic.

14.5. The decisions made now and in the immediate short term have sizeable ramifications in the longer term. The council needs to balance tenants' views and concerns in setting the rent increase for 2023/2024 against the need to maintain the existing housing stock and ensure it meets the decent home standard, continue to provide high quality housing services, retrofit existing council properties in line with tenants' desire to reduce both energy costs and carbon, and continue to build new homes for future generations.

14.6. Although it is difficult to get accurate data on the individual circumstances of tenants and their families, approximately 60% of HRA tenants are in receipt of housing related benefits either Housing Benefit or Universal credit, and in addition approximately 30% are over 65 and in receipt of state pensions or pension credits. Although obviously there may be some cross over between these data sets. The Secretary of State for Work and Pensions has reviewed the level of benefits for 2023-24 and all inflation linked benefits and tax credits will be increased by 10.1% from April 2023 in line with the September 2022 rate of consumer price inflation.

14.7. In addition, it is proposed that the Welfare Support Fund of approximately £0.215m in 2022-23 which was originally agreed as a one-off fund in the 2021-22 budget, is now built into the HRA base budget on an annual basis and that it is refocussed to support the most vulnerable tenants to sustain their tenancies.

14.8. A 7% rent increase would generate an additional £1.797m in total in 2023-24 (£0.340m more than a 6% rent increase which was also considered). It would also generate an additional £6.02m of income over the life of the Business Plan equivalent to an NPV of £3.8m. This will provide a degree of financial resilience for the HRA and help both to mitigate against the impact of future increases in underlying construction costs, inflationary pressures and interest rate rises, as well as assist in meeting budget growth options identified to meet the changes identified in section 13.1

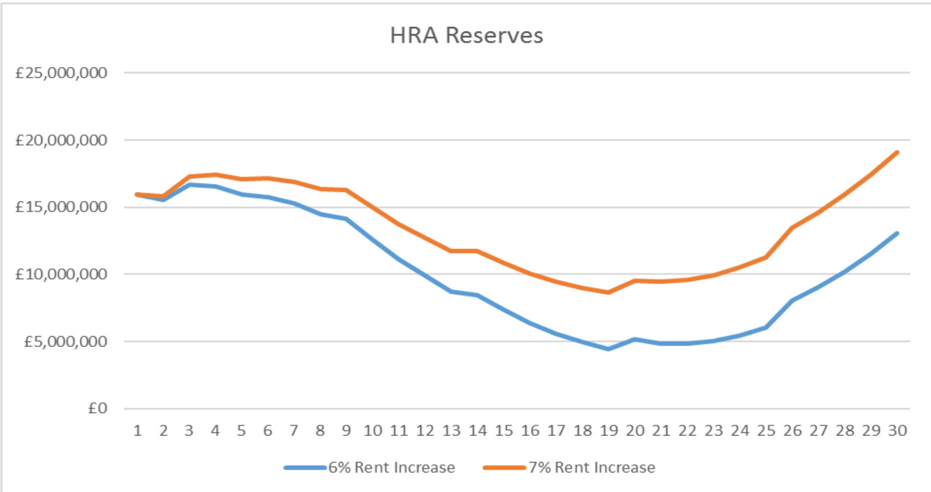

Chart 14.8 – Shows the difference between a 6% and 7% rent increase on projected future HRA reserves.

14.9. A 7% rent increase would mean the average weekly social rent will be £114.48 a week, an increase of £7.49 per week. The average weekly affordable rent will be £179.89 a week, an increase by £11.77 a week. These projected increases are illustrated in the tables over, which also show the impact of the 10.1% increase for comparison purposes had the Government not intervened to set a 7% rent increase cap for 2023-24.

Social Rents Bedroom Size	Bedroom 1	Bedroom 2	Bedroom 3	Bedroom 4	Bedroom 5	Bedroom 6	Bedroom Avge
Avge Wkly Rent 2022-23	£92.46	£107.21	£121.83	£130.83	£151.38	£148.79	£106.99
New Avge Rent 2023-24	£98.94	£114.72	£130.36	£139.99	£161.98	£159.21	£114.48
Increase Per Week at 7%	£6.48	£7.51	£8.53	£9.16	£10.60	£10.42	£7.49
Potential Rent Rise at 10.1%	£101.80	£118.04	£134.14	£144.05	£166.67	£163.82	£117.80
Potential Increase Per Week	£9.34	£10.83	£12.31	£13.21	£15.29	£15.03	£10.81

14.9a Table showing impact of 7% rent increase on existing social tenants

Affordable Rents Bedroom Size	Bedroom 1	Bedroom 2	Bedroom 3	Bedroom 4	Bedroom Avge
Avge Wkly Rent 2022-23	£146.21	£175.61	£197.95	£234.39	£168.12
New Avge Rent 2023-24 *	£156.44	£187.90	£211.80	£250.80	£179.89
Increase Per Week at 7%	£10.23	£12.29	£13.85	£16.41	£11.77
Potential Rent Rise at 10.1%	£160.97	£193.34	£217.94	£258.06	£185.10
Potential Increase Per Week	£14.77	£17.74	£19.99	£23.67	£16.98

* this is the gross affordable rent and includes the service charge

14.9b Table showing impact of 7% rent increase on existing affordable tenants

14.10. A 7% rent increase would mean an increase in rents at the level set by the Government taking into account the cost-of-living pressures tenants are under whilst recognising the financial pressure the HRA is also facing. The potential effects of a below inflation rent cap applied on the rent increase has constraints on what the council as a responsible landlord can afford to invest in the future. Lost rental income is lost for the life of the Business Plan and cannot be recouped at a later stage.

14.11. The relative affordability of council housing compared to market housing in Winchester is highlighted in chart 14.11, which shows comparative market prices for different sizes of market accommodation in the period Oct 21-Sept 22 compared to the social and affordable properties after the proposed 7% rent increase.

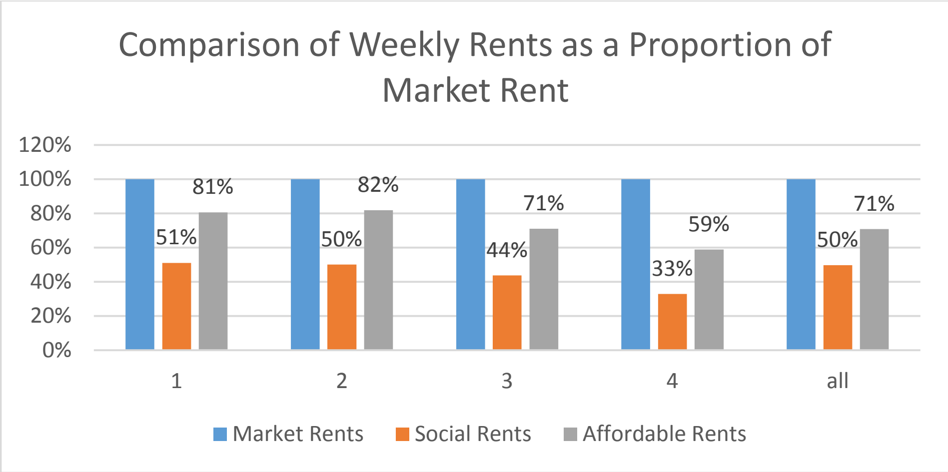

Chart 14.11: Comparison of WCC Weekly Rents as a Proportion of Market Rent* after the proposed 7% Rent Increase.

Source: Govt website stats for period Oct 21-Sept 22

https://www.ons.gov.uk/peoplepopulationandcommunity/housing/bulletins/privaterentalmarketsummarystatisticsinengland/april2021tomarch2022#local-authority-analysis

15. The Council has c.37 shared ownership dwellings in the HRA where the lease has an annual upward only rent review based upon RPI in September 2022 plus 0.5%. This would have meant that the rent increase for these residents would have been 13.1%. However, in recognition of the cost-of-living crisis and in line with requests from Government, the council is proposing to cap the rent increase in 2023/24 to 7% in line with the 7% rent increase for social and affordable tenants. This will cost the HRA c. £11,000 in lost income.

16. SERVICE CHARGES.

16.1. In addition to rental payments, social housing tenants may also pay service charges. Rents are generally taken to include all charges associated with the occupation of a property, such as maintenance and general housing management services. Service charges usually reflect additional services which may not be provided to every tenant, or which may be connected with communal facilities rather than being particular to the occupation of a dwelling. Affordable rents include any relevant service charge where applicable within the calculation of the rent, therefore the maximum increase for affordable tenants is a 7% increase in their rent.

16.2. 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. In setting service charges the council reviews the actual costs for the previous year against the current charges and projected charges for the forthcoming year and uses this to inform the level of charging required.

16.3. Service charges are not governed by the same factors as rent. However, the Government through the Regulator of Social Housing have stated that they expect that Registered Providers should endeavour to keep increases for service charges within the limit on rent changes, i.e. 7% in 2023-24, to help keep charges affordable.

16.4. In setting the estimated services charges for 2023-24 there are some material anticipated increases in costs, especially energy, estates and cleaning reflecting inflationary pressures and costs in 2023-24 that are expected to be significantly higher as a result. The council currently collects around £1.272m of income from service charges. If the council caps its overall service charge increase to tenants in 2023-24 to an average of 7% then it will cost the HRA £0.132m. This will result in an ongoing gap or shortfall between actual costs and charges. The council will need to consider how it addresses this in the future, in terms of moving back to full cost recovery over a transitional period.

17. Housing Revenue Account Budget 2023-24

17.1. 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:

17.2. Employees – The 2023-24 budget is £5.504m, an increase of £0.812m on the 2022-23 original budget. The employee budget includes the full year effect of the 2022-23 pay award, the changes to the grade structure and allowance for a 5.5% award in 2023-24, as well as growth of £0.300m.

17.3. Premises – The 2022-23 budget is £8.380m, an increase of £1.297m on the 2022-23 original budget. The main changes in funding are on repairs £0.730m, and on energy costs £0.387m.

17.4. Net Interest – The 2023-24 budget reflects the interest cost of anticipated HRA borrowing. It assumes gross interest costs of £6.857m, an increase of £0.167m on the 2022-23 original budget. The assumption is that any new borrowing will be financed from internal borrowing until external PWLB interest rates are more stable and affordable. This is in line with the HRA funding strategy outlined in the Business Plan report. Anticipated Interest rates on HRA balances have increased from 0.03% to 1.8%. With a forecast £60m of cash backed reserves, the HRA is forecast to receive £0.585m in interest, an increase of £0.565m on the 2022-23 budget.

17.5. Depreciation – Is an estimate based on the prior year. The budget for 2023-24 is £8.821m, an increase of £186k on the original budget for 2022-23. 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.

17.6. External Income – The 2023-24 budget is £32.535m, an increase of £1.905m on the original budget for 2022-23. This largely reflects the rent increase of 7% from April 2023, together with associated increases in service charges and other income.

18. HOUSING SERVICES CAPITAL PROGRAMME

18.1. 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.

18.2. 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 £89m towards the upkeep and maintenance of HRA dwellings based on the investment requirements of the asset management plan.

18.3. The HRA Asset Management Strategy 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.

18.4. 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”.

18.5. 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 housing services capital programme includes funding towards climate change of £15.7m, including provision for inflation.

18.6. The latest financial projection also includes an annual provision of an average £0.423m for Estate Improvements for the next 7 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.

18.7. The ongoing investment requirements of the HRA sewage treatment works is unfortunately still 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 £1.4m within the next 10 years.

19. NEW BUILD CAPITAL PROGRAMME

19.1. 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 council’s target to deliver 1000 new council homes over the next 10 years. The 10-year forward financial projection has identified a capital expenditure requirement of £314m. The projection includes known schemes £44m and an unallocated provision to cover additional schemes £269m 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.

19.2. 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. There is no specific unallocated budget for 2023-24, but if required funding can be brought forward from future years.

19.3. A key issue affecting the new homes programme is Natural England’s (NE) requirement that new housing developments are both nitrate (as of June 2019) and phosphate (as of March 2022) neutral. While the council can acquire nitrate credits, the lack of an approved scheme for phosphate credits means that a number of new developments within the new homes programme have been unable to progress.

19.4. The council is therefore currently investigating the possibility that it could offset the nutrient neutrality required by NE by improving its own Sewage Treatment Works (STW) and a budget of £0.2m has been included in the New Homes Capital Programme to fund any improvements works that may be required. This investigatory work is being undertaken in collaboration with NE, Environment Agency, and the Partnership for South Hampshire (PfSH) and is seeking to establish the quantity of nutrient credits that could potentially be generated through such improvement works. These offset credits would firstly be used for the Council’s new build programme to allow new developments to progress, with any surplus credits potentially being sold to private developers should the number of credits produced exceed the council’s own demands. It is anticipated the results of these pilot investigations will be available in March 2023.

19.5. The council has also responded positively to the Government’s recent provisional notification that it will be awarded a capital grant of up to £2.729m towards the costs of acquiring an additional 17 new homes within the Winchester district to house 16 Ukrainian households that have arrived under the Homes for Ukraine Scheme and 1 larger Afghan family. These 17 additional new homes would be held within the HRA, and once they were no longer needed by the refugee families they would be available for general use within the housing register.

19.6. In order to benefit from this Government funding announced in December 2022, the council is required to provide additional funding of approximately £3.5m from the HRA new homes unallocated capital budget. The Government's award is provisional at this stage and subject to a non-contractual memorandum of understanding that must be submitted to and approved by Department for Levelling Up, Communities and Housing (DLUCH). The acquisition of 17 additional new homes will add to the council's commitment to build 1000 additional new homes over the next 10 years and should the award go ahead, would mean the council would add 1017 additional homes over that period.

https://delta.communities.gov.uk/document-repository/public/download?uri=/document-repository/Local-Authority-Housing-Fund-Prospectus-Final.pdf.

20. HRA CAPITAL PROGRAMME FUNDING

20.1. Appendix 5 gives full details of how it is proposed to fund the Housing Services & New Build Budgets from 2022-23 to 2032/33. This shows a prudential net borrowing requirement of £198m (or 43% of total programme funding), the planned reinvestment of RTB receipts £64m (12%), and the application of Major Repairs Allowance (recycled depreciation funding of 28%), the investment of shared ownership receipts and other asset sales £58m (13%) and the application of S106 funding £17m.

21. OTHER OPTIONS CONSIDERED AND REJECTED

21.1. A 6% rent increase was considered but was rejected because this would not have provided enough financial headroom to meet the inflationary related cost increases (an additional £1.449m) and the budget growth options detailed in section 13.1. It would also have resulted in a loss of £6.02m to the HRA over the business planning period, or £3.8m NPV at today's price base. It is considered that the financial resilience of the HRA will be undermined by setting another below guideline increase whilst there remain a key number of future uncertainties and volatility around future interest rate levels, construction and energy inflation, rent setting framework and potential increased investment requirements.

22. **BACKGROUND DOCUMENTS**

Previous Committee Reports:-

CAB3365 HRA Business Plan and Budget Options – November 2022

CAB 3334 HRA Budget – February 2022

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

23. **OTHER BACKGROUND DOCUMENTS:-**

https://www.gov.uk/government/publications/benefit-and-pension-rates-2023-to-2024/benefit-and-pension-rates-2023-to-2024

https://www.gov.uk/government/publications/direction-on-the-rent-standard-from-1-april-2020/policy-statement-on-rents-for-social-housing

25. **APPENDICES:-**

Appendix 1: HRA 2023-24 Budget – Service Summary

Appendix 2: HRA 2023-24 Budget – Subjective Summary

Appendix 3: Housing Services Capital Programme 2023-24 to 2032/33

Appendix 4: New Build Housing Capital Programme 2023-24 to 2032/33

Appendix 5: HRA Capital Programme Funding 2023-24 to 2032/33

Appendix 6: HRA Financial Plan 2022-23 to 2051/52 Extract – Operating Account

APPENDIX 1: HRA 2023-24 BUDGET – SERVICE SUMMARY

Housing Revenue Account	**22/23**		**22/23**	**23/24**
	Original Budget per CAB3334	**B/Fwd from 21/22/Adj Per CAB3354**	**Revised Budget**	**Original Budget**
Service Summary	**£**	**£**	**£**	**£**
Housing Management General				
Estate Management	(1,271,860)	(35,633)	(1,307,493)	(1,477,707)
HRA General	(3,010,302)	101,084	(2,909,218)	(3,192,869)
New Build Programme Support	(917,989)	25,000	(892,989)	(935,403)
Downsizing	(65,000)	0	(65,000)	(65,000)
Rent Accounting	(71,040)	0	(71,040)	(77,037)
Tenants Information	(83,555)	0	(83,555)	(88,322)
Tenancy Sustainment	(431,172)	4,011	(427,161)	(449,586)
Vacant Dwellings	(31,400)	0	(31,400)	(39,800)
	(5,882,318)	94,462	(5,787,856)	(6,325,724)
Housing Management Special				
Communal Services	103,350	0	103,350	(27,540)
Disabled Adaptations	(136,621)	0	(136,621)	(152,204)
Estate Maintenance	(489,200)	0	(489,200)	(552,200)
Homelessness	(40,134)	(48,463)	(88,597)	(346,863)
Home Ownership	0	25,827	25,827	192,012
Sewage Works	(331,723)	0	(331,723)	(404,800)
Sheltered Housing	(881,156)	35,633	(845,523)	(1,116,717)
	(1,775,484)	12,997	(1,762,487)	(2,408,312)
Repairs				
Responsive Maintenance	(2,872,972)	0	(2,872,972)	(3,236,600)
Voids	(1,490,000)	0	(1,490,000)	(1,681,000)
Cyclic	(957,000)	0	(957,000)	(1,079,500)
Sub - total Repairs Works	(5,319,972)	0	(5,319,972)	(5,997,100)
Repairs Administration	(1,400,538)	7,231	(1,393,307)	(1,904,050)
	(6,720,510)	7,231	(6,713,279)	(7,901,150)
Debt Management Expenses	(7,242)	0	(7,242)	(8,700)
Interest Payable	(6,689,200)	0	(6,689,200)	(6,856,500)
Depreciation of Fixed Assets	(8,634,700)	0	(8,634,700)	(8,820,700)
	(15,331,142)	0	(15,331,142)	(15,685,900)
Rents and Other Income				
Dwelling Rents	28,225,543	(127,390)	28,098,153	29,950,900
Garage Rents	63,000	0	63,000	63,000
Investment Properties Income	0	176,279	176,279	176,279
Rents and Other Income	249,291	(201,579)	47,712	47,712
Sheltered Charges	555,020	0	555,020	583,115
Interest Receivable	20,000	0	20,000	585,480
	29,112,854	(152,690)	28,960,164	31,406,486

APPENDIX 1: HRA 2023-24 BUDGET – SERVICE SUMMARY

Housing Revenue Account	**22/23**		**22/23**	**23/24**
	Original Budget per CAB3334	**B/Fwd from 21/22/Adj Per CAB3354**	**Revised Budget**	**Original Budget**
Service Summary	**£**	**£**	**£**	**£**
Deficit for year on HRA Services	**(596,600)**	**(38,000)**	**(634,600)**	**(914,600)**
Right to Buy Admin Fees	28,600	0	28,600	28,600
Net (decrease)/increase in HRA Balance before transfers to or from reserves	**(568,000)**	**(38,000)**	**(606,000)**	**(886,000)**
Transfer re Building Reserve	0	0	0	0
(Increase)/ decrease in HRA Balance	**(568,000)**	**(38,000)**	**(606,000)**	**(886,000)**
HRA Working Balance	-			
Opening Balance	16,427,378		16,658,162	16,052,162
Add Projected (Deficit)/Surplus	(568,000)		(606,000)	(886,000)
Projected Balance at Year End	**15,859,378**		**16,052,162**	**15,166,162**

APPENDIX 2: HRA 2023-24 BUDGET – SUBJECTIVE SUMMARY

Housing Revenue Account	**22/23**		**22/23**	**23/24**
-	**Original Budget per CAB3334**	**B/Fwd from 21/22/Adj Per CAB3354**	**Revised Budget**	**Original Budget**
Subjective Summary	**£**	**£**	**£**	**£**
Employees	(4,692,817)	(50,689)	(4,743,506)	(5,504,381)
Premises	(7,082,349)	0	(7,082,349)	(8,379,549)
Transport	(204,263)	0	(204,263)	(193,006)
Supplies & services	(1,346,272)	12,689	(1,333,583)	(1,395,657)
Third party payments	(171,000)	0	(171,000)	(171,000)
Support Services	(2,426,440)	0	(2,426,440)	(2,717,300)
Net Interest	(6,669,200)	0	(6,669,200)	(6,271,020)
Depreciation on Fixed Assets	(8,634,700)	0	(8,634,700)	(8,820,700)
External income	30,630,441	0	30,630,441	32,535,113
Surplus for year on HRA Services	**(596,600)**	**(38,000)**	**(634,600)**	**(917,500)**
Right to Buy Admin Fees	28,600	0	28,600	28,600
Net (increase)/decrease in HRA Balance before transfers to or from reserves	**(568,000)**	**(38,000)**	**(606,000)**	**(888,900)**
Transfer re Building Reserve	0	0	0	0
(Increase)/ decrease in HRA Balance	**(568,000)**	**(38,000)**	**(606,000)**	**(888,900)**

HRA Working Balance				
Opening Balance	16,427,378		16,658,162	16,052,162
Add Projected Deficit/(Surplus)	(568,000)		(606,000)	(888,900)
Projected Balance at Year End	**15,859,378**		**16,052,162**	**15,163,262**

Housing Services Capital Programme 2022/23 to 2032/33

Appendix 3

Housing Services Programme	2022/23 Original Budget	2022/23 Sept Revised	2022/23 Latest Forecast	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.	2032/33 Budget.	Total Budget.
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Scheme Name/Description														
Major Repairs	(5,672)	(5,672)	(5,672)	(5,892)	(8,498)	(9,029)	(9,701)	(9,256)	(8,799)	(8,134)	(9,658)	(8,912)	(11,549)	(95,101)
Major Repairs	**(5,672)**	**(5,672)**	**(5,672)**	**(5,892)**	**(8,498)**	**(9,029)**	**(9,701)**	**(9,256)**	**(8,799)**	**(8,134)**	**(9,658)**	**(8,912)**	**(11,549)**	**(95,101)**
														0
														0
Estate Improvements	(226)	(300)	(215)	(434)	(447)	(460)	(474)	(488)	(503)	(154)	0	0	0	(3,174)
Sheltered Housing	(74)	(253)	(279)	(74)	(76)	(79)	(81)	(83)	(86)	(34)	0	0	0	(793)
Improvements & Upgrades	**(300)**	**(553)**	**(494)**	**(508)**	**(523)**	**(539)**	**(555)**	**(572)**	**(589)**	**(189)**	**0**	**0**	**0**	**(3,968)**
														0
Disabled Adaptations	(821)	(821)	(821)	(793)	(817)	(841)	(867)	(893)	(919)	(947)	(975)	(1,005)	(1,035)	(9,913)
Fire Safety Provision	(680)	(600)	(600)	(507)	0	0	0	0	0	0	0	0	0	(1,107)
Climate Change Emergency	(1,512)	(600)	(600)	(1,512)	(1,557)	(1,604)	(1,652)	(1,702)	(1,753)	(1,805)	(1,860)	(1,658)	0	(15,703)
Sewage Treatment Works	(304)	(304)	(100)	(318)	(109)	(113)	(116)	(119)	(123)	(127)	(130)	(134)	(138)	(1,528)
Other Capital Spending	**(3,317)**	**(2,325)**	**(2,121)**	**(3,130)**	**(2,484)**	**(2,558)**	**(2,635)**	**(2,714)**	**(2,795)**	**(2,879)**	**(2,966)**	**(2,797)**	**(1,173)**	**(28,251)**
Total HS Capital Programme	**(9,289)**	**(8,550)**	**(8,287)**	**(9,530)**	**(11,504)**	**(12,126)**	**(12,891)**	**(12,542)**	**(12,183)**	**(11,202)**	**(12,623)**	**(11,709)**	**(12,722)**	**(127,320)**

Housing New Build Capital Programme 2022/23 to 2032/33

Appendix 4

New Build Programme & Other Capital	2022/23 Original Budget	2022/23 Sept Revised	2022/23 Latest Forecast	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.	2032/33 Budget.	Total Budget.
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Scheme Name/Description														
Unallocated	(5,500)	(3,000)			(28,404)	(29,256)	(30,134)	(31,038)	(31,969)	(32,928)	(35,720)	(34,933)	(15,311)	(269,693)
Winnall	(8,755)	(10,660)	(11,392)	(4,727)										(16,119)
Barton Farm	(473)	(100)	(100)		(4,562)	(9,324)	(4,662)							(18,649)
North Whitely	(13,818)	(13,805)	(3,945)	(14,123)										(18,068)
Southbrook Cottages	(1,066)	(1,272)	(657)	(1,161)										(1,818)
Dyson Drive	(1,586)	(50)	(50)	(201)	(2,697)									(2,948)
Woodman Close	(824)	(50)	(50)	(56)	(1,084)									(1,190)
Corner House	(327)	(50)	(50)	(50)	(1,037)									(1,138)
Witherbed Lane			(10)											(10)
Nutrient Mitigation				(200)										(200)
the Valley			(81)											(81)
Wickham CLT			(255)											(255)
Total	(32,349)	(28,989)	(16,590)	(20,518)	(37,785)	(38,580)	(34,796)	(31,038)	(31,969)	(32,928)	(35,720)	(34,933)	(15,311)	(330,169)

HRA Capital Programme Funding 2022-23 to 2032-33

Appendix 5

	2022/23	2022/23	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	Total
HRA Capital Programme Funding	Original Budget	Sept Revised Budget	Latest Forecast	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Borrowing	25,728	24,760	16,257	0	1,559	28,351	26,130	20,292	24,494	23,809	27,244	24,760	5,340	198,237
RTB 141 Receipts	4,890	2,031	2,064	4,031	8,395	2,950	3,084	3,225	3,368	3,517	3,671	3,830	3,994	42,128
Other RTB Receipts	1,342		400	887	4,570	896	974	784	762	726	780	522	845	12,144
S106	250		0	10,756	845	1,035	2,805	1,600	0	0	0	0	0	17,041
CIL				755										
Homes England Grant	2,004	1,611	0	306	0	0	0	0	0	0	0	0	0	306
Other Capital Receipts	2,555		6,156	4,027	143	8,217	5,054	7,585	5,049	5,201	5,357	5,811	5,683	58,284
Major Repairs Reserves	119		0	9,287	33,777	9,258	9,641	10,094	10,478	10,877	11,291	11,719	12,171	128,594
Funding Total	**36,889**	**28,402**	**24,877**	**30,049**	**49,289**	**50,707**	**47,687**	**43,580**	**44,152**	**44,131**	**48,343**	**46,642**	**28,034**	**457,490**
Housing Services	9,289	8,550	8,287	9,530	11,504	12,126	12,891	12,542	12,183	11,202	12,623	11,709	12,722	127,320
New Build	32,349	28,989	16,590	20,518	37,785	38,580	34,796	31,038	31,969	32,928	35,720	34,933	15,311	330,169
Capital Programme Total	**41,637**	**37,539**	**24,877**	**30,049**	**49,289**	**50,707**	**47,687**	**43,580**	**44,152**	**44,130**	**48,343**	**46,642**	**28,034**	**457,490**

APPENDIX 6 HRA FINANCIAL PLAN 2022-23 TO 2051-52 EXTRACT – OPERATING ACCOUNT

Year	Year	Total Income	Managt.	Depreciation	Responsive & Cyclical	Total expenses	Capital Charges	Net OPEX	Surplus (Deficit)	Surplus (Deficit) b/fwd	Interest	Surplus (Deficit) c/fwd
		£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
1	2022.23	30,349	-11,449	-8,535	-5,571	-25,556	-6,032	-1,238	-1,238	16,658	541	15,961
2	2023.24	32,309	-12,090	-8,753	-5,927	-26,770	-6,820	-1,281	-1,281	15,961	577	15,257
3	2024.25	35,042	-12,566	-8,977	-6,137	-27,680	-6,121	1,242	1,242	15,257	177	16,676
4	2025.26	36,262	-13,016	-9,258	-6,382	-28,657	-7,605	-1	-1	16,676	84	16,759
5	2026.27	38,166	-13,267	-9,641	-6,621	-29,529	-9,074	-437	-437	16,759	84	16,406
6	2027.28	39,998	-13,523	-10,094	-6,823	-30,440	-9,621	-63	-63	16,406	83	16,426
7	2028.29	41,491	-13,784	-10,478	-7,032	-31,294	-10,598	-401	-401	16,426	82	16,107
8	2029.3	43,025	-14,049	-10,877	-7,246	-32,173	-11,546	-694	-694	16,107	80	15,493
9	2030.31	45,431	-14,320	-11,291	-7,467	-33,078	-12,546	-193	-193	15,493	78	15,378
10	2031.32	46,232	-14,596	-11,719	-7,697	-34,013	-13,637	-1,417	-1,417	15,378	74	14,035
11	2032.33	47,908	-14,877	-12,171	-7,932	-34,980	-14,322	-1,395	-1,451	14,035	68	12,651
12	2033.34	49,366	-15,164	-12,632	-8,149	-35,945	-14,561	-1,140	-1,196	12,651	62	11,517
13	2034.35	50,617	-15,456	-13,022	-8,373	-36,851	-14,872	-1,106	-1,162	11,517	56	10,411
14	2035.36	52,864	-15,754	-13,424	-8,602	-37,781	-15,244	-160	-216	10,411	53	10,248
15	2036.37	53,196	-16,058	-13,839	-8,838	-38,735	-15,463	-1,002	-1,058	10,248	51	9,241
16	2037.38	54,525	-16,367	-14,267	-9,080	-39,714	-15,714	-903	-959	9,241	46	8,328
17	2038.39	55,881	-16,683	-14,708	-9,328	-40,719	-15,910	-748	-804	8,328	42	7,566
18	2039.4	57,252	-17,004	-15,162	-9,584	-41,750	-16,053	-552	-608	7,566	39	6,997
19	2040.41	58,596	-17,332	-15,631	-9,846	-42,809	-16,252	-465	-521	6,997	37	6,513
20	2041.42	61,161	-17,666	-16,114	-10,115	-43,895	-16,522	744	688	6,513	38	7,239
21	2042.43	61,515	-18,006	-16,612	-10,392	-45,010	-16,739	-233	-289	7,239	39	6,989
22	2043.44	63,021	-18,353	-17,125	-10,676	-46,154	-16,871	-5	-61	6,989	39	6,967
23	2044.45	64,560	-18,707	-17,654	-10,968	-47,329	-17,012	220	164	6,967	40	7,170
24	2045.46	66,133	-19,067	-18,200	-11,268	-48,535	-17,163	435	379	7,170	41	7,590
25	2046.47	67,741	-19,435	-18,762	-11,575	-49,772	-17,359	610	554	7,590	44	8,188
26	2047.48	70,677	-19,809	-19,342	-11,892	-51,043	-17,590	2,044	1,988	8,188	51	10,227

27	2048.49	71,062	-20,191	-19,940	-12,216	-52,347	-17,768	947	891	10,227	59	11,177
28	2049.5	72,779	-20,580	-20,556	-12,550	-53,685	-17,940	1,153	1,097	11,177	64	12,338
29	2050.51	74,533	-20,976	-21,191	-12,893	-55,059	-18,182	1,292	1,236	12,338	71	13,645
30	2051.52	76,325	-21,380	-21,845	-13,244	-56,470	-18,358	1,497	1,441	13,645	79	15,165

CAB3388
CABINET

REPORT TITLE: GENERAL FUND BUDGET 2023/24

9 FEBRUARY 2023

REPORT OF CABINET MEMBER: Cllr Margot Power, Cabinet Member for Finance and Value

Contact Officer: Liz Keys Tel No: 01962 848226 Email LKeys@winchester.gov.uk

WARD(S): ALL

PURPOSE

The purpose of this paper is to consider and recommend to Council the 2023/24 General Fund revenue budget, which proposes the Council Tax at Band D for the City Council be £155.29, an increase of £4.00 and reflecting an average Council tax increase of 2.65%.

The budget report details the options and investment proposals for the year ahead to deliver the priorities in the Council Plan and to support core council services. It details the use of reserves to ensure the council has a sustainable financial footing as well as allocating revenue funding to deliver the Capital Strategy (CAB3389).

Despite a more favourable than expected local government settlement announcement in December, the council is facing some of the most challenging financial conditions in recent years and to arrive at a balanced budget for 2023/24, £338k of savings proposals have been recommended. The settlement included an unexpected further year of New Homes Bonus. Whilst this does not assist the council to address longer term funding pressures, the report does recommend transferring £2m to reserves during the year to fund "one off" areas of known and uncertain future financial pressures.

Following approval of the refreshed 2023 edition of the Council Plan, this budget report includes proposals to set aside funding to enhance services in the following priority areas:

Greener Faster (£250k) – having declared a Climate Emergency in June 2019, the council is committed to becoming a carbon neutral local authority by 2024; and is aiming for the wider district to be carbon neutral by 2030. Recent roadmap work to inform how the ambitious carbon neutrality targets will be met, has indicated that significant work is required by the council to reduce its carbon footprint sufficiently. It is recommended to create a Greener Faster Reserve to support the council's ambitions to become carbon neutral.

This reserve will enable the council to expand renewable energy; explore the use of council assets for carbon and nutrient offsetting, reduce energy demand in council-owned buildings, lower the carbon footprint of council and contractor vehicles; as well as enhance active travel provision (for instance secure bike parking options). In addition the Future Waste Reserve will enable the Council to roll out improved doorstep recycling including food waste collection at the earliest point practicable.

Future of Waste (£500k) - new services for food waste and other changes to waste and recycling collection will be introduced in early 2025. Whilst the government has committed to new burdens funding for collection authorities, the amount is unknown and we expect the new burdens funding to require supplementing if we are to follow the corporate strategy and require the new vehicles to be low carbon or zero carbon producing. This reserve will support the transition to these new services.

Pride in Place (£150k) – the Council Plan gives enhanced focus on making a visible difference to the district to improve the experience of those living in or visiting it. This reserve will be used to develop a 'toilet strategy' working with parish councils to ensure Winchester is providing safe, clean, appropriately maintained and accessible public conveniences. The reserve will also support the public conveniences upgrade programme and the higher levels of investment and work being undertaken due to anti-social behaviour, vandalism and fly-tipping in the district. This is in addition to extending the current one-off budget funding street scene works under the Pride in Place priority by £50k per annum.

Digital Transformation (£400k) – the council's service to customers is of critical importance and the drive to increase digital platforms to offer 24/7 services continues. The council aspires to make services as easy as possible for customers to access. Work to transform the digital customer experience is needed in various services. This reserve will support the introduction of 'spatial data visualisation' for the Planning service – by procuring a tool to digitally map places, we can help people visualise planning applications, regeneration schemes and the design of wider areas.

Other digital transformation work includes a review of the council's website and Your Winchester app; which both allow customers to report issues, check information and self-serve 24 hours a day, 7 days a week.

Regeneration (£300k) – further to the additional budget requirements for Central Winchester Regeneration (paragraphs 13.5 and 13.8), work to explore whether a viable scheme can be brought forward in the Station Approach area is underway. It is envisaged that a strategic case will be submitted to Cabinet in June 2023. If this leads to master-planning for the area, seed funding for the consideration and consultation of this will be required.

Cost of Living/Living Well (£170k) – without doubt, many residents are facing financial pressures and the council has worked over the year to support those in greatest need. As well as extending the existing Exceptional Hardship Fund that benefits those council tax payers most in need of financial assistance; this reserve will be used to continue the council's commitment to the principles of the City of Sanctuary (meaning we will continue to support those who arrive from peril) and further support the cost of living initiatives (e.g. through advice services and the business support programme).

In addition, this paper confirms the other spending proposals agreed as a basis for the budget in the Medium Term Financial Strategy report in November (CAB3374).

RECOMMENDATIONS:

That Cabinet recommend to Council:

1. Agree the level of General Fund Budget for 2022/23, and recommend the summary as shown in Appendix A.

2. Approve the creation of and transfers to reserves (detailed in section 13.13 of this report) to support the delivery of the key priorities in the Council Plan, including:

    a. Greener Faster (£250k)
    b. Future of Waste (£500k)
    c. Pride in Place (£150k)
    d. Digital Transformation (£400k)
    e. Regeneration (£300k)
    f. Cost of Living/Living Well (£170k)
    g. Transitional Reserve (additional £230k)

3. Support the Pride in Place investment proposals set out in section 13.5 of this report, including:

    a. To increase the regeneration budget by £130k per annum to provide capacity to deliver the council's regeneration programme.
    b. To increase the Town Forum bus shelter replacement programme by £10k per annum from 2023/24
    c. To freeze the proposed grant funding reductions to Hampshire Cultural Trust and maintain pre-2022/23 funding levels until the end of 2024/25, at a cost of £43k per annum.
    d. Extend the current one-off budget funding street scene works under the Pride in Place priority by £50k per annum
    e. Increase the tree works budget by £78k per annum to fund ongoing essential works to the Council's trees across the district
    f. Increase the Natural Environment and Recreation Team budget by £23k

per annum to fund a tree officer post to manage the council's trees.

4. To approve the proposed increase to the salary budget of £175k per annum to fund all grades being uplifted by one increment on the existing pay scales, in accordance with Appendix G, to give Winchester a more competitive market position for recruitment and retention of staff.

5. Approve a discretionary 7% cap for 2023/24 on the annual increase in rent for Partnered Home Purchase scheme property owners, in line with the increase in social and affordable rents to existing tenants in the HRA.

6. That the sum of £1,186,879 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.

7. That the Council Tax for the Special Expenses in the Winchester Town area at Band D for 2022/23 be increased by 5.5% to £80.93, an increase of £4.22.

8. That the surplus balance on the Council Tax Collection Fund for distribution to this Council, calculated in January 2023 of £39,724.63, be approved.

9. Recommend the level of Council Tax at Band D for City Council services for 2022/23 be increased to £155.29, an increase of £4.00 reflecting an average Council tax increase of 2.65%

10. Approve the new Council Tax Reduction scheme income bands (set out in appendix E) that ensure claimants continue to receive the same level of support after the increase in Universal Credit from April 2023.

11. Approve the distribution of the Government's £150,512 Council Tax Support Fund through a reduction to Council Tax balances, in line with the Government's guidance and additional local criteria, detailed in para 17 within this report.

IMPLICATIONS:

1 COUNCIL PLAN OUTCOME

1.1 The refreshed 2023 edition of the Council Plan was approved by Council on 18 January (CAB3370). The key priorities set out in it remain unchanged but the actions and objectives for the coming years have been refined, taking into consideration both feedback from local people obtained during the council's district-wide 2022 Residents' Survey and changing economic circumstances.

1.2 The Council Plan now also outlines four areas of enhanced focus for the upcoming year. These are:

a) **Cost of living** support – pivoting our services and resources to support our residents, businesses and voluntary organisations with the cost of living crisis.

b) **Greener faster** – adding weight to our commitment to achieve our net zero targets for 2024 and 2030.

c) **Pride in place** – making a visible difference to our places to delight residents and visitors.

d) **Listening better** – being more effective at hearing the voice of residents and enabling them to influence our decision making.

1.3 This budget underpins all priorities in the Council Plan and all core services provided across the District of Winchester. Specific proposals to invest in services to support the Council Plan outcomes and areas of enhanced focus are set out in the report.

2 FINANCIAL IMPLICATIONS

2.1 The proposals set out in this report represent a balance budget for 2023/24 and for 2024/25. A significant deficit of £1.4m is forecast for 2025/26, increasing to £3m by 2027/28. However, it should be noted that the forecasts are subject to a high degree of uncertainty, with the Government only confirming a one year Settlement Agreement announcement late in 2022 and no certainly over the promised Fair Funding Review.

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 the Natural Environment and Recreation Team and for regeneration project delivery. There is also a recommendation to uplift all pay grades by one spinal column point (also removing the bottom scale point of each grade) to give Winchester a more competitive market position for recruitment (making starting salaries higher) and retention of staff. These proposals have been included in the budget presented in Appendix A and full details of the new salary grades are shown in Appendix G.

4.2 A proposal to increase the vacancy management provision by an additional £200k (equating to a total vacancy rate of 4%) that was set out in the MTFS report in November (CAB3374) has been reviewed and as a result not been included 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.

5.2 A proposal in the November MTFS (CAB3374) was to reduce the contributions to the assets and parking reserves. The annual contribution to these reserves total £600k and is used to fund the maintenance and improvement of the council's property and car park assets. After reviewing the proposal to reduce the annual contribution by £100k for property and £350k for parking these have not now been included in Appendix A.

6 CONSULTATION AND COMMUNICATION

6.1 Budget options and the council's medium term financial strategy were presented to and discussed with parish council representatives at the Local Parish Briefing in November.

6.2 Discussions have also been had with local business representatives through the Chamber of Commerce and the BID at their Winchester District Strategy Group business briefing.

6.3 The Scrutiny Committee discussed the Budget Options and Medium-Term Financial Strategy report (CAB3374) and commented on the proposals at its meeting in November 2022. It has also considered this report at its meeting held on 7 February 2023. Due to the dispatch dates any particular matters that the Committee wishes to raise with Cabinet will be reported at the meeting.

6.4 The council held a Residents Survey in 2022 and the views of a representative sample of over 1,700 residents across the district were sought. In addition to feedback on local priorities; views on emerging policy; and the relative perceived importance of council services; questions were asked on how to balance the budget to inform development of the MTFS.

- 74% agreed that the council should maximise use of its assets.
- 74% agreed that the council should use reserves as far as possible.
- 67% agreed that the council should reduce management costs.
- 54% agreed that the council should dispose of council buildings.
- 22% agreed that fees and charges should be increased.
- 22% agreed that grants to the voluntary sector should be reduced.
- 19% agreed that council tax should be increased.

6.5 A blended approach to balancing the budget has been adopted with the changing macroeconomic position and inflationary costs meaning that some less favourable options – such as increasing fees and charges – have had to be considered. However, a key part of the budget challenge programme is to seek how to make best use of assets and the emerging Medium Term Financial Strategy does include the use of reserves.

7 ENVIRONMENTAL CONSIDERATIONS

7.1 The budget set out in Appendix A includes revenue provision to support the delivery of the council's carbon neutrality programme. Specific proposals include additional resources for enhanced management of the council's trees.

7.2 It is also recommends to create a Greener Faster Reserve to support the council's ambitions to become a carbon neutral organisation by 2024 and a carbon neutral district by 2030. This reserve will enable the council to expand renewable energy; explore the use of council assets for carbon and nutrient offsetting; reduce energy demand in council-owned buildings; lower the carbon footprint of council and contractor vehicles; as well as enhance active travel provision (for instance secure bike parking options). In addition, the Future of Waste Reserve will enable the council to roll out improved doorstep recycling including food waste collection at the earliest point practicable.

8 PUBLIC SECTOR EQUALITY DUTY

8.1 Proposals for a strategic service review to identify appropriate measures to reduce net operating costs, the planning stages of which commenced in 2022, were set out in the MTFS report in November 2022 (CAB3374). As the review progresses, the council will carry out consultation to inform service delivery and all options will be assessed against the Public Sector Equality Duty; with Equality Impact Assessments undertaken.

8.2 An equality impact assessment (EqIA) was undertaken on the budget options in the Medium Term Financial Strategy report (CAB3374) in November and has been reviewed now for those options remaining in the proposed budget. No examples of the changes potentially affecting individuals or communities with protected characteristics differently, in a negative way, have been identified at this stage. Further EqIAs will be undertaken ahead of the implementation of detailed proposals.

8.3 Specifically, the 2023/24 budget's operational decisions being presented in this paper (e.g. staffing proposals; changes to funding; creation / deletion of general budgets; and those relating to reserves) do not directly impact residents and do not require an EQIA under the PSED. Other options with impact on the environment of the district (e.g. bus shelter replacement; increase in grant funding; additional street scene and tree works) have had an initial EQIA undertaken and no adverse impacts on any groups of residents with protected characteristics were identified. As detailed plans for spending come forward the PSED will be reconsidered as specific spending decision are made.

9 DATA PROTECTION IMPACT ASSESSMENT

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

10 RISK MANAGEMENT

Risk	**Mitigation**	**Opportunities**
Property *Commercial tenants unable to pay rents or subject to business failure*	Close monitoring of rent position by property team with support to tenants through effective working relationships.	
Slowdown in commercial property investment, meaning that the council's development schemes achieve less interest or less income than expected	The council's advisors are reviewing the property investment market and will provide advice as to timing of any marketing.	

Legal *The council is unable to balance the revenue budget resulting in the issuing of a S114 notice*	Proposals set out in this report, including the strategy for management of reserves mitigate against this.	Present a balanced budget in difficult circumstances
Timescales *Slower than projected economic recovery affecting income received by the council*	The council is actively supporting high street recovery through a EM3 LEP grant working with local partners. The council has £18m uncommitted revenue reserves available to support further increases to the projected deficit.	
Financial *The council is unable to balance the revenue budget*	Proposals set out in this report, including the strategy for management of reserves mitigate against this.	
Risk of lower than projected demand for income generating services specifically parking	The council has £18m uncommitted revenue reserves available which can be utilised as a last resort as above.	
Inflation risk - Salary and contract inflation is higher than budgeted.	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	
Additional costs of national programmes such as waste strategy imposed on the council.	Any 22/23 year end surplus to be transferred to reserves.	

11 SUPPORTING INFORMATION:

22/23 budget outturn forecast

11.1 The latest detailed forecast for the 2022/23 general fund budget is set out in the *Quarter 3 Performance Report* (CAB3380 refers).

11.2 Additional contract, pay and energy inflationary costs are forecast to total £1.1m in excess of the original budget for 2022/23 and have been factored into the 2023/24 budget setting.

11.3 In Q1 it was forecast that these additional inflationary pressures would need to be funded from the exceptional inflation reserve. However, favourable variances were subsequently identified in Q2 which are forecast to fully offset these additional pressures. Some of the main areas where favourable variances are forecast are:

- Business Rates Retention and other funding
- Net interest receivable (see para 12.3)
- Recycling Income (due to increased materials prices for waste recycled)
- Bus subsidy received / Park & Ride savings

12 <u>Local Government Finance Settlement and the economic outlook</u>

12.1 There are a lot of unknowns for the future of Local Government finance. The longer term outlook for the council's finances is dominated by two key factors; firstly the macro-economic volatility the UK is experiencing (with high inflation and rising interest rates); secondly, the unknown impact of the long awaited fair funding review and proposed further business rates retention proposals for 2024-25 and beyond.

12.2 Although the Bank of England are forecasting (in their *Monetary Policy Report*, November 2022) that inflation will fall sharply from the middle of 2023, prices for many of the council's service inputs (e.g. construction materials and electricity and gas supplies) remain high. The high inflation rates experienced in the autumn also cemented high cost increases to key service contracts at near 10%.

12.3 The Bank of England has been raising their base interest rate in an effort to reverse the rapid increases in consumer price inflation (CPI) and bring it back down to their 2% target. Over the 12 months to December 2022 the rate increased from 0.1% to 3.0%. This has had a positive effect in raising the returns from the council's investments (the Treasury Strategy, CAB3390 refers) with the average year to date return on the council's cash and investment balances up to 31 December 2022 being 3.0% versus 0.48% at the same time last year. However, the increased cost of borrowing available to the council has had a detrimental impact on the financial viability and affordability of capital schemes reliant on borrowing to fund them (the Capital Strategy report, CAB3389 refers). The annual revenue consequences (including costs of borrowing) of those capital schemes in the programme are included in Appendix A.

12.4 The absence of a longer term financial envelope for Local Government does mean that there remains significant uncertainty over the financial position from 2024-25.

12.5 In the shorter term, the provisional local government finance settlement for 2023/24 that was announced on 19 Dec 2022 confirmed a more favourable position than had been forecast in the Medium Term Financial Strategy. New Homes Bonus of £1.629m was £329k higher than expected and retained business rates were £0.5m higher than forecast. The settlement also included some new areas of funding for Winchester: a one-off Funding Guarantee that all councils would see 3% increase in Core Spending Power benefitted Winchester with £894k; and additional Revenue Services Grant (RSG) of £156k.

13 General Fund revenue budget forecasts and proposals

13.1 The *Budget Options and Medium Term Financial Strategy* report (CAB3374) to Cabinet in November 2022 set out the financial planning assumptions and resources available to the council to deliver the Council Plan. The MTFS attempts to balance the resources known, and estimated, to be available with the ambitions of the Council Plan. The MTFS report set out budget options for achieving this and Cabinet considered and approved these options for both income generation and cost savings at its meeting in November.

13.2 In light of the latest financial position and forecasts, these budget options have been reviewed and updated. Those included in the budget set out in Appendix A are as follows:

Budget Option	Description	Annual Saving
Garden Waste subscriptions	The 2022/23 subscriptions cover existing contract costs but not all admin and support costs. Contract costs this year increased in line with September CPI inflation (9.9%). As part of the MTFS in November, Cabinet approved a 9.9% increase in prices for 2023 renewals to take immediate effect. Cabinet also approved an increase in the discount for residents subject to council tax reduction from £10 to £15 which effectively ‘froze’ prices for these customers. These decisions kept the Winchester service in line with lower quartile of 22/23 charges for Hampshire Councils, although many will increase charges further before March.	£120k
Fees and charges uplift	Most charges are set on a “cost recovery” basis and with costs all increasing, fee increases cannot be avoided. Cabinet agreed to generally	£70k

	uplift by CPI (9.9%).	
Core Housing Grants funding	The Council has two core housing partners (Trinity and Beacon) and provide core grants totalling £68k annually. Rather than this continue to be funded from the core grants baseline budget, it is recommended that this support be met from the annual Homelessness Prevention Grant (the Council receives £300k annually to support homelessness). This proposal has no impact on approved grant levels, though it should be noted that the Homelessness Prevention Fund is subject to annual Government decisions.	£68k
Strategic Budget Review service efficiencies	Immediate savings from a review of all service budgets identified efficiencies and savings within support budgets totalling £100k. Budgets will be adjusted from April 2023 to recognise these savings.	£100k

13.3 The Council has 10 open-market shared property owners in the General Fund Partnered Home Purchase (PHP) scheme. The leases for these have an annual upward-only rent review based upon September RPI plus 0.5%. This would have meant that the rent increase for these residents from April 2023 would have been 13.1%. However, in recognition of the Cost of Living crisis and in line with requests from government, the council is proposing to cap the rent increase in 2023/24 to 7% in line with the 7% rent increase for social and affordable housing tenants. This will cost the General Fund circa £4,000 per annum in lost income.

13.4 Growth items included in appendix A

13.5 Whilst it is necessary to identify budget reductions to contribute towards funding forecast deficits, there are a number of issues that require attention and budget provision if the Council is to maintain delivery of its key priorities. These growth areas require an ongoing increase to the council's baseline budget and are summarised in the table below:

Growth Proposals	Description	Annual Cost
Salaries Increment Increase	A full review of salary grades was undertaken in 2017 and a further focussed review indicates that some comparable posts at neighbouring	£175k

	councils attract more favourable terms. This directly impacts on recruitment and retention of staff and therefore service delivery. A more competitive market position could be achieved by uplifting all grades by one spinal column point and removing the lowest point in each grade. This will make starting salaries higher as well as providing headroom at the top of the grade for staff to progress further. In addition, a market-based salary adjustment has been made in respect of the Council's executive leadership team.	
Regen Project staff	Capacity to deliver existing and planned future regen projects is not sufficient to manage successful delivery of regeneration work. This provision for an addition Director post to specifically lead on regeneration projects will provide capacity at the strategic level which is essential for the successful and robust progression of the council regeneration ambitions.	£130k
Bus Shelter Replacements	Supporting the Pride in Place priority in the Council Plan this growth is needed for the replacement of ageing bus shelters which are reaching end of life. Report (WTF312) which went to November 2022 Town Forum sets out details of the requirements which were supported by the Town Forum and will be funded by the Town Account.	£10k
Hampshire Cultural Trust (HCT) freeze in grant reduction	Existing budgets assume HCT grant reduces in future years. However, staffing costs have increased like other services. It is therefore proposed that funding is retained at current levels for a three years in total (2022/23 – 2024/25).	£43k
Street Scene / Pride in Place	In support of the council plan focus on Pride in Place, a one-off provision was included in 22/23 for additional spend in the city centre and market towns. This has been used for a targeted effort on bench repairs, bin stores, graffiti	£50k

	removal, weed clearance and jet washing across the district. This smaller ongoing provision is required for future years to fund these works and their maintenance on an ongoing basis.	
Essential Tree Works	Spend on essential tree works has increased this year as a direct result of issues such as "ash die back", climate conditions and an improved inspection regime. This is projected to continue and additional budget is needed for further essential works and to ensure the effective management of council trees.	£101k

13.6 <u>One-off reserve-funded items included in Appendix A</u>

13.7 As well as the ongoing budget growth items in table above (para 13.5) there are a number of one-off budgets required to deliver the council's regeneration plans.

13.8 **Central Winchester Regeneration** – Throughout 2022 a procurement process has been underway to secure a development partner to take forward and help deliver the council's vision for the regeneration of this area of the town. Once the development partner has been chosen (a decision due to be made in March 2023) the next phase of the project is to work together to submit a planning application. Additional budget of **£175k** is required to fund specialist consultancy work for this phase including property, financial, legal, planning and communications advice.

13.9 **Strategic development advice** - the existing contract for strategic development advice ends in 2023, **£150k** is included in Appendix A for the next phase of professional advice needed to assist in preparing for the major decisions we will be bringing forward for regeneration projects.

13.10 **Relocation of the Bone Store** – Proposals to develop the former depot at Bar End have not been finalised but it will be necessary to relocate the bone store to F2. A total budget of £150k is required of which £75k is capital (new racking) and **£75k revenue** (relocation costs).

13.11 <u>Options in MTFS but not now included in appendix A</u>

13.12 The budget options below were approved by Cabinet in November for inclusion in the budget preparation. However, in light of the latest financial position, economic conditions and forecasts, they have been reviewed and are no longer included in Appendix A.

a) The increase of the vacancy target by £200k in 23/24.

b) The suspension of the contributions to the parking and asset reserves by £450k in 23/24.

c) The saving of £200k if existing growth areas in the grounds maintenance contract.

13.13 Proposal for transfer to reserves for 2023/24 surplus

13.14 The council faces some of the most challenging financial conditions in recent years but the Local Government Settlement that was announced in December (set out in paragraph 12.5) has enabled the council to recast its projections.

13.15 It is recommended that forecast surpluses in 2023/24, due to the favourable settlement be used to fund future commitments the council knows it will face in the medium term, both to meet the priorities in the Council Plan or because of legislative changes that are being developed.

13.16 It is proposed to create the following reserves:

Greener Faster (£250k) – having declared a Climate Emergency in June 2019, the council is committed to becoming a carbon neutral local authority by 2024; and is aiming for the wider district to be carbon neutral by 2030. The Greener Faster overarching priority as set out in the refreshed Council Plan was supported by 85% of residents in the recent residents' survey.

Recent roadmap work to inform how the ambitious carbon neutrality targets will be met, has indicated significant work is required by the council to reduce its carbon footprint sufficiently. It is also recommended to create a Greener Faster Reserve to support the council's ambitions to become a carbon neutral organisation by 2024 and a carbon neutral district by 2030.

This reserve will enable the council to expand renewable energy; explore the use of council assets for carbon and nutrient offsetting, reduce energy demand in council-owned buildings, lower the carbon footprint of council and contractor vehicles; as well as enhance active travel provision (for instance secure bike parking options). In addition the Future Waste Reserve will enable the Council to roll out improved doorstep recycling including food waste collection at the earliest point practicable.

Future of Waste (£500k) - new services for food waste and other changes to waste and recycling collection will be introduced in early 2025. Whilst the government has committed to new burdens funding for collection authorities, the amount is unknown and we expect the nationwide need for food waste refuse vehicles and new bins for homes to drive up the prices. We also expect the new burdens funding to require supplementing if we are to follow the corporate strategy and require the new vehicles to be low carbon or zero carbon producing. This reserve will support the transition to these new services.

Pride in Place (£150k) – enhanced focus on making a visible difference to the district to improve the experience of those living in or visiting it, has been outlined in the refreshed Council Plan (CAB3370 refers). This reserve will be used to develop a 'toilet strategy' working with parish councils to ensure Winchester is providing safe, clean, appropriately maintained and accessible public conveniences. The reserve will also support the public conveniences upgrade programme and the higher levels of investment and work being undertaken due to anti-social behaviour, vandalism and fly-tipping in the district. Although listed under pride in place, the importance of the rural economy cannot be underestimated and ensuring there are facilities in the market towns and villages to enable visitors and residents to enjoy the district is essential.

Digital Transformation (£400k) – the council's service to customers is of critical importance and the drive to increase digital platforms to offer 24/7 services continues. The council aspires to make services as easy as possible for customers to access. Work to transform the digital customer experience is needed in various services. This reserve will support the introduction of 'spatial data visualisation' for the Planning service – by procuring a tool to digitally map places, we can help people visualise planning applications, regeneration schemes and the design of wider areas. This tool will help customers understand the impact of future planning applications and regeneration schemes by presenting a 3D map of what it could look like.

Other digital transformation work includes a review of the council's website and Your Winchester app; which both allow customers to report issues, check information and self-serve 24 hours a day, 7 days a week.

Regeneration (£300k) – further to the additional budget requirements for Central Winchester Regeneration (paragraphs 13.45 and 13.8), work to explore whether a viable scheme can be brought forward in the Station Approach area is underway. It is envisaged that a strategic case will be submitted to Cabinet in June 2023. If this leads to master-planning for the area, seed funding for the consideration and consultation of this will be required.

Cost of Living/Living Well (£170k) – without doubt, many residents are facing financial pressures and the council has worked over the year to support those in greatest need. As well as extending the existing Exceptional Hardship Fund that benefits those council tax payers most in need of financial assistance (regardless of whether they are in receipt of Council Tax Reduction); this reserve will be used to continue the council's commitment to the principles of the City of Sanctuary (meaning we will continue to support those who arrive from peril) and further support the cost of living initiatives (e.g. through advice services and the business support programme).

Transitional Reserve (additional £230k) – this reserve is being used to support a council-wide transformation challenge programme; incorporating focussed independent reviews of key services over the next 12 months with the clear aim of determining longer term savings or income generation to support the delivery of the Medium-Term Financial Strategy and the Council Plan. Additional funding will be used to further support this programme of savings that are required to solve the £3m budget gap that is forecasted within 4 years.

14 Collection Fund

14.1 Business Rates – The business rates collection fund is forecast to be in deficit by £1,145,958 by the end of 2022/23. This is shared between Central Government £572,979, the County Council £103,136, the Fire & Rescue Authority £11,460 and this Council £458,383.

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 surplus of £320,795 is forecast for 2022/23, to be distributed in 2023/24. This is shared between the County Council £228,372, the Police & Crime Commission £40,182, the Fire & Rescue Authority £12,516 and this Council £39,725.

14.3 The council tax referendum limits on precept increases have been confirmed at 2.99% or £5, whichever is higher, for shire districts such as Winchester (where £5 equates to just over 3%). 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 2023 or setting a lower increase than the 2.5% recommended in CAB3374 Budget Options report in November. The better than expected settlement detailed in section 12.5 is expected to be only short term; and the forecast deficits from 2025/26 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 increase of 2.65%. 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 medium term projected shortfalls, the proposed budget set out in Appendix A assumes a 2.65% increase in council tax for the district along with a town forum recommended increase of 5.5% for the Winchester town area, in 2022/23.

14.6 The current level of tax for the district is £151.29 (Band D equiv.). The proposed tax for 2023/24 is £155.29, an increase of £4.00.

14.7 In considering the level of district tax, regard must 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 £76.71 (Band D equiv.). An increase of 5.5% would increase this to £80.93.

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 2023/24. 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 the Council meeting.

15 Winchester Town Charge – Section 35

15.1 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.

15.2 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.

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

15.4 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 2022/23 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 £1,186,879 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.

15.5 The Winchester Town Forum met on 26 January 2022 and recommended the budget which is currently set out in Appendix D, including a proposed Council Tax increase of 5.5% for 2023/24.

16 Council Tax Reduction (CTR) Scheme

16.1 To reflect the inflationary increases of the cost of living crisis, the Government will increase national benefits (Universal Credit (UC), Job Seekers Allowance, Housing Benefit (applicable amounts), Tax Credits etc.) & pension rates by 10.1% with effect from 1 April 2023. In light of this change, it was necessary to review the income bands within the CTR scheme. The income bands are set to ensure that people on the standard rates of UC receive sufficient assistance with their council tax liability. This rate is 100% and those who receive an enhanced rate of UC due to disability, receive CTR of 75% of their council tax liability. The proposed new income bands, set out in Appendix E) ensure that these people continue to receive the same level of support.

16.2 Any CTR claimant suffering with financial difficulties can apply for assistance through the Exceptional Hardship Fund. Eligible applicants will receive a further reduction to their council tax liability. This fund exists for the benefit of all council tax payers, regardless of whether they are in receipt of CTR, or not. This ensures that anyone who has dropped out of, or is ineligible for CTR, has support available to them when their income sits on the boundaries of the income bands.

17 Council Tax Support Fund

17.1 The government has provided councils with a Council Tax Support Fund for 2023/24 to assist its most vulnerable households with the increase in council tax from 1 April 2023. Winchester will receive a provisional allocation of £150,512 with allocations to be confirmed at the final Local Government Finance Settlement.

17.2 Guidance for the scheme has been provided by government and is available at Appendix F. The key points from the guidance are:

a) Government expect councils to use the majority of funding to reduce 2023-24 council tax bills for all CTR claimants (pension and working age) with an outstanding balance, by up to £25;

b) Councils will automatically apply the reduction without the need to claim;

c) It is the government's intention that any reduction to council tax bills provided through this scheme will not affect the eligibility of recipients for other benefits;

d) Councils are expected to use a proportion of their allocation to establish their own local approach to helping economically vulnerable households with council tax bills i.e. a "discretionary scheme".

e) Government expects councils to deliver this scheme using their discretionary powers under s13A(1)(c) of the Local Government Finance Act 1992. This requires approval by full Council.

17.3 It is proposed that the government's guidance is adopted in full with the following additional criteria:

a) An initial £50 reduction will be made to council tax bills for all households on CTR at 1 April 2023. This amount will be less where the remaining council tax liability for the year, after all other reductions, is less than £50.

This will spend an estimated £109,000 of funding.

b) The remaining balance of funding will be used to provide -

(i) up to £50 reduction of council tax to all households making a new CTR claim after 1 April 2023; and

(ii) a discretionary hardship fund, allocated 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 a council tax liability to pay. In both scenarios the council tax payer must be financially struggling to pay their council tax.

It is estimated that the majority of this balance will be paid to those newly claiming CTR after 1 April.

c) Awards from this fund will cease when the full amount of £150,512 has been allocated to council tax payers. The fund will be monitored.

18 Earmarked Reserves

18.1 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.

18.2 Total General Fund earmarked reserves, including proposals in this paper, are forecast to reduce from £38m at 1 April 2022 to £26.8m at 31 March 2026. The forecast closing balances (as at 31 March 2026) of key earmarked reserves are summarised below;

a) Operational reserves (£3.0m), 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 (£12.2m), 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 (£2.8m), 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 (£8.6m), such as the Community Infrastructure Levy, can only be used for restricted purposes and therefore must be considered separately to other reserves which can be used for wider purposes.

18.3 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.

19 Balances / risk reserves

19.1 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.

19.2 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.

20 Adequacy of reserves and robustness of estimates

20.1 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.

20.2 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.

20.3 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.

20.4 The S151 officer can 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.

21 OTHER OPTIONS CONSIDERED AND REJECTED

21.1 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.

21.2 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.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

CAB3374 – General Fund Budget Options & Medium Term Financial Strategy (Nov 2022)

Other Background Documents:-

Residents' Survey 2022 – Executive Summary

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: Council Tax Reduction (CTR) Scheme income band changes

Appendix F: Council Tax Support Fund Guidance 2023/24

Appendix G: Salary grades

Council Tax Base	1.2%	2.4%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%
Council Tax - Band D £	2.7%	2.7%	2.5%	2.5%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Contractual Inflation	7.0%	10.0%	5.0%	4.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Pay Inflation	5.5%	5.5%	4.0%	4.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Reduction in Income	**7.0%**	**3.5%**	**0.0%**							

General Fund Revenue (£m)	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26	Forecast 2026/27	Forecast 2027/28	Forecast 2028/29	Forecast 2029/30	Forecast 2030/31	Forecast 2031/32
Funding										
Council Tax (excluding Parish Precepts)	8.822	9.360	9.715	10.084	10.422	10.731	11.049	11.377	11.716	12.065
Retained Business Rates	5.596	6.680	7.350	4.339	4.538	4.727	4.966	4.768	4.974	5.172
Revenue Support Grant		0.156	0.168	-0.778	-0.811	-0.844	-0.877	-0.915	-0.952	-0.990
New Homes Bonus	2.327	1.629	1.629							
Lower Tier Services Grant	0.100									
Services Grant	0.154	0.087	0.087							
3% Guarantee		0.894	0.990							
Damping Forecast		0.000	0.000	3.915	3.117	1.803	0.429	0.000		
Other Grants	0.349	0.349	0.349	0.349	0.349	0.349	0.349	0.349	0.349	0.349
	17.348	**19.154**	**20.288**	**17.909**	**17.615**	**16.765**	**15.916**	**15.580**	**16.086**	**16.597**
Investment Activity	2.291	2.745	1.883	1.885	2.080	2.119	2.088	2.061	2.031	1.999
Resources available	**19.639**	**21.900**	**22.171**	**19.794**	**19.695**	**18.884**	**18.004**	**17.641**	**18.118**	**18.595**
Baseline Net Expenditure										
Gross Income	**14.339**	**16.005**	**16.305**	**16.456**	**16.455**	**16.504**	**16.503**	**16.502**	**16.501**	**16.500**
Gross Expenditure	**-31.436**	**-34.294**	**-35.875**	**-36.966**	**-37.362**	**-37.812**	**-38.429**	**-39.059**	**-39.701**	**-40.356**
Baseline resource requirements	**-17.135**	**-18.289**	**-19.571**	**-20.511**	**-20.908**	**-21.309**	**-21.927**	**-22.557**	**-23.200**	**-23.856**
One-off budgets & Reserve Related Movements	-2.504	-3.610	-2.601	-0.648	-0.614	-0.578	-0.408	-0.405	-0.403	-0.401
Total net resource requirements	**-19.639**	**-21.900**	**-22.172**	**-21.159**	**-21.522**	**-21.887**	**-22.334**	**-22.962**	**-23.603**	**-24.257**
Budget Surplus / (Shortfall)	**-0.000**	**-0.000**	**-0.000**	**-1.365**	**-1.827**	**-3.003**	**-4.330**	**-5.321**	**-5.486**	**-5.661**
% of Gross Expenditure	*0.0%*	*0.0%*	*0.0%*	*3.7%*	*4.9%*	*7.9%*	*11.3%*	*13.6%*	*13.8%*	*14.0%*
Surplus transferred to transition reserve		**2.091**	**0.984**							

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Medium Term Financial Strategy Budget Changes

Options	2023/24	2024/25	2025/26
Budget Surplus / (Deficit)	3,159	2,205	-246
Unavoidable growth issues:			
Car Parking Income	-1,000	-1,000	-1,000
Parking agency transfer	70	-110	-110
Less Covid Contingency	639		
Investment Property Income	-300	-300	-300
Biffa Contract Growth (e.g. ad-hoc's)	-100	-100	-100
IDV Contract Growth	-100	-100	-100
Parking Strategy Proposals:			
Central Parking charges @ CPI (Oct start)	175	350	450
Market Town parking charges @ CPI	5	10	12
Central Parking - 7 day week charges (Oct start)	100	200	200
TOTAL Unavoidable Growth / approved changes	**-511**	**-1,050**	**-948**
Budget Surplus / (Deficit) before Growth/Savings Options	2,648	595	-1,856
Other Growth Proposals:			
Bus Shelter Replacements	-10	-10	-10
Hampshire Cultural Trust Freeze in grant reduction	-29	-43	-43
Salaries Increment Increase	-175	-175	-175
Regeneration Director	-130	-130	-130
Street Scene / Pride of Place	-50	-50	-50
Essential Tree Works	-78	-78	-78
Tree Officer	-23	-23	-23
One-off Spend (funded by reserves)			
Central Winchester Regeneration	-175		
Strategic Development Assistance	-150		
Relocation of bone store	-75		
Budget Options:			
Garden Waste Subscription @ Sept CPI (9.9%)	100	100	100
Fees and Charges average @ 6% uplift	70	70	70
Core Housing Grants funded from Prevention Grant	68	68	68
Strategic Budget Review/service efficiencies	100	100	100
TOTAL	**-1,068**	**-1,221**	**-1,119**

Budget Surplus / (Deficit) per Appendix 1	**2,091**	**984**	**-1,365**

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GENERAL FUND EARMARKED RESERVES (£000)	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
	Cl. Bal.	Forecast Closing Balances									
OPERATIONAL RESERVES											
Major Investment Reserve	(9,031)	(4,555)	(3,086)	(2,935)	(2,935)	(2,935)	(2,935)	(2,935)	(2,935)	(2,935)	(2,935)
Community Grants & Commissions	(558)	(308)	(230)	(108)	(43)	(43)	(43)	(43)	(43)	(43)	(43)
Flood Support Schemes	(66)										
Landscape Mitigation	(12)	(10)	(8)	(6)	(4)	(2)					
Local Development Framework (LDF)	(290)										
New Burdens	(837)	(169)	()	()							
	(10,794)	**(5,042)**	**(3,324)**	**(3,049)**	**(2,982)**	**(2,980)**	**(2,977)**	**(2,977)**	**(2,978)**	**(2,978)**	**(2,978)**
ASSET RESERVES											
Property - Asset Management Reserve	(3,761)	(3,446)	(2,276)	(1,736)	(1,686)	(1,636)	(1,586)	(1,536)	(1,486)	(1,186)	(1,136)
Car Parks Property	(1,899)	(1,849)	(1,294)	(1,064)	(1,034)	(1,004)	(974)	(944)	(914)	(884)	(854)
Information Management and Technology	(208)	(378)	(281)	(348)	(297)	(169)	(139)	(156)	(72)	(90)	(106)
	(5,868)	**(5,673)**	**(3,851)**	**(3,149)**	**(3,017)**	**(2,809)**	**(2,699)**	**(2,637)**	**(2,472)**	**(2,160)**	**(2,096)**
RESTRICTED RESERVES											
S106 (Interest)	(290)	(290)	(290)	(290)	(290)	(290)	(290)	(290)	(290)	(290)	(290)
Community Infrastructure Levy - General Fund	(12,245)	(11,240)	(8,166)	(8,166)	(8,166)	(8,166)	(8,166)	(8,166)	(8,166)	(8,166)	(8,166)
Community Infrastructure Levy - Winchester Town	(1,209)	(1,045)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)
Winchester Town Reserve	(456)	(400)	(57)	105	157	148	148	148	148	148	148
	(14,199)	**(12,974)**	**(8,762)**	**(8,600)**	**(8,548)**	**(8,557)**	**(8,557)**	**(8,557)**	**(8,557)**	**(8,557)**	**(8,557)**
RISK RESERVES											
Municipal Mutual Insurance	(139)	(139)	(139)	(139)	(139)	(139)	(139)	(139)	(139)	(139)	(139)
Transitional Reserve	(3,090)	(3,071)	(6,262)	(8,396)	(8,396)	(8,396)	(8,396)	(8,396)	(8,396)	(8,396)	(8,396)
Exceptional Inflation Pressures	(2,000)	(2,700)	(2,700)	(2,700)	(2,700)	(2,700)	(2,700)	(2,700)	(2,700)	(2,700)	(2,700)
Business Rates Retention	(1,900)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
	(7,129)	**(6,910)**	**(10,101)**	**(12,235)**	**(12,235)**	**(12,235)**	**(12,235)**	**(12,235)**	**(12,235)**	**(12,235)**	**(12,235)**
Total General Fund Earmarked Reserves	**(37,990)**	**(30,600)**	**(26,039)**	**(27,033)**	**(26,782)**	**(26,581)**	**(26,469)**	**(26,406)**	**(26,242)**	**(25,930)**	**(25,866)**
General Fund Balance	(2,789)	(2,789)	(2,789)	(2,789)	(2,789)	(2,789)	(2,789)	(2,789)	(2,789)	(2,789)	(2,789)
Usable Capital Receipts Reserve - General Fund	(4,163)	(3,738)	(2,158)	(2,308)	(2,646)	(2,988)	(3,333)	(3,682)	(4,034)	(4,390)	(4,749)

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WINCHESTER TOWN ACCOUNT - Financial Projections

	2022/2023 Forecast	2023/2024 Forecast	2024/2025 Forecast	2025/2026 Forecast	2026/2027 Forecast
Assumptions:					
Contract inflation	7.0%	10.0%	5.0%	4.0%	2.0%
Utilities	100%	5%	5%	5%	5%
Percentage increase in tax	4.5%	5.5%	3%	3%	3%
Tax Base	14,387	14,666	14,841	15,020	15,200
Cost of Services					
Recurring Budgets:					
Allotments	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)
Bus Shelter Cleaning / Maintenance / New Provision	10,000	10,000	10,000	10,000	10,000
Cemeteries	86,163	83,028	87,039	91,180	95,455
Christmas Lights	7,500	7,500	7,500	7,500	7,500
Neighbourhood Service Officers (Contribution)	45,000	45,000	45,000	45,000	45,000
Footway Lighting	30,357	33,043	33,873	34,745	35,660
Grants and Vision Delivery	80,000	80,000	**70,000**	**60,000**	**50,000**
Support Costs for Grant Scheme	2,000	2,000	2,000	2,000	2,000
Maintenance Work to Council Owned Bridges	5,500	5,500	5,500	5,500	5,500
Night Bus Contribution	10,935	12,029	12,630	13,136	13,398
Public Conveniences (Contribution)	50,000	50,000	50,000	50,000	50,000
Recreation Grounds & Open Spaces	719,274	746,802	793,264	820,868	838,627
Recreation Grounds & Open Spaces - Additional Tree Maintenance	20,000				
Recreation Grounds & Open Spaces - **Tennis Courts**			9,000	9,000	9,000
Recreation Grounds & Open Spaces - Additional Budget	50,000	50,000	50,000	50,000	50,000
Town Forum Support	5,000	5,000	5,000	5,000	5,000
Budget Options 2023/24					
Recreation Grounds & Open Spaces - Additional Tree Maintenance	**21,864**	**11,864**	**11,864**	**11,864**	**11,864**
Bus Shelter Maintenance and Renewals		**10,000**	**10,000**	**10,000**	**10,000**
Total Recurring Budgets	**1,139,593**	**1,147,766**	**1,198,671**	**1,221,792**	**1,235,004**
One-off Budgets:					
Community Infrastructure	100,000				

	2022/2023 Forecast	2023/2024 Forecast	2024/2025 Forecast	2025/2026 Forecast	2026/2027 Forecast
Tree Survey Works					
Total One-off Budgets	100,000				
Total Cost of Services*	**1,239,593**	**1,147,766**	**1,198,671**	**1,221,792**	**1,235,004**
**To note that Cost of Services includes staff costs of approximately £400k in total in 2023/24*					
Taxation and Non-specific grant income					
Council Tax Income	(1,103,623)	(1,186,879)	(1,237,186)	(1,289,581)	(1,344,272)
Interest on Balances	(14,860)	(11,988)			
Total Taxation and Non-specific grant income	**(1,118,483)**	**(1,198,867)**	**(1,237,186)**	**(1,289,581)**	**(1,344,272)**
Transfers to/(from) Earmarked reserves					
(Surplus added to Reserves) / Deficit taken from Reserves	121,110	(51,101)	(38,516)	(67,789)	(109,268)
Capital Expenditure funded by Town Reserve	100,000	394,000	200,000	120,000	100,000
Release from Town Community Infrastructure Levy Reserve	(100,000)				
Opening Reserve Balance (at 1st April)	(455,699)	(399,589)	(56,690)	104,795	157,005
Closing Reserve Balance (carried forward)	**(399,589)**	**(56,690)**	**104,795**	**157,005**	**147,737**
Closing Reserves forecast as % of net expenditure (Target = 10%)	**35%**	**5%**	**-9%**	**-13%**	**-12%**

TAX					
Tax at Band D	£76.71	£80.93	£83.36	£85.86	£88.44
Increase over previous year (£)	£3.30	£4.22	£2.43	£2.50	£2.58

Sensitivity					
Council tax % increase required to fund £10,000 expenditure		0.89%			
Council tax £ increase required to fund £10,000 expenditure		£0.68			
+/- 1% increase in Council Tax (£'s)		£11,250			
Band D equivalent (£) per +/- 1% increase in Council Tax		£0.77			

Appendix E

This table compares the current income bands (up to 2022/23), and proposed new income bands, with the new Universal Credit (UC) rates.
It highlights where the UC rates will exceed the current income band due to the government's uprating of benefits to reflect inflation.

		Comparison of current band to new UC rate			Proposed new band compared to new UC rate			
CTR Award	Income Bands	Current Income Band	NEW UC rate	Difference	Proposed Income Band	NEW UC rate	Difference	% above UC
100%	Single	£ 100.00	£ 85.09	£14.91	£ 100.00	£ 85.09	£14.91	18%
	Single +1 child	£ 165.00	£ 157.79	£7.21	£ 165.00	£ 157.79	£7.21	5%
	Single +2 children	£ 220.00	£ 220.00	£0.00	£ 226.00	£ 220.00	£6.00	3%
	Couple	£ 140.00	£ 133.57	£6.43	£ 140.00	£ 133.57	£6.43	5%
	Couple +1 child	£ 205.00	£ 206.27	-£1.27	£ 213.00	£ 206.27	£6.73	3%
	Couple +2 children	£ 260.00	£ 268.48	-£8.48	£ 276.00	£ 268.48	£7.52	3%
75%	Single	£ 180.00	£ 175.11	£4.89	£ 180.00	£ 175.11	£4.89	3%
	Single +1 child	£ 245.00	£ 247.80	-£2.80	£ 253.00	£ 248.79	£4.21	2%
	Single +2 children	£ 300.00	£ 310.01	-£10.01	£ 316.00	£ 310.93	£5.07	2%
	Couple	£ 220.00	£ 223.59	-£3.59	£ 228.00	£ 223.59	£4.41	2%
	Couple +1 child	£ 285.00	£ 296.28	-£11.28	£ 301.00	£ 297.27	£3.73	1%
	Couple +2 children	£ 340.00	£ 358.49	-£18.49	£ 364.00	£ 359.41	£4.59	1%
45%	Single	£ 240.00	£ 240.11	-£0.11	£ 245.00	£ 240.11	£4.89	2%
	Single +1 child	£ 305.00	£ 313.79	-£8.79	£ 318.00	£ 313.79	£4.21	1%
	Single +2 children	£ 360.00	£ 375.93	-£15.93	£ 381.00	£ 375.93	£5.07	1%
	Couple	£ 280.00	£ 288.59	-£8.59	£ 293.00	£ 288.59	£4.41	2%
	Couple +1 child	£ 345.00	£ 362.27	-£17.27	£ 366.00	£ 362.27	£3.73	1%
	Couple +2 children	£ 400.00	£ 424.41	-£24.41	£ 429.00	£ 424.41	£4.59	1%
25%	Single	£ 300.00	£ 305.11	-£5.11	£ 310.00	£ 305.11	£4.89	2%
	Single +1 child	£ 365.00	£ 378.79	-£13.79	£ 383.00	£ 378.79	£4.21	1%
	Single +2 children	£ 420.00	£ 440.93	-£20.93	£ 446.00	£ 440.93	£5.07	1%
	Couple	£ 340.00	£ 353.59	-£13.59	£ 358.00	£ 353.59	£4.41	1%
	Couple +1 child	£ 405.00	£ 427.27	-£22.27	£ 431.00	£ 427.27	£3.73	1%
	Couple +2 children	£ 460.00	£ 489.41	-£29.41	£ 494.00	£ 489.41	£4.59	1%

This table contans the same data as above but shows the current and proposed income bands side by side for comparison purposes.
It highlights where the UC rates will exceed the current income band due to the government's uprating of benefits to reflect inflation.

		2022/2023	2023/2024			
Income Bands		Current Band	Proposed Band	NEW UC rate	Band change	% change
100%	Single	£ 100.00	£ 100.00	£ 85.09	£ -	0%
	Single +1 child	£ 165.00	£ 165.00	£ 157.79	£ -	0%
	Single +2 children	£ 220.00	£ 220.00	£ 220.00	£ -	0%
	Couple	£ 140.00	£ 140.00	£ 133.57	£ -	0%
	Couple +1 child	£ 205.00	£ 213.00	£ 206.27	£ 8.00	4%
	Couple +2 children	£ 260.00	£ 276.00	£ 268.48	£ 16.00	6%
75%	Single	£ 180.00	£ 180.00	£ 175.11	£ -	0%
	Single +1 child	£ 245.00	£ 253.00	£ 247.80	£ 8.00	3%
	Single +2 children	£ 300.00	£ 316.00	£ 310.01	£ 16.00	5%
	Couple	£ 220.00	£ 228.00	£ 223.59	£ 8.00	4%
	Couple +1 child	£ 285.00	£ 301.00	£ 296.28	£ 16.00	6%
	Couple +2 children	£ 340.00	£ 364.00	£ 358.49	£ 24.00	7%
45%	Single	£ 240.00	£ 245.00	£ 240.11	£ 5.00	2%
	Single +1 child	£ 305.00	£ 318.00	£ 313.79	£ 13.00	4%
	Single +2 children	£ 360.00	£ 381.00	£ 375.93	£ 21.00	6%
	Couple	£ 280.00	£ 293.00	£ 288.59	£ 13.00	5%
	Couple +1 child	£ 345.00	£ 366.00	£ 362.27	£ 21.00	6%
	Couple +2 children	£ 400.00	£ 429.00	£ 424.41	£ 29.00	7%
25%	Single	£ 300.00	£ 310.00	£ 305.11	£ 10.00	3%
	Single +1 child	£ 365.00	£ 383.00	£ 378.79	£ 18.00	5%
	Single +2 children	£ 420.00	£ 446.00	£ 440.93	£ 26.00	6%
	Couple	£ 340.00	£ 358.00	£ 353.59	£ 18.00	5%
	Couple +1 child	£ 405.00	£ 431.00	£ 427.27	£ 26.00	6%
	Couple +2 children	£ 460.00	£ 494.00	£ 489.41	£ 34.00	7%

Council Tax Support Fund guidance

About this guidance

1. This guidance is intended to support local authorities in using their allocation from the £100m Council Tax Support Fund, announced alongside the 2023-24 provisional Local Government Finance Settlement:

   "We are also today announcing £100 million of additional funding for local authorities to support the most vulnerable households in England. This funding will allow councils to deliver additional support to the 3.8 million households already receiving council tax support, whilst also providing councils with the resources and flexibility to determine the local approaches to support other vulnerable households in their area"

2. The funding is for the 2023-24 financial year. Provisional allocations for each local authority are set out at Annex A, with final allocations to be confirmed at the final Local Government Finance Settlement.

3. This guidance applies to England only. It outlines the underpinning principles for use of the fund and expected eligibility criteria for delivery of the support package.

4. Any enquiries on this document or use of the fund should be addressed to: Council.tax@levellingup.gov.uk

Introduction

5. Council tax levels are a matter for local authorities to decide although the Government sets referendum principles so that residents can have the final say over excessive increases. At Autumn Statement 2022 the Government announced its intention to increase referendum principles to 3% for core council tax and up to 2% for the Adult Social Care precept, with additional flexibilities for some other authority types for both 2023-24 and 2024-25.

6. Recognising the impact of rising bills, the Government will be distributing £100m of new grant funding in 2023-24 for local authorities to support economically vulnerable households in their area with council tax payments.

7. Funding will be allocated to councils based on their share of local council tax support claimants according to the latest data. The Government expects local authorities to use the majority of their funding allocations to reduce bills for current working age and pension age Local Council Tax Support (LCTS) claimants by up to £25. Councils can use their remaining allocation as they see fit to support vulnerable households with council tax bills.

8. This document provides guidance to authorities about the operation and delivery of the relief.

Minimum reduction in council tax liability for local council tax support claimants

9. The Government recognises that council tax increases set by local authorities may mean some individuals may struggle to meet council tax payments.

10. Local authorities are required to put in place LCTS schemes to offer council tax reductions to those facing financial hardship and will be preparing their schemes for 2023-24 by the statutory deadline of 11 March.

11. To supplement this local support, the Government expects that billing authorities will use their grant allocation to fund further reductions in the council tax liability of individuals receiving LCTS with an outstanding council tax liability, by up to £25. Local authorities are also able to use a proportion of their allocations to determine their own local approaches to supporting economically vulnerable households with council tax bills.

12. The discount should apply to current LCTS claimants that have an outstanding council tax liability for the 2023-24 financial year. Government expects councils to deliver this using their discretionary powers under s13A(1)(c) of the Local Government Finance Act 1992.

13. Funding will be allocated to local authorities on the basis of their share of the LCTS claimants, based on Q2 data from 2022-23. The money will be paid out as soon as possible to local authorities through a grant under section 31 of the Local Government Act 2003.

14. Where a taxpayer's liability for 2023-24 is, following the application of council tax support, less than £25, then their liability would be reduced to nil. Where a taxpayer's liability for 2023-24 is nil, no reduction to the council tax bill will be available and those bills should not be credited.

15. There should be no need for any recipient of LCTS to make a separate claim for a reduction under this scheme. The billing authority should assess who is eligible for support and automatically apply the discount.

16. Council tax reductions should be applied from the beginning of the 2023-24 financial year for existing LCTS recipients and discounts should be reflected in council tax bills issued in March. It is for local authorities to decide how to treat households that become eligible for LCTS during the financial year.

17. Authorities will want to make their local populations aware of how the grant support package will be delivered e.g. through providing information on their websites.

18. It is the Government's intention that any assistance provided from the Council Tax Support Fund will not affect the eligibility of recipients for other benefits.

Discretionary support

19. The Government recognises that existing support mechanisms vary locally, including LCTS schemes, discretionary council tax discount/hardship schemes and local welfare schemes. Councils will want to consider using a proportion of their allocation to establish their own local approach to helping economically vulnerable households with council tax bills.

20. Local authorities should revisit their discretionary approach at intervals during the financial year, in order to ensure expenditure for 2023-24 remains within their allocation.

Funding allocations

21. The funding is for the 2023-24 financial year. Allocations are set out in annex A and should be used within the 2023-24 financial year.

Monitoring and reporting requirements

22. Local authorities should maintain a record of support provided. In particular, councils should ensure that they are able to monitor and report on the level of expenditure provided to LCTS claimants through the provision of additional discounts. Local authorities should also maintain records of the mechanisms and levels of support provided through discretionary schemes.

23. The Department for Levelling Up, Housing and Communities will undertake a quarterly DELTA collection exercise to monitor implementation progress. Councils should therefore ensure they put in place arrangements to support this data collection process.

New burdens

24. The Government recognises that the implementation of this policy will place an additional burden on local authorities. In accordance with the New Burdens doctrine the government will conduct an assessment of the expected reasonable additional costs associated with the implementation of the policy, such as staffing and software costs, working closely with local government in doing so.

Annex A: Funding allocations

Local authority	Funding allocation (£)
Adur	94,903
Allerdale	186,117
Amber Valley	217,269
Arun	239,565
Ashfield	257,460
Ashford	227,310
Babergh	117,858
Barking & Dagenham	405,573
Barnet	748,633
Barnsley	612,616
Barrow-in-Furness	153,938
Basildon	352,416
Basingstoke & Deane	204,091
Bassetlaw	197,239
Bath & North East Somerset	246,760
Bedford	282,075
Bexley	361,139
Birmingham	3,035,699
Blaby	103,390
Blackburn with Darwen	406,100
Blackpool	502,981
Bolsover	166,562
Bolton	617,940
Boston	113,325
Bournemouth, Christchurch & Poole	636,995
Bracknell Forest	128,690
Bradford	1,150,728
Braintree	200,744
Breckland	213,105
Brent	722,279
Brentwood	87,788
Brighton and Hove	491,912
Bristol	885,177
Broadland	156,284
Bromley	365,066
Bromsgrove	104,391
Broxbourne	143,871
Broxtowe	171,201
Buckinghamshire UA	634,939
Burnley	260,042
Bury	346,328
Calderdale	436,224
Cambridge	176,076
Camden	592,139

Cannock Chase	191,072
Canterbury	253,928
Carlisle	195,948
Castle Point	114,090
Central Bedfordshire	349,148
Charnwood	202,984
Chelmsford	184,879
Cheltenham	173,493
Cherwell	164,691
Cheshire East	521,192
Cheshire West and Chester	536,293
Chesterfield	237,588
Chichester	170,515
Chorley	170,884
City of London	6,747
Colchester	232,528
Copeland	141,156
Cornwall	1,102,683
Cotswold	102,731
Coventry	694,474
Craven	65,413
Crawley	183,561
Croydon	695,634
Dacorum	195,131
Darlington	247,867
Dartford	177,631
Derby	438,385
Derbyshire Dales	83,755
Doncaster	642,266
Dorset	591,427
Dover	233,609
Dudley	640,236
Durham	1,439,998
Ealing	630,696
East Cambridgeshire	95,062
East Devon	216,504
East Hampshire	113,510
East Hertfordshire	136,992
East Lindsey	324,427
East Riding of Yorkshire	511,019
East Staffordshire	161,924
East Suffolk	404,835
Eastbourne	216,346
Eastleigh	130,667
Eden	75,269
Elmbridge	139,707

Enfield	934,856
Epping Forest	156,653
Epsom and Ewell	70,525
Erewash	218,349
Exeter	186,776
Fareham	99,331
Fenland	190,492
Folkestone & Hythe	250,502
Forest of Dean	136,280
Fylde	135,015
Gateshead	525,224
Gedling	172,624
Gloucester	221,275
Gosport	123,604
Gravesham	163,768
Great Yarmouth	267,185
Greenwich	557,904
Guildford	104,602
Hackney	709,312
Halton	306,269
Hambleton	111,217
Hammersmith & Fulham	352,442
Harborough	78,063
Haringey	719,854
Harlow	175,681
Harrogate	190,360
Harrow	346,275
Hart	70,657
Hartlepool	348,937
Hastings	236,560
Havant	221,354
Havering	364,539
Herefordshire	304,556
Hertsmere	162,424
High Peak	151,065
Hillingdon	474,359
Hinckley & Bosworth	129,165
Horsham	145,531
Hounslow	483,109
Huntingdonshire	182,111
Hyndburn	182,691
Ipswich	276,356
Isle of Wight	265,261
Isles of Scilly	1,950
Islington	665,089
Kensington & Chelsea	360,401

Kings Lynn & West Norfolk	250,054
Kingston upon Hull	798,075
Kingston upon Thames	212,103
Kirklees	922,390
Knowsley	470,169
Lambeth	624,687
Lancaster	264,180
Leeds	1,662,116
Leicester	656,313
Lewes	168,249
Lewisham	557,403
Lichfield	130,851
Lincoln	222,803
Liverpool	1,722,389
Luton	299,337
Maidstone	253,164
Maldon	85,917
Malvern Hills	102,125
Manchester	1,286,349
Mansfield	223,989
Medway	411,292
Melton	56,478
Mendip	158,023
Merton	266,684
Mid Devon	97,776
Mid Suffolk	114,116
Mid Sussex	151,355
Middlesbrough	473,542
Milton Keynes	420,886
Mole Valley	87,471
New Forest	208,018
Newark & Sherwood	175,971
Newcastle upon Tyne	992,046
Newcastle-under-Lyme	212,367
Newham	770,798
North Devon	169,382
North East Derbyshire	179,476
North East Lincolnshire	340,583
North Hertfordshire	191,810
North Kesteven	142,500
North Lincolnshire	268,054
North Norfolk	203,643
North Northamptonshire	460,101
North Somerset	310,960
North Tyneside	426,684
North Warwickshire	99,805

North West Leicestershire	124,315
Northumberland	654,441
Norwich	347,698
Nottingham	817,735
Nuneaton & Bedworth	235,348
Oadby & Wigston	64,701
Oldham	572,847
Oxford	244,230
Pendle	203,327
Peterborough	314,122
Plymouth	607,135
Portsmouth	349,016
Preston	315,414
Reading	208,967
Redbridge	452,538
Redcar & Cleveland	361,113
Redditch	146,506
Reigate & Banstead	142,553
Ribble Valley	55,503
Richmond upon Thames	220,115
Richmondshire	54,871
Rochdale	552,633
Rochford	95,958
Rossendale	134,857
Rother	170,647
Rotherham	605,896
Rugby	134,304
Runnymede	79,433
Rushcliffe	123,446
Rushmoor	125,923
Rutland	33,919
Ryedale	80,435
Salford	687,701
Sandwell	831,308
Scarborough	256,537
Sedgemoor	188,410
Sefton	648,881
Selby	117,226
Sevenoaks	159,420
Sheffield	1,138,025
Shropshire	403,570
Slough	253,296
Solihull	339,502
Somerset West & Taunton	278,069
South Cambridgeshire	156,547
South Derbyshire	126,687

South Gloucestershire	290,245
South Hams	130,930
South Holland	130,193
South Kesteven	195,210
South Lakeland	123,367
South Norfolk	181,400
South Oxfordshire	131,563
South Ribble	145,926
South Somerset	247,208
South Staffordshire	144,925
South Tyneside	463,844
Southampton	503,244
Southend-on-Sea	331,121
Southwark	628,482
Spelthorne	116,356
St Albans	158,708
St Helens	388,127
Stafford	172,887
Staffordshire Moorlands	123,103
Stevenage	137,677
Stockport	511,836
Stockton-on-Tees	451,879
Stoke-on-Trent	597,541
Stratford-on-Avon	165,429
Stroud	148,746
Sunderland	819,369
Surrey Heath	60,511
Sutton	308,034
Swale	256,880
Swindon	283,630
Tameside	455,437
Tamworth	131,563
Tandridge	93,533
Teignbridge	244,335
Telford & Wrekin	355,710
Tendring	325,376
Test Valley	123,077
Tewkesbury	125,264
Thanet	344,747
Three Rivers	98,620
Thurrock	244,151
Tonbridge & Malling	171,938
Torbay	334,257
Torridge	103,495
Tower Hamlets	761,046
Trafford	347,250

Tunbridge Wells	146,480
Uttlesford	84,546
Vale of White Horse	123,103
Wakefield	778,177
Walsall	735,588
Waltham Forest	407,893
Wandsworth	383,514
Warrington	321,212
Warwick	191,494
Watford	142,237
Waverley	117,226
Wealden	177,025
Welwyn Hatfield	162,530
West Berkshire	138,468
West Devon	85,969
West Lancashire	229,550
West Lindsey	160,263
West Northamptonshire	495,997
West Oxfordshire	114,643
West Suffolk	227,547
Westminster	416,063
Wigan	659,317
Wiltshire	676,342
Winchester	150,512
Windsor & Maidenhead	113,299
Wirral	789,483
Woking	100,016
Wokingham	103,153
Wolverhampton	660,529
Worcester	170,225
Worthing	146,401
Wychavon	179,950
Wyre	235,954
Wyre Forest	210,311
York	214,818

T&C Review - Proposed grade changes from 1 April 2023

Main grades

SCP	Per annum*	Current
LW01	19,048	Living Wage/Casual entry rate
1	20,258	Scale 2
2	20,441	£20,258 - £21,575
3	20,812	
4	21,189	
5	21,575	
6		
7	22,369	Scale 3
8	22,777	£22,369 - £24,496
9	23,194	
10	23,620	
11	24,054	
12	24,496	
13		
14		
15		
16		
17		
18		
19	27,852	Scale 4
20	28,371	£27,852 - 31,099
21	28,900	
22	29,439	
23	30,151	
24	31,099	
25		
26		
27	33,820	Scale 5
28	34,723	£33,820 - £38,296
29	35,411	
30	36,298	
31	37,261	
32	38,296	
33		
34		
35	41,496	Scale 6
36	42,503	£41,496 - £46,549
37	43,516	
38	44,539	
39	45,495	
40	46,549	
41	47,573	Scale 7
42	48,587	£47,573 - £53,272
43	49,590	
44	50,801	
45	52,007	
46	53,272	
47	54,551	Scale 8
48	55,863	£54,551 - £60,428
49	57,215	
50	58,244	
51	59,340	
52	60,428	
53		
54	62,605	Scale 9
55	63,690	£62,605 - £68,689
56	64,775	
57	65,861	
58	67,390	
59	68,689	

Proposed	SCP	Per annum*
Living Wage/Casual entry rate	LW01	20,048
	1	
	2	
	3	
	4	
Scale 2	5	21,575
£21,575 - £22,369	6	21,968
	7	22,369
Scale 3	8	22,777
£22,777 - £24,498	9	23,194
	10	23,620
	11	24,054
	12	24,496
	13	24,948
	14	
	15	
	16	
	17	
	18	
	19	
Scale 4	20	28,371
£28,371 - £32,020	21	28,900
	22	29,439
	23	30,151
	24	31,099
	25	32,020
	26	
	27	
Scale 5	28	34,723
£34,723 - £39,493	29	35,411
	30	36,298
	31	37,261
	32	38,296
	33	39,493
	34	
	35	
Scale 6	36	42,503
£42,503 - £47,573	37	43,516
	38	44,539
	39	45,495
	40	46,549
	41	47,573
Scale 7	42	48,587
£48,587 - £54,551	43	49,590
	44	50,801
	45	52,007
	46	53,272
	47	54,551
Scale 8	48	55,863
£55,863 - £61,515	49	57,215
	50	58,244
	51	59,340
	52	60,428
	53	61,515
	54	
Scale 9	55	63,690
£63,690 - £69,939	56	64,775
	57	65,861
	58	67,390
	59	68,689
	60	69,939

Senior management grades & CX

SCP	Per annum*	Current
68	72,603	**Scale 10**
69	73,905	£72,603 - £79,329
70	75,215	
71	76,516	
72	78,036	
73	79,329	
74		
75		
76	83,887	**Scale 11**
77	85,404	£83,887- £91,471
78	86,922	Not currenly in use
79	88,432	
80	89,960	
81	91,471	
82		
83		
84	93,955	**Scale 12**
85	96,920	£93,955 - £106,175
86	100,004	
87	103,090	
88	106,175	
89	108,259*	**Scale 13**
90	111,493	£108,259 - £121,068
91	114,684	Not currenly in use
92	117,876	
93	121,068	

94	123,196	**CX**
95	126,919	123,196 - 130,642
96	130,642	

Proposed	SCP	Per annum*
	68	
Scale 10	69	73,905
£73,905 - £80,675	70	75,215
	71	76,516
	72	78,036
	73	79,329
	74	80,675
	75	
	76	
Scale 11	77	85,404
£85,404 - £92,988	78	86,922
Not currenly in use	79	88,432
	80	89,960
	81	91,471
	82	92,988
	83	
	84	
Scale 12	85	96,920
£96,920 - £111,493	86	100,004
	87	103,090
	88	106,175
	89	109,230*
	90	111,493
Scale 13	91	114,684
£114,684 - £121,068	92	117,876
Not currenly in use	93	121,068

	94	
CX	95	126,919
126,919 - 138,088	96	130,642
	97	134,365
	98	138,088

*SCP 89 (local scale point) - revalued in 'proposed' co
to maintain average differential/gap between scale poi

CAB3389
CABINET

REPORT TITLE: CAPITAL INVESTMENT STRATEGY 2022-2032

9 FEBRUARY 2023

REPORT OF CABINET MEMBER: Cllr Margot Power, Cabinet Member for Finance and Value

Contact Officer: Liz Keys Tel No: 01962 848226 Email: lkeys@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. At a time when financial resources are under pressure, careful decisions must be made when considering capital investments in order for the council to deliver the objectives of the council plan, and to achieve the best outcomes possible for its citizens.

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 Appendix F.

That Cabinet:

2. Subject to Council approval of the capital programme, approves

    - IMT equipment and software expenditure (£120,000 in 2023/24) as detailed in paragraph 11.8.7; and
    - up to £320,000 of additional expenditure for the demolition of Friarsgate Medical Centre in respect of the overage payable as detailed in paragraph 11.2.4.

3. Delegate authority to the Corporate Head of Service: Economy & Communities, in consultation with the S151 officer, to incur capital expenditure in accordance with the requirements of the UK Shared Prosperity Fund as detailed in paragraph 11.2.4.

4. Notes the requirement to ensure Members have the right knowledge and skills to undertake their governance role and that the ongoing support and training offered to members is continued and enhanced as required.

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.

1.2. More detail on specific projects supporting the priorities in the Council Plan is set out in section 11.2

2. FINANCIAL IMPLICATIONS AND COMMENTS OF THE S151 OFFICER

2.1. The forecast capital programme over the next 10 years to 2032/33 totals £470.0 million of which £37.4 million is General Fund and £432.6 million is Housing Revenue Account.

2.2. The proposed financing is made up of £188.5 million of prudential borrowing, £136.3 million from revenue including earmarked reserves, £108.2 million of capital receipts and £37.0 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 (CAB3390).

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 always key considerations within the capital strategy and are particularly important given the constraints on the local government sector in terms of the funding available and the prevailing economic conditions. The strategy aims to support the key regeneration and place shaping priorities in the Council Plan as well as helping the council achieve its ambitious carbon neutral goals and, in the HRA, providing much needed new housing. 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. As a consequence of high inflation and the increased cost of borrowing available to the council, a number of schemes have been paused from the programme while consideration is given to value engineering, alternative proposals or meanwhile uses while projects are paused until the economic environment improves. The Strategic Asset Purchase Scheme (SAPS) budget has been reduced to £4m following changes to the Public Works Loan Board (PWLB) lending criteria and the Prudential Code which mean that the council can no longer make purchases primarily for yield – surplus income from such investments cannot be used to support wider services but should be incidental and support the viability of the scheme or similar schemes elsewhere in the district. The total budget 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. Should potential purchases be identified in excess of the allocated budget, approvals will be sought through the usual governance processes as defined by the constitution.

2.8. Over the next ten years, the strategy forecasts up to £470.0m of capital spend of which £432.6m is HRA and £37.4m is General Fund. Whilst this is an ambitious programme of works, the council has a long history of successfully managing and acquiring assets to support its objectives while minimising the associated risks. The proposed programme is considered affordable, sustainable, and prudent. The council also utilises its treasury management advisors, Arlingclose, to consider the implications of the prudential code and the impact on its treasury management strategy.

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. The Programme and Capital Board (PAC) plays a key role in ensuring that this process takes place when considering business case and gateway decisions.

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 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. The council held a Residents Survey in 2022 and the views of a representative sample of over 1,700 residents across the district were sought. In addition to feedback on local priorities; views on emerging policy; and the relative perceived importance of council services; questions were asked on how to balance the budget to inform development of the Capital Strategy. Specifically:

- 74% agreed that the council should maximise use of its assets.
- 54% agreed that the council should dispose of council buildings.

6.2. Appropriate engagement and consultation is undertaken for all individual projects and schemes.

6.3. The Scrutiny Committee discussed the report at its meeting held on 7 February 2023. Due to the dispatch date of Cabinet 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. PUBLIC SECTOR EQUALITY DUTY

8.1. The council is committed to ensuring its services are accessible to all its residents and that full consideration is given to obligations under the Public Sector Equality Duty in addition to any consultation comments.

8.2. Under the Council's Financial Procedure Rule 7.4, the inclusion of a scheme in the capital programme shall not constitute authority to incur expenditure until a full project report has been submitted by the appropriate Service Lead in consultation with their Corporate Head of Service and the S151 officer and approved in line with the limits set out in the constitution. As part of the approval to spend for each scheme, an Equality Impact Assessment must be completed before the project can proceed.

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**
Property Council assets not fully utilised	An effective capital strategy and its delivery helps to ensure council assets are used to achieve the council's priorities	Investment in the council's assets can increase income generation Identification of assets suitable for sale can generate capital receipts which can be reinvested in assets or used to reduce the overall borrowing need.
Community Support 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
Timescales 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	
Project capacity Failure to deliver major capital	Ensure robust business cases are taken forward	Consideration of a wide base of potential capital /

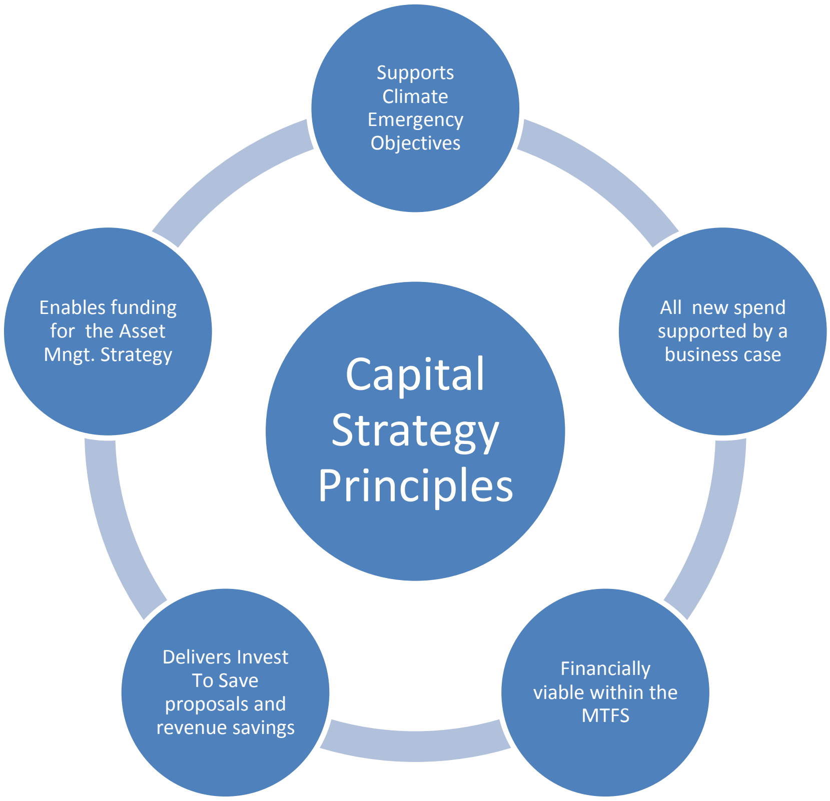
schemes due to insufficient staff resources	and sufficient resources are available to deliver the projects.	investment schemes to enable a balanced risk portfolio and other schemes to be chosen should any schemes not progress
Financial / VfM	Detailed elsewhere within the report	In some cases projects may generate savings or new income in addition to achieving the council's objectives
Legal	Considered as part of the approval process for individual capital schemes	None
Innovation	Considered as part of the approval process for individual capital schemes	Strategy includes new schemes to innovate
Reputation	Considered as part of the approval process for individual capital schemes	Delivering council objectives via the capital programme can enhance the council's reputation

11. SUPPORTING INFORMATION:

11.1. Purpose

11.1.1. The council is in a privileged position to be able to invest in local projects that directly improve the quality of life for local people, support the economy or protect the environment. Therefore 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. However, financial pressures across the sector mean that the principles which underpin the strategy are carefully considered when prioritising schemes in the Capital Strategy. The Strategy sets out the council's capital spending programme and the principles which underpin this to deliver the Council Plan:

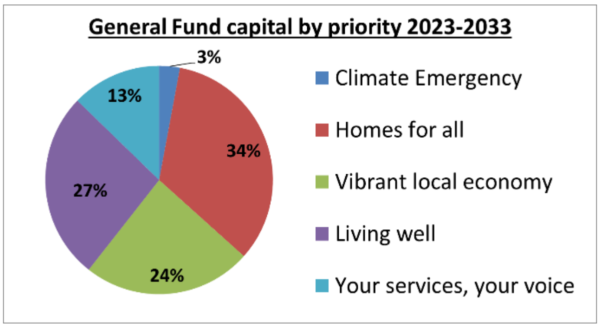


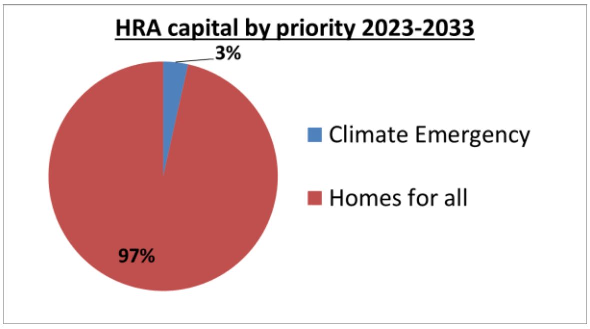
11.1.3. The council's capital programme incorporates both the General Fund (GF) and the Housing Revenue Account (HRA) capital requirements to support service provision and links with the Council Plan, Housing Business Plan, the Asset Management Strategy, IMT strategy and Medium Term Financial Strategy. 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 medium term. 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. <u>The Capital Programme</u>

11.2.1. The council has made further progress in 2022/23 in delivering its capital programme. In the General Fund, projects completed or due to complete this year include:

- The decarbonisation of City Offices via the removal of asbestos and the installation of modern windows throughout. This work was partially funded (£260,000) by a grant from the Public Sector Decarbonisation Scheme fund.
- Important repair works at the Weirs, which has involved the replacement of the timber piles and the filling of voids beneath the footpath next to the River Itchen to mitigate against the risk of collapse and potential flooding.
- Play area refurbishments at Abbey Gardens and North Walls, designed to be inclusive and enable children of all abilities to play and learn together.
- Over £0.5m of grants paid over for community projects funded by the Community Infrastructure Levy (CIL), providing money direct to local groups
- Disabled facilities grants (totalling over £0.8m by the end of December) enabling those in private or housing association properties to stay in their homes by funding necessary adaptions

11.2.2. In addition to the required investment in major works to the existing stock to maintain the current decent homes standard, significant additional funding towards a challenging new build programme is included within the programme to facilitate the delivery of the council's objective of 1000 new homes for local people within the life of the current 10 year plan, major projects included are:

- 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) – 12 complete
- Barton Farm with 60 units 45 affordable rent and 15 shared ownership)
- Southbrook Cottages (6 units of affordable) delivered to Passive House standard

11.2.3. Over the period 2023 to 2033, the council's total estimated capital expenditure is £470.0m of which £37.4m is General Fund and £432.6m is Housing Revenue Account. The following table summarises the capital programme by year for the period. Further detail by project is included in Appendix A.

Capital Expenditure 2023 - 2033	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	TOTAL Est.
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
General Fund	16.4	6.2	2.1	2.1	1.8	1.8	1.8	1.9	1.7	1.6	**37.4**
HRA	30.0	49.3	50.7	47.7	43.6	44.2	44.1	48.3	46.6	28.0	**432.6**
Total Expenditure	**46.4**	**55.5**	**52.8**	**49.8**	**45.4**	**46.0**	**45.9**	**50.2**	**48.3**	**29.6**	**470.0**

11.2.4. The programme includes the following **key projects** (quoted budget figures are for the period 2023-2033 and do not include prior years):

Priority: Tackling the Climate Emergency & creating a greener district (£16.2m)

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

- £15.1 m 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, a further £1m budget has been allocated for **energy management projects** over 4 years from 2023/24 provisionally funded by prudential borrowing. Expenditure will be subject to a business case as new projects are identified and the council will seek to identify external grant funding where possible. 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.

- 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 were installed at the new Sport & Leisure Park and the new decked car park at the former Vaultex site. The design of new pavilion at King George V playing fields includes elements to ensure a sustainable and energy efficient building such as high performance insulation and solar PV.

- Furthermore, the Carbon Neutrality Roadmap, which details how the council's ambitious carbon neutrality targets will be met, has indicated significant work is required by the council to reduce its carbon footprint. This is likely to require additional capital projects which, once identified and costed, will be included in the capital programme.

Priority: Homes for all (£430.1m)

- Over the next 10 years, £314m has been budgeted for the council's New Build programme to enable the delivery of **one thousand council homes**.

- An estimated £93m will be spent on major repairs and maintenance of our existing housing stock including £0.5m to improve fire safety; £20m on roof replacements; £18m on heating and hot water systems; £16m on communal areas works; and £15m on new kitchens.

- In order to support those who might be unable to easily access the private sector rental market a budget of £0.3m is allocated for the establishment of a **Housing Company**, based on a leasing model, which will support the delivery of alternative tenures. The company will be a wholly-owned subsidiary of the council.

- An estimated £12.3m of Disabled Facilities Grant to enable people to stay in their own homes where possible by providing necessary adaptions to private homes in addition to £9m for adaptions to the council's own stock.

Priority: Vibrant local economy (£9.0m)

- 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 other similar schemes. In prior years, an allocation of just over £20m remained for the SAPS scheme. Following changes to the PWLB lending terms and the Prudential Code, the council can no longer purchase assets primarily for yield and must do so for service reasons only, including regeneration. Any surplus income must be incidental to the scheme or recycled in similar schemes elsewhere and cannot be used to fund wider services. The SAPS board (see section 11.10) can approve purchases up to £4m if the minimum score criteria is met. Any other purchases must follow the usual governance process as defined by the constitution. For these reasons, the budget allocation has been reduced to £4m in 2023/24.

- A budget of £0.7m has been allocated for the demolition of **Friarsgate medical centre**, and the installation of an interim open space focused on archaeological works 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). As expected when we purchased the site, index-linked overage is payable when development commences. Works planned are expected to trigger the overage which is estimated to be up to £320,000 depending on the date it is triggered, at which point the amount of indexation will become payable.

- Works to **Kings Walk** at a cost of £0.3m including: ground floor & public realm - external greening, lighting, internal alterations to create a refreshed image and to enhance connectivity and visibility between Kings Walk and the High Street.

- In addition, a total of £3.95m 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 (£10.0m)

- Following a successful application, the council has been awarded grant funding of £1.0m (of which a minimum of £0.46m is to be spent on capital) as part of the **UK Shared Prosperity Fund (UKSPF)** the primary goal of which is to “build pride in place and increase life chances across the UK”. This funding will support projects over the next two years led by both the council and by key stakeholders and partners. In addition, the council has been awarded a further £0.75m from the **Rural England Prosperity Fund** which is a top-up to the UKSPF and supports capital projects that address the particular challenges rural areas face. As well as supporting the Living Well priority, projects will help the district achieve its Climate Emergency and Vibrant Local Economy priorities.

- A budget of £2.5m (£3.3m including prior years) has been allocated to replace the **King George V (KGV) pavilion**. 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 3 years, £0.7m has been allocated for the **replacement or refurbishment of several play areas** that are the responsibility of Winchester Town Forum **and a skate park** at the King George V playing fields.

- **Community Infrastructure Levy (CIL) – Community projects.** In addition to previous years, £0.8m of CIL funded capital grants have been awarded to community groups for projects expected to take place in 2023/24 as well as £0.3m available for new grant applications. 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 including cycling bikes, gym equipment, and group exercise equipment at **Meadowside Leisure Centre**.

- Proposal for the future use of the old **River Park Leisure Centre site** have not been determined but £2m has been included in 2024/25 for the demolition of the existing building in order when required. 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 (£4.8m)

- 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 by at least 60,000 kg CO_2 per annum 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.

- Proposals to develop the former depot at Bar End have not been finalised but it will be necessary to relocate the bone store to F2. A total budget of £150,000 is required of which £75,000 is capital (new racking) and £75,000 revenue (relocation costs).

- 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.

11.2.5. 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 is being 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.

- Since the Capital Strategy 2022-2032 was set, the cost of borrowing has increased considerably (the 40 year annuity rate at the end of 2021 was circa 2% and at the end of 2022 was 4.8%). This coupled with significant construction inflation over the past year means several schemes included in the prior capital strategy that had not yet commenced had insufficient budget provision and/or are no longer viable. As a consequence, the following budgets have been removed from the programme while consideration is given to value engineering, alternative proposals or meanwhile uses while projects are paused until the economic environment improves: the Goods Shed (£5m), 59 Colebrook Street (£0.55m), the Casson Block (£0.7m). In addition, a budget of £0.5m has been removed in respect of the refurbishment of 158-159 High Street while negotiations continue with regards to Central Winchester Regeneration (CWR). Once WCC have appointed a development partner for the CWR site 158-159 High Street may then be considered within the wider regeneration scheme.

- Survey work has been undertaken to identify the costs of refurbishment the council's **public conveniences** throughout the district in line with council's Pride of Place objectives. Consideration will be given to the level of refurbishment required, the phasing of works, and the future management of some public conveniences where appropriate. A business case will be brought forward in due course. A sum of £200,000 has been included in the car parks budget in 2023/24 to enable the priority refurbishment of public conveniences in Chesil and Worthy Lane parks as part of the initial phase.

- A number of potential schemes will be required in respect of the **Winchester Movement Strategy**. Where possible, external funding sources will be explored including Community Infrastructure Levy (CIL) contributions and grant funding such as the Local Enterprise Partnership (LEP).

- As stated in the Asset Management Strategy (CAB3777 refers), the council's non-housing property assets play a significant role in generating rental income and creating opportunity for social, economic, environmental, cultural and regeneration interventions. As part of this it essential that sufficient funds are set aside in the Property Reserve and survey work is to be commissioned to establish the total needs of the estate over the next several years with a key tenet being the decarbonisation of the council's estate. It is essential to regularly review the performance of the council's property portfolio and make active decisions on retention, disposal or rental/leasing options to best support council objectives. Part of the remit of the council's Property Board, a member/officer group, is "Asset Challenge" which commenced in 2018/19 and involves reviewing the council's assets on a rolling basis to ensure the best use is made of them and, where appropriate, recommend investment in or disposal of assets.

- **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.

- **Future of Waste -** new services for food waste and other changes to waste and recycling collection will be introduced in early 2025. This will require additional capital investment in refuse vehicles and new bins for homes. Whilst the government has committed to new burdens funding for collection authorities, the amount is unknown and we expect the nationwide need for food waste refuse vehicles and new bins for homes to drive up the prices which will require the council supplement new burdens funding and to this end a reserve of £500,000 will be created (CAB3388 refers).

- **GIS 3D Mapping tool** - the introduction of 'spatial data visualisation' for the Planning service. Procuring a tool to digitally map places will help people visualise planning applications, regeneration schemes and the design of wider areas. This tool will help the council's customers understand the impact of future planning applications and regeneration schemes by presenting a 3D map of what it could look like. It is anticipated that a capital budget of up to £150,000 will be required.

- **Station Approach Public Realm** – Work to explore whether a viable scheme can be brought forward in the Station Approach area is underway. It is envisaged that a strategic case will be submitted to Cabinet in June 2023. Once any master-planning is being considered and consulted on this scheme for the public realm will also be reviewed.

- **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 in due course

- Up to £1m will be required for 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.

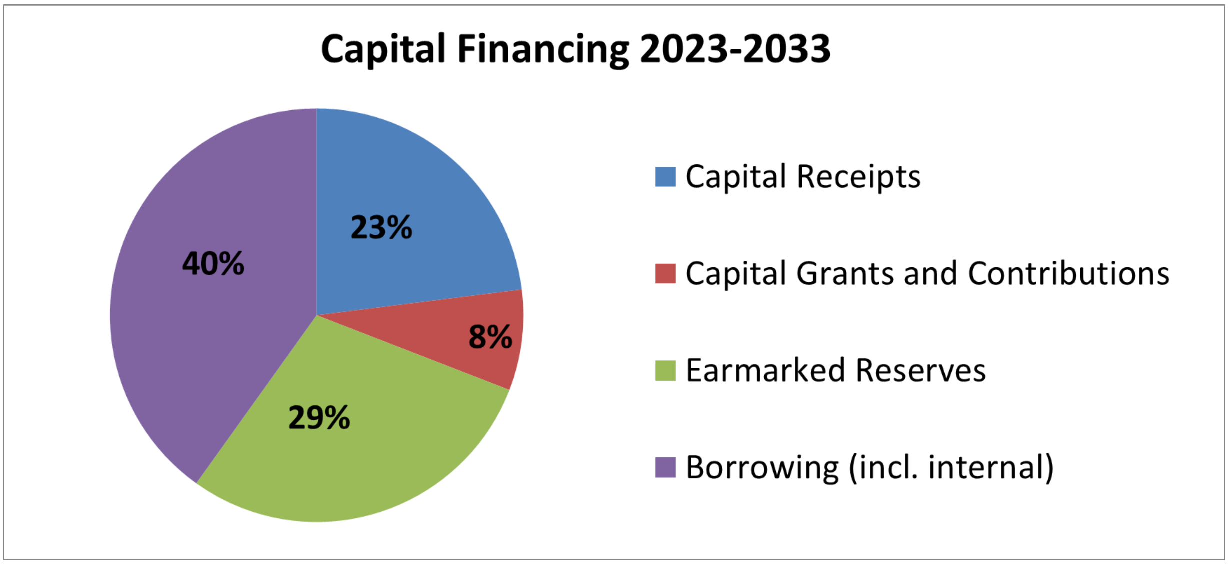
11.3. Financing the Capital Programme

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 2023-2033 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

	2021/22 actual	2022/23 forecast	2023/24 budget	2024/25 budget	2025/26 budget
Minimum Revenue Provision (GF)	1.2	1.5	1.6	1.6	1.6
Reserves (HRA)	0.8	0.0	0.0	0.0	0.0
Total	**2.0**	**1.5**	**1.6**	**1.6**	**1.6**

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 £2.7m during 2023/24 subject to full delivery of the Capital Programme.

Estimates of Capital Financing Requirement (CFR) in £ millions

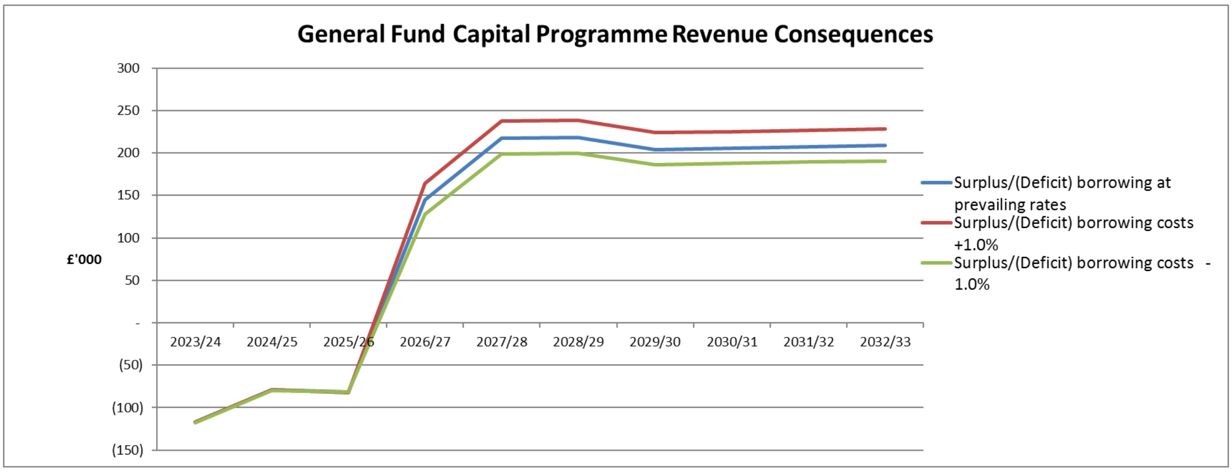
	31.3.2022 actual	31.3.2023 forecast	31.3.2024 budget	31.3.2025 budget	31.3.2026 budget
General Fund	72.8	71.9	74.6	73.7	67.3
Housing Revenue Account	186.0	202.3	202.3	203.8	232.2
TOTAL CFR	**258.8**	**274.2**	**276.9**	**277.5**	**299.5**

11.3.7. Further information including borrowing forecasts and borrowing limits are set out in the Treasury Management Strategy (CAB3390).

11.4. <u>Revenue Consequences of the Capital Programme on the General Fund</u>

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

11.4.2. Part of the council's programme is 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

	2021/22 actual	2022/23 forecast	2023/24 budget	2023/24 budget	2024/25 budget
GF financing costs (£m)	1.3	1.6	1.6	1.8	1.7
GF proportion of net revenue stream	7.0%	9.1%	8.4%	8.6%	9.8%
HRA financing costs (£m)	5.5	6.0	6.8	6.1	7.6
HRA proportion of net revenue stream	17.9%	19.9%	21.1%	17.5%	21.0%

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. <u>The approval process and Project and Programme management</u>

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. <u>Asset Management Strategy (AMS)</u>

11.7.1. The emerging AMS seeks to address both the spending priorities for the maintenance of operational property and the development of the non-operational estate to assist economic development and provide both capital receipts and revenue income streams. The most recent AMS covering the period to 2027 was approved in January 2023 (CAB3377 refers).

11.7.2. The council owns a well located portfolio of property which has the potential to provide an increasing level of income for the council, whilst other sources of income may be restricted in growth. During the first two years of the covid-19 pandemic rental income was under pressure. This was monitored carefully and a “Rent Abatement” programme 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 current economic downtown may be prolonged. 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. However, over the past year there has been a significant increase in construction inflation as well as an increase in the cost of borrowing available to the council. This has resulted in a number of redevelopment schemes being reviewed and removed from the active programme as they are currently either commercially or financially unviable. Possible alternatives, including meanwhile uses, are currently under consideration.

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. <u>IMT Asset Management Plan</u>

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 has introduced hybrid working and staff may work up to 50% of the time remotely. A key element of this is the IT investment to enable flexible working from a range of locations (specifically the roll-out of laptops and hybrid meeting room solutions). 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. This is particularly relevant with the advent of ‘cloud storage’ and a full IT and digital strategy review is planned for 2023/24.

11.8.7. The following table sets out the proposed IMT capital expenditure for 2023/24 to be financed from the IMT reserve:

IMT Capital	***2022/23*** ***Revised forecast***	**2023/24**
	£'000	**£'000**
Equipment	*50*	95
Corporate network	*200*	15
ArcServe backup	*48*	
Telephony replacement		10
Uninterruptable power supply (UPS)	*20*	
Meeting rooms equipment	*80*	
Total	***398***	**120**

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 2023/24 and forecasts to 2032/33. Further detailed information can be found in the Housing budget paper (CAB3387).

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 CAB3390. 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:

Property identified as a potential Strategic Acquisition by the Corporate Head of Asset Management and/or external advisor

▼

Estates to advise SAPS Board members of a prospective asset purchase.

▼

Pre-offer stage: circulate Business Case (to the s151 officer's requirements) of information on full details and cash flow of the potential acquisition to the SAPS Board and Legal Services including full financial implications of purchase are fully understood, before proceeding

▼

Request approval from SAPS & s151 Officer to enter into the bidding process.

▼

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

▼

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

▼

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

11.11. Risk Appetite

11.11.1. The council's Risk Appetite Statement is an integral part of the council's Risk Management Policy. 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 2022 (CAB3338). The Policy is subject to review in March 2023 and the risk appetite detailed below may therefore change.

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 November 2022 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 2023-2033

Appendix B – Capital Programme Financing 2023-2033

Appendix C – Revenue Consequences of General Fund Capital Programme 2023 to 2033

Appendix D – Capital Receipts Reserve Forecast

Appendix E – Minimum Revenue Provision Statement 2023/24

Appendix F – Investment activities

Appendix G – Flexible Use of Capital Receipts Strategy

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Capital Programme 2023-33

	Priority	*2022/23*	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	TOTAL
		Revised	**Forecast**	**Forecast**	**Forecast**	**Forecast**	**Forecast**	**Forecast**	**Forecast**	**Forecast**	**Forecast**	**Forecast**	**2023-2033 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**
King George V Pavilion replacement	Living well	*750*	2,467	-	-	-	-	-	-	-	-	-	**2,467**
IMT Assets	Your services, your voice	*398*	120	185	117	265	140	90	190	85	85	15	**1,292**
SAPS - Car Park at the Dean, Alresford	Vibrant local economy	*-*	600	405	-	-	-	-	-	-	-	-	**1,005**
CIL funded community projects	Living well	*466*	824	-	-	-	-	-	-	-	-	-	**824**
North Walls Pavilion replacement	Living well	*11*	716	-	-	-	-	-	-	-	-	-	**716**
Friarsgate Medical Centre - demolition & interim open space	Vibrant local economy	*70*	700	-	-	-	-	-	-	-	-	-	**700**
Kings Walk improvements	Vibrant local economy	*50*	316	-	-	-	-	-	-	-	-	-	**316**
Chesil Multi Storey car park	Vibrant local economy	*-*	299	-	-	-	-	-	-	-	-	-	**299**
Car Parks	Vibrant local economy	*278*	270	-	-	-	-	-	-	-	-	-	**270**
KGV Park Plan	Living well	*-*	200	-	-	-	-	-	-	-	-	-	**200**
North Walls - new fencing & floodlights, tennis court resurfacing	Living well	*64*	150	-	-	-	-	-	-	-	-	-	**150**
Open Spaces & Recreational Facilities - North Walls	Living well	*-*	150	-	-	-	-	-	-	-	-	-	**150**
Open Spaces & Recreational Facilities - KGV play and skate park	Living well	*120*	124	-	-	-	-	-	-	-	-	-	**124**
Meadowside Leisure centre - new equipment	Living well	*-*	-	22	-	-	-	101	-	-	-	-	**123**
River Park Leisure Centre site - decommissioning	Living well	*100*	120	-	-	-	-	-	-	-	-	-	**120**
Replacement surgery - public realm works	Living well	*-*	100	-	-	-	-	-	-	-	-	-	**100**
Bishop's Waltham footpath & cycle link	Living well	*-*	50	-	-	-	-	-	-	-	-	-	**50**
Guildhall microphones	Your services, your voice	*16*	24	-	-	-	-	-	-	-	-	-	**24**
Winchester Sport & Leisure Park	Living well	*357*	-	-	-	-	-	-	-	-	-	-	**0**
Open Spaces & Recreational Facilities - Abbey Gardens	Living well	*230*	-	-	-	-	-	-	-	-	-	-	**0**
City Offices decarbonisation	Climate Emergency	*139*	-	-	-	-	-	-	-	-	-	-	**0**
The Weirs - essential repairs	Vibrant local economy	*137*	-	-	-	-	-	-	-	-	-	-	**0**
Durngate flood prevention works	Climate Emergency	*100*	-	-	-	-	-	-	-	-	-	-	**0**
Goods Shed, Barfield Close	Vibrant local economy	*93*	-	-	-	-	-	-	-	-	-	-	**0**
Theatre Royal grant	Living well	*68*	-	-	-	-	-	-	-	-	-	-	**0**
Hampshire Community Bank - share purchase	Vibrant local economy	*62*	-	-	-	-	-	-	-	-	-	-	**0**
Stockbridge Rd steps to railway station	Living well	*50*	-	-	-	-	-	-	-	-	-	-	**0**
Decked car park at former Vaultex site	Vibrant local economy	*45*	-	-	-	-	-	-	-	-	-	-	**0**
UK Shared Prosperity Fund - approved schemes	Living well	*18*	-	-	-	-	-	-	-	-	-	-	**0**
Cipher House - EV charging point	Climate Emergency	*13*	-	-	-	-	-	-	-	-	-	-	**0**
Broadway bus shelters	Your services, your voice	*11*	-	-	-	-	-	-	-	-	-	-	**0**
Total Approved*		***4,876***	**8,460**	**1,842**	**1,347**	**1,495**	**1,370**	**1,421**	**1,420**	**1,315**	**1,315**	**1,245**	**21,230**

Capital Programme 2023-33

	Priority	2022/23 Revised £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	2032/33 Forecast £000	TOTAL 2023-2033 Forecast £000
Subject to Appraisal*													
Demolition of former leisure centre at River Park	Living well	-	-	2,000	-	-	-	-	-	-	-	-	**2,000**
Asset Management Plan	Your services, your voice	-	200	200	200	200	200	200	200	200	200	200	**2,000**
Car Parks	Vibrant local economy	-	200	125	180	180	180	180	180	180	180	180	**1,765**
City Offices - refurbishments inc. new lifts, lighting, and heating system	Your services, your voice	-	670	170	-	-	-	-	-	250	-	-	**1,090**
WCFC all weather 3G pitch	Living well	-	1,005	-	-	-	-	-	-	-	-	-	**1,005**
Energy Management Projects	Climate Emergency	-	250	250	250	250	-	-	-	-	-	-	**1,000**
Rural Prosperity Fund	Living well	-	186	559	-	-	-	-	-	-	-	-	**745**
Chesil Multi Storey car park	Vibrant local economy	-	500	120	-	-	-	-	-	-	-	-	**620**
UK Shared Prosperity Fund	Living well	-	24	421	-	-	-	-	-	-	-	-	**445**
Open Spaces & Recreational Facilities - various sites	Living well	-	120	200	120	-	-	-	-	-	-	-	**440**
Housing Company	Homes for all	-	300	-	-	-	-	-	-	-	-	-	**300**
CIL funded community projects - unallocated	Living well	-	300	-	-	-	-	-	-	-	-	-	**300**
West Wing refurbishment - replacement lift	Your services, your voice	-	-	200	-	-	-	-	-	-	-	-	**200**
City Offices - additional solar PV	Climate Emergency	-	100	-	-	-	-	-	-	-	-	-	**100**
Replacement printers	Your services, your voice	-	-	93	-	-	-	-	-	-	-	-	**93**
Relocation of bone store to F2 - racking	Your services, your voice	-	75	-	-	-	-	-	-	-	-	-	**75**
Subject to Appraisal*		**-**	**3,930**	**4,338**	**750**	**630**	**380**	**380**	**380**	**630**	**380**	**380**	**12,178**
Total General Fund		***4,876***	**12,390**	**6,180**	**2,097**	**2,125**	**1,750**	**1,801**	**1,800**	**1,945**	**1,695**	**1,625**	**33,408**

*** 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

	Priority	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	TOTAL
SAPS - unallocated	Vibrant local economy	-	4,000	-	-	-	-	-	-	-	-	-	**4,000**
Total SAPS - unallocated		**-**	**4,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,000**

Housing Revenue Account	Priority	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	TOTAL
New build	Homes for all	*16,590*	20,518	37,785	38,580	34,796	31,038	31,969	32,928	35,720	34,933	15,311	**313,579**
Major repairs	Homes for all	*5,672*	5,892	8,498	9,029	9,701	9,256	8,799	8,134	9,658	8,912	11,549	**89,429**
Improvements & conversions	Homes for all	*494*	508	523	539	555	572	589	189	-	-	-	**3,474**
Disabled adaptations	Homes for all	*821*	793	817	841	867	893	919	947	975	1,005	1,035	**9,092**
Fire Safety provision	Homes for all	*600*	507	-	-	-	-	-	-	-	-	-	**507**
Climate Change Emergency	Climate Emergency	*600*	1,512	1,557	1,604	1,652	1,702	1,753	1,805	1,860	1,658	-	**15,103**
Other capital spend	Homes for all	*100*	318	109	113	116	119	123	127	130	134	138	**1,428**
Total Housing Revenue Account		***24,877***	**30,049**	**49,289**	**50,707**	**47,687**	**43,580**	**44,152**	**44,130**	**48,343**	**46,642**	**28,034**	**432,612**
Grand Total		***29,753***	**46,439**	**55,469**	**52,804**	**49,812**	**45,330**	**45,953**	**45,930**	**50,288**	**48,337**	**29,659**	**470,020**

Capital Programme Financing 2023 to 2033

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
General Fund												
Externally Funded												
Government Grants	*1,248*	1,440	2,210	1,230	1,230	1,230	1,230	1,230	1,230	1,230	1,230	13,490
External Contributions												0
Non governmental grants	*463*	1,010	0	0	0	0	0	0	0	0	0	1,010
Open Space Fund	*156*	216	0	0	0	0	0	0	0	0	0	216
Developer's Contributions	*0*	349	0	0	0	0	0	0	0	0	0	349
Total Externally Funded	***1,867***	**3,015**	**2,210**	**1,230**	**1,230**	**1,230**	**1,230**	**1,230**	**1,230**	**1,230**	**1,230**	**15,065**
Earmarked Reserves												
Car Parks Property	*130*	395	125	180	180	180	180	180	180	180	180	1,960
Community Infrastructure Levy (CIL)	*844*	3,074	0	0	0	0	0	0	0	0	0	3,074
Town CIL	*64*	795	0	0	0	0	0	0	0	0	0	795
Information, Management, and Technology	*110*	59	0	117	265	140	90	190	85	85	15	1,046
Landscape Mitigation	*0*	0	0	0	0	0	0	0	0	0	0	0
Major Investment Reserve	*0*	212	0	0	0	0	0	0	0	0	0	212
Property - Asset Management Reserve	*139*	1,245	690	200	200	200	200	200	450	200	200	3,785
Winchester Town	*100*	394	200	120	0	0	0	0	0	0	0	714
Total Earmarked Reserves	***1,387***	**6,174**	**1,015**	**617**	**645**	**520**	**470**	**570**	**715**	**465**	**395**	**11,586**
Capital Receipts												
General fund	*1,007*	1,727	2,185	0	0	0	0	0	0	0	0	3,912
Right to buy allowable	*0*	300	0	0	0	0	0	0	0	0	0	300
Total Capital Receipts	***1,007***	**2,027**	**2,185**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**4,212**
Revenue Contribution to Capital	*13*	0	0	0	0	0	0	0	0	0	0	0
Capital Financing Requirement	*602*	5,174	770	250	250	0	101	0	0	0	0	6,545
Total General Fund	***4,876***	**16,390**	**6,180**	**2,097**	**2,125**	**1,750**	**1,801**	**1,800**	**1,945**	**1,695**	**1,625**	**37,408**
Housing												
Capital Grants and Contributions	*0*	11,062	845	1,035	2,805	1,600	0	0	0	0	0	17,347
Community Infrastructure Levy (CIL)	*0*	755	0	0	0	0	0	0	0	0	0	755
Major Repairs Reserve	*0*	9,287	33,777	9,258	9,641	10,094	10,478	10,877	11,291	11,719	12,171	128,594
Capital Receipts	*8,620*	8,944	13,108	12,062	9,112	11,594	9,179	9,444	9,808	10,163	10,522	103,937
Revenue Contribution to Capital	*0*	0	0	0	0	0	0	0	0	0	0	0
Capital Financing Requirement	*16,257*	0	1,559	28,351	26,130	20,292	24,494	23,809	27,244	24,760	5,340	181,979
Total Housing Revenue Account	***24,877***	**30,049**	**49,289**	**50,707**	**47,687**	**43,580**	**44,152**	**44,130**	**48,343**	**46,642**	**28,034**	**432,612**
Total Financing of Capital Programme	***29,753***	**46,439**	**55,469**	**52,804**	**49,812**	**45,330**	**45,953**	**45,930**	**50,288**	**48,337**	**29,659**	**470,020**

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Revenue Consequences of General Fund Capital Programme 2023 to 2033

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	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	2030/31 £000	2031/32 £000	2032/33 £000
Surplus/(Deficit) - approved*	**(42)**	**(89)**	**(92)**	**(141)**	**(70)**	**(68)**	**(82)**	**(81)**	**(80)**	**(78)**
Surplus/(Deficit) - subject to appraisal*	**(75)**	**10**	**10**	**287**	**287**	**287**	**287**	**287**	**287**	**287**
TOTAL SURPLUS/(DEFICIT)	**(117)**	**(79)**	**(82)**	**145**	**217**	**218**	**204**	**206**	**207**	**209**

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**	**0**	**19**	**20**	**20**	**20**	**20**	**20**	**20**
Difference to TOTAL SURPLUS/(DEFICIT) (-1.0%)	**0**	**0**	**0**	**(17)**	**(18)**	**(18)**	**(18)**	**(18)**	**(18)**	**(18)**

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Capital Receipts Reserve Forecast

CAPITAL RECEIPTS RESERVE	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	2032/33 Forecast £000
Consolidated Opening Balance	**(20,286)**	**(17,319)**	**(13,686)**	**(4,478)**	**(4,658)**	**(4,720)**	**(4,934)**	**(5,584)**	**(6,311)**	**(7,028)**	**(8,047)**
GENERAL FUND											
Opening Balance	**(4,163)**	**(3,738)**	**(2,158)**	**(2,308)**	**(2,646)**	**(2,988)**	**(3,333)**	**(3,682)**	**(4,034)**	**(4,390)**	**(4,749)**
Forecast receipts	(582)	(332)	(3,265)	(338)	(342)	(345)	(349)	(352)	(356)	(359)	(363)
Forecast utilisation	1,007	1,912	3,115	0	0	0	0	0	0	0	0
Closing Balance	**(3,738)**	**(2,158)**	**(2,308)**	**(2,646)**	**(2,988)**	**(3,333)**	**(3,682)**	**(4,034)**	**(4,390)**	**(4,749)**	**(5,112)**
HOUSING REVENUE ACCOUNT											
Opening Balance	**(16,123)**	**(13,581)**	**(11,528)**	**(2,170)**	**(2,012)**	**(1,732)**	**(1,601)**	**(1,902)**	**(2,277)**	**(2,638)**	**(3,298)**
Forecast receipts	(6,078)	(6,891)	(3,750)	(11,904)	(8,833)	(11,462)	(9,480)	(9,819)	(10,169)	(10,823)	(10,902)
Forecast utilisation	8,620	8,944	13,108	12,062	9,112	11,594	9,179	9,444	9,808	10,163	10,522
Closing Balance	**(13,581)**	**(11,528)**	**(2,170)**	**(2,012)**	**(1,732)**	**(1,601)**	**(1,902)**	**(2,277)**	**(2,638)**	**(3,298)**	**(3,678)**
Consolidated Closing Balance	**(17,319)**	**(13,686)**	**(4,478)**	**(4,658)**	**(4,720)**	**(4,934)**	**(5,584)**	**(6,311)**	**(7,028)**	**(8,047)**	**(8,790)**

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Annual Minimum Revenue Provision Statement 2023/24

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 2023/24 will not be subject to an MRP charge until at least 2024/25 or the year following which an asset becomes operational.

Based on the Council's latest estimate of its Capital Financing Requirement on 31st March 2023, the budget for MRP has been set as follows:

	31.03.2023 Estimated CFR £m	**2023/24 Estimated MRP £**
Unsupported capital expenditure after 31.03.2008	**69.3**	1,116,000
Finance leases and Private Finance Initiative	**2.6**	443,000
Total General Fund	**71.9**	**1,559,000**
Assets in the Housing Revenue Account	202.3	Nil
Total Housing Revenue Account	**202.3**	**Nil**
Total	**274.2**	**1,559,000**

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 CAB3390);

- 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 meets 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	31.3.2022 actual			2023/24
	Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Subsidiaries	-	-	-	1m
Housing associations	0.09m	0.05m	0.04m	1m
Other entities*	-	-	-	1m
TOTAL	**0.09m**	**0.05m**	**0.04m**	**3m**

**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 CAB3390*

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 may become payable before the end of 2022/23 or early in 2023/24.

Commercial Investments: Property

Contribution: The council owns an investment property portfolio (assets held solely for rental income or capital appreciation) which was valued at £69.8m as at 31 March 2022 and generated gross income of £3.9m and net income after costs of £2.9m in 2021/22. This income helps contribute to the Council Strategy priorities.

In 2022/23 there is no budgeted expenditure in respect of the council's investment properties.

Table 3: Property held for investment purposes in £ millions

1 April 2021	**66.8**
Acquisitions	0.0
Enhancements	0.1
Gains/(losses) in fair value	2.2
Transfers (to)/from PPE (operational assets)*	0.7
31 March 2022	**69.8**
Budgeted	
Acquisitions	0.0
Enhancements	0.0
Gains/(losses) in fair value**	-
Transfers (to)/from PPE (operational assets)*	0.0
31 March 2023	**69.8**

**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 2022	Retail	Offices	Industrial	Residential / Garages	Other	Total
Value £000s	29,274	9,852	5,439	24,359	916	**69,840**

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 2022, the Council had £9.1m of CFR in relation to investment properties.

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

Proportionality

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

Table 5: Proportionality of Investments

	2021/22 Actual £000	2022/23 Forecast £000	2023/24 Budget £000	2024/25 Budget £000	2025/26 Budget £000
Gross service expenditure	33,898	33,941	37,905	38,476	37,614
Investment income*	3,416	3,481	4,167	3,439	3,439
Proportion	10.1%	10.3%	11.0%	8.9%	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 (CAB3390).

Table 6: Total investment exposure in £millions

Total investment exposure	31.03.2022 Actual	31.03.2023 Forecast	31.03.2024 Forecast
Treasury management investments	44.7m	21.5m	15.0m
Service investments: Loans	0.1m	0.1m	0.1m
Service investments: Shares	0.2m	0.3m	0.3m
Commercial investments: Property	69.8m	69.8m	69.8m
TOTAL EXPOSURE	**114.8m**	**91.7m**	**85.2m**

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	31.03.2022 Actual	31.03.2023 Forecast	31.03.2024 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	2021/22 Actual	2022/23 Forecast	2023/24 Forecast
Treasury management investments	0.8%	2.0%	4.0%
Service investments: Loans	0.0%	0.0%	0.0%
Service investments: Shares	0.0%	0.0%	0.0%
Commercial investments: Property	4.3%	3.6%	4.0%
ALL INVESTMENTS*	3.1%	3.1%	4.0%

**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 2022. Further detail on borrowing is included in the Treasury Management Strategy (CAB3390)

Table 9: Capital Financing Requirement to total fixed assets value

Capital Financing Requirement to total fixed assets value	2021/22 Actual	2022/23 Forecast*	2023/24 Forecast*
General Fund - total fixed assets (£m)	225.4	230.0	242.4
Outstanding CFR (%)	32.3%	31.3%	30.8%
Housing Revenue Account - total fixed assets (£m)	524.3	543.1	566.2
Outstanding CFR (%)	35.5%	37.3%	35.7%

**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. A further direction was issued in 2022 covering the financial years 2022/23 to 2024/25 although redundancy costs must no longer be included unless “necessarily incurred and limited to…statutory payments”. 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 Authorities for the financial years that begin on 1 April 2022, 1 April 2023 and 1 April 2024)”; and
- “is not incurred with respect to redundancy payments, except where such redundancy costs are necessarily incurred and limited to the amounts available as statutory redundancy payments”.

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 £527,000 in capital receipts (as 31 December 2022) which meet the criteria to be used under this direction of which £194,000 were applied in 2020/21 and £333,000 remains available.

4. Proposed use

2022/23 – the council does not plan to apply capital receipts to transformation projects.

2023/24 - 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.

CAB3390
CABINET

REPORT TITLE: TREASURY MANAGEMENT STRATEGY 2023/24

9 FEBRUARY 2023

REPORT OF CABINET MEMBER: Cllr Margot Power, Cabinet Member for Finance and Value

Contact Officer: Liz Keys Tel No: 01962 848226 Email: lkeys@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 2023/24.

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 2023/24 (and the remainder of 2022/23) 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 2% yield which, with an average balance of £25m, would yield £0.5m 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 2022 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 7 February 2023. 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 PUBLIC SECTOR EQUALITY DUTY

8.1 None.

9 DATA PROTECTION IMPACT ASSESSMENT

9.1 None required.

10 RISK MANAGEMENT

Risk	**Mitigation**	**Opportunities**
Returns from investments are too low	*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*
A counterparty fails	*A diversified strategy that has relatively low levels of counter-party risk*	
Cash is not available	*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*
Access to Money Market Funds (MMFs) may be restricted when the UK exits the EU	*Invest in suitable alternatives*	
Insufficient capacity to deliver day to day treasury management	*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 (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: an increase in the limit on principal invested beyond year end from £20.0m to £25.0m; and the inclusion of Community Municipal Investments (crowdfunding bonds with the lenders being residents and the general public) as a potential source of borrowing.

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 the war in Ukraine, together with higher inflation, higher interest rates, uncertain government policy, and a deteriorating economic outlook, will be major influences on the Authority's treasury management strategy for 2023/24.

13.3 The Bank of England (BoE) increased Bank Rate by 0.5% to 3.5% in December 2022.

13.4 The November quarterly Monetary Policy Report (MPR) forecast a prolonged but shallow recession in the UK with CPI inflation remaining elevated at over 10% in the near-term. While the projected peak of inflation is lower than in the August report, due in part to the government's support package for household energy costs, inflation is expected to remain higher for longer over the forecast horizon and the economic outlook remains weak, with unemployment projected to start rising.

13.5 CPI inflation is expected to peak at around 11% in the last calendar quarter of 2022 and then fall sharply to 1.4%, below the 2% target, in two years' time and to 0% in three years' time if Bank Rate follows the path implied by financial markets with a peak of 5.25%. However, the BoE has stated it considers this path to be too high, suggesting that the peak in interest rates will be lower, reducing the risk of inflation falling too far below target.

Credit outlook

13.6 Credit default swap (CDS) prices have followed an upward trend throughout the year, indicating higher credit risk. They have been boosted by the war in Ukraine, increasing economic and political uncertainty and a weaker global and UK outlook, but remain well below the levels seen at the beginning of the Covid-19 pandemic.

13.7 CDS price volatility has been higher in 2022 compared to 2021 and this year has seen a divergence in prices between ringfenced (retail) and non-ringfenced (investment) banking entities once again.

13.8 However, the institutions on our adviser Arlingclose's counterparty list remain well-capitalised and their counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.

Interest rate forecast

13.9 The Authority's treasury management adviser Arlingclose forecasts that Bank Rate will continue to rise in 2022 and 2023 as the Bank of England attempts to subdue inflation which is significantly above its 2% target.

13.10 While interest rate expectations reduced during October and November 2022, multiple interest rate rises are still expected over the forecast horizon despite looming recession. Arlingclose expects Bank Rate to rise to 4.25% by June 2023 under its central case, with the risks in the near- and medium-term to the upside should inflation not evolve as the Bank forecasts and remains persistently higher.

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 2022, the council held £166.7m of borrowing and £55.2m 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 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 (CAB3389 refers), 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 2023/24.

Table 1: Balance sheet summary and forecast

	31/03/22 Actual £m	31/03/23 Estimate £m	31/03/24 Forecast £m	31/03/25 Forecast £m	31/03/26 Forecast £m
General Fund CFR	72.8	71.9	74.6	73.7	67.3
HRA CFR	186.0	202.3	202.3	203.8	232.2
Total CFR	**258.8**	**274.2**	**276.9**	**277.5**	**299.5**
Less other debt liabilities *	(3.1)	(2.6)	(2.2)	(1.7)	(1.3)
Borrowing CFR	**255.7**	**271.6**	**274.7**	**275.8**	**298.2**
Less: External borrowing **	(166.7)	(161.7)	(156.7)	(151.7)	(146.7)
Internal borrowing	**89.0**	**109.9**	**118.0**	**124.1**	**151.5**
Less: Balance sheet resources	(133.7)	(121.2)	(100.9)	(69.2)	(69.2)
New borrowing or (investments)	**(44.7)**	**(11.3)**	**17.1**	**54.9**	**82.3**

* finance leases that form part of the Council's total debt

** existing external borrowing

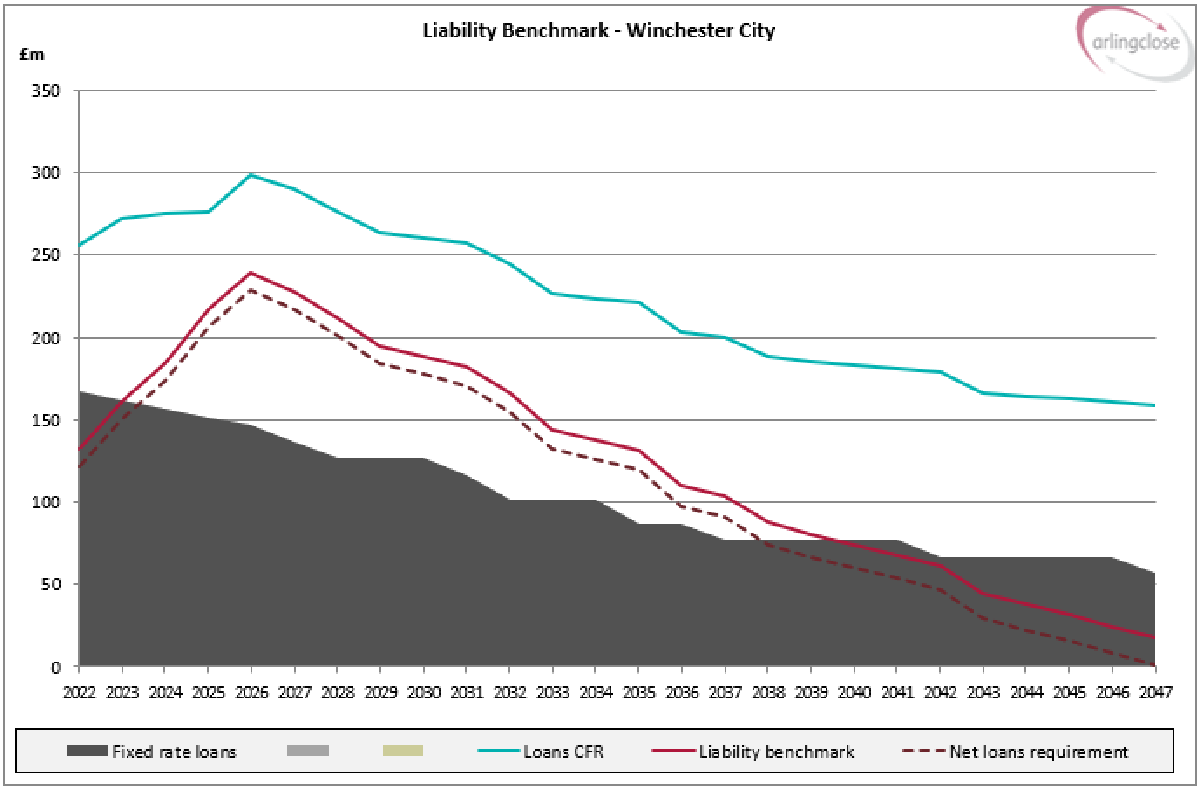
Liability benchmark

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.

14.6 The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

Table 2: Prudential Indicator: Liability benchmark

	31/03/22 Actual £m	31/03/23 Estimate £m	31/03/24 Forecast £m	31/03/25 Forecast £m	31/03/26 Forecast £m
Borrowing CFR	255.7	271.6	274.7	275.8	298.2
Less: Balance sheet resources	(133.7)	(121.2)	(100.9)	(69.2)	(69.2)
Net loans requirement	**122.0**	**150.4**	**173.8**	**206.6**	**229.0**
Plus: Liquidity allowance	10.0	10.0	10.0	10.0	10.0
Liability benchmark	**132.0**	**160.4**	**183.8**	**216.6**	**239.0**



14.7 At the start of the period, 31st March 2022, the council had a Loans CFR of £255.7m, fixed term loans of £166.7m and a liability benchmark of £132.0m. The difference of £89.0m 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.

14.8 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.

14.9 The forward projection using the council capital programme forecasts indicate that capital expenditure funded by borrowing of around £42.5m will occur from the position at the 31 March 2022 to 31 March 2026 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 £72.3m of additional debt would need to be taken out. Any debt should be taken on an amortising basis to match the shape of the liability benchmark.

15 Borrowing Strategy

15.1 The council currently holds £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 £17m in 2023/24 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 £310.5m.

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, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

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 2023/24 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 (including Community Municipal Investments (crowdfunding bonds) with the lenders being residents and the general public), 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. The recent rise in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years.

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 £37.0m and £66.6m.

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.

Strategy

16.3 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.

16.4 At 31 December 2022 approximately 35.4% of the council's investment balances were invested so that they were not subject to bail-in risk (relief to a financial institution on the brink of collapse by requiring the cancellation of debts to creditors and depositors rather than a bail-out from government) as they were invested in Government investments, pooled property funds, and secured bank bonds.

16.5 Of the 64.6% of investment balances that were subject to bail-in risk, 71.0% 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 6.5% were held in overnight bank call accounts for liquidity purposes.

16.6 Unfortunately, the availability of appropriate longer term investment opportunities has been reduced in comparison to previous years due to an uncertain economic market 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.

16.7 The council made a payment of £2.603m on 1 April 2022 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 £0.056m over the year on its pension contributions by taking advantage of a 2.1% discount. The council does not plan to prepay its employer's LGPS pension contributions on 1 April 2023 as returns on investments in 2023/24 are likely to exceed the available discount.

16.8 Further detail is provided at Appendix B and this diversification represents a continuation of the strategy adopted in 2015/16.

Environmental, social and governance factors

16.9 Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Council does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Council will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

16.10 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.

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 31/12/2022**	**Gain/(fall) in capital value**	
			Since purchase	**One year**
	£m	**£m**	**£m**	**£m**
Pooled property fund	5.00	5.36	0.36	(0.65)
Total	**5.00**	**5.36**	**0.36**	**(0.65)**

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. This override has since been extended by a further two years.

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 2.9%. By investing in the pooled fund, the weighted average return at 31 December 2022 was 3.0%, meaning the allocation to higher yielding investments has added 0.1% 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 2022. 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 31/12/2022	**Weighted average return**	**Estimated annual income return**
	£m	**%**	**£m**
Short-term and long-term cash investments	50.2	2.9%	1.46
Investments targeting higher yields	5.0	3.7%	0.19
Total	**55.2**	**3.0%**	**1.65**

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

<u>Investment limits</u>

16.21 The maximum that will be lent to any one organisation (other than the UK Government) will be £7m. 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 high inflation and the increased cost of borrowing available to the council, the delivery of elements of the capital programme has been paused, which in the near term will result in higher investment balances than previously forecast. 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.

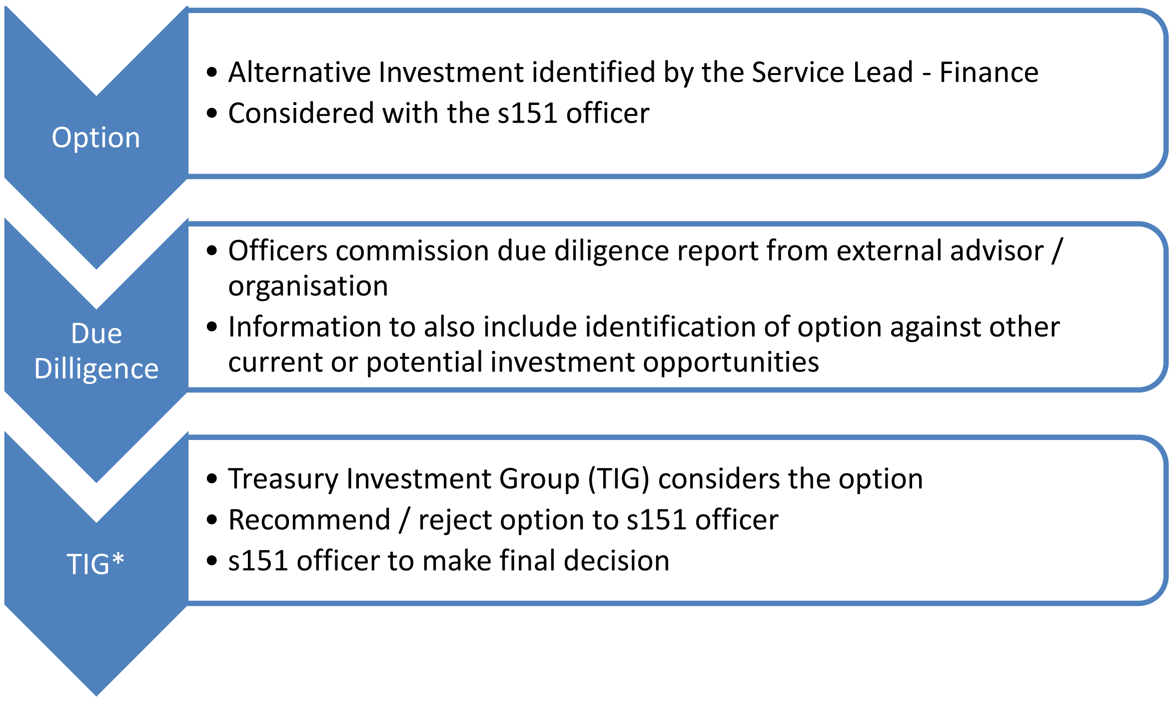
Real estate investment trusts (REITs)

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:

- Service Lead - Finance
- Cabinet Member for Finance and Value
- One other Cabinet member
- Chair of the Audit & Governance Committee
- Shadow Cabinet Member for Finance
- S151 officer

<u>Operational bank accounts</u>

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 Short and long-term credit ratings from the three main providers (Fitch Ratings, Moody's and Standard and Poor's) 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 Prudential 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 2022	**Impact of +/-1% interest rate change**
	£m	**£m**
Sums subject to variable interest rates:		
- Investment	50.2	+/- £5.0m
- 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 (proportion) 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

	2023/24	2024/25	2025/26	2026/27
Limit on principal invested beyond year end	£25.0m	£25.0m	£25.0m	£25.0m

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

	31/03/23 Revised £m	31/03/24 Estimate £m	31/03/25 Estimate £m	31/03/25 Estimate £m
Borrowing	166.7	166.7	166.7	166.7
New borrowing	0.0	17.1	49.8	72.2
Finance Leases	2.6	2.2	1.7	1.3
Total Debt	**169.3**	**186.0**	**218.2**	**240.2**

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

	2022/23 Revised £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Borrowing	292.5	294.6	294.5	315.8
Finance Leases	2.6	2.2	1.7	1.3
Total Debt	**295.1**	**296.8**	**296.2**	**317.1**

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

	2022/23 Limit £m	2023/24 Limit £m	2024/25 Limit £m	2025/26 Limit £m
Borrowing	305.6	307.8	308.0	329.5
Finance Leases	3.3	2.7	2.2	1.6
Total Debt	**308.9**	**310.5**	**310.2**	**331.1**

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.

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 £310.5m.

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	Saving on debt interest	Reduced investment

borrowing	is likely to exceed lost investment income	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

CAB3333: Treasury Management Strategy 2022-23, 17 February 2022

AG081: Treasury Management Outturn 2021/22, 21 July 2022

AG094: Treasury Management Mid-Year Monitoring Report 2022/23, 10 November 2022

Other Background Documents:

None

APPENDICES:

Appendix A – Arlingclose Economic & Interest Rate Forecasts December 2022

Appendix B - Existing Investment & Debt Portfolio Position at 31 December 2022

Appendix A – Arlingclose Economic & Interest Rate Forecast December 2022

Underlying assumptions:

- UK interest rate expectations have eased following the mini-budget, with a growing expectation that UK fiscal policy will now be tightened to restore investor confidence, adding to the pressure on household finances. The peak for UK interest rates will therefore be lower, although the path for interest rates and gilt yields remains highly uncertain.

- Globally, economic growth is slowing as inflation and tighter monetary policy depress activity. Inflation, however, continues to run hot, raising expectations that policymakers, particularly in the US, will err on the side of caution, continue to increase rates and tighten economies into recession.

- The new Chancellor dismantled the mini-budget, calming bond markets and broadly removing the premium evident since the first Tory leadership election. Support for retail energy bills will be less generous, causing a lower but more prolonged peak in inflation. This will have ramifications for both growth and inflation expectations.

- The UK economy is already experiencing recessionary conditions, with business activity and household spending falling. Tighter monetary and fiscal policy, alongside high inflation will bear down on household disposable income. The short- to medium-term outlook for the UK economy is bleak, with the BoE projecting a protracted recession.

- Demand for labour remains strong, although there are some signs of easing. The decline in the active workforce has fed through into higher wage growth, which could prolong higher inflation. The development of the UK labour market will be a key influence on MPC decisions. It is difficult to see labour market strength remaining given the current economic outlook.

- Global bond yields have steadied somewhat as attention turns towards a possible turning point in US monetary policy. Stubborn US inflation and strong labour markets mean that the Federal Reserve remains hawkish, creating inflationary risks for other central banks breaking ranks.

- However, in a departure from Fed and ECB policy, in November the BoE attempted to explicitly talk down interest rate expectations, underlining the damage current market expectations will do to the UK economy, and the probable resulting inflation undershoot in the medium term. This did not stop the Governor affirming that there will be further rises in Bank Rate.

Forecast:

- The MPC remains concerned about inflation but sees the path for Bank Rate to be below that priced into markets.

- Following the exceptional 75bp rise in November and a further 50bp rise in December, Arlingclose believes the MPC will slow the rate of increase at the next few meetings. Arlingclose now expects Bank Rate to peak at 4.25%.

- The UK economy likely entered into recession in Q3, which will continue for some time. Once inflation has fallen from the peak, the MPC will cut Bank Rate.

- Arlingclose expects gilt yields to remain broadly steady despite the MPC's attempt to push down on interest rate expectations. Without a weakening in the inflation outlook, investors will price in higher inflation expectations given signs of a softer monetary policy stance.

- Gilt yields face pressures to both sides from hawkish US/EZ central bank policy on one hand to the weak global economic outlook on the other. BoE bond sales will maintain yields at a higher level than would otherwise be the case.

	Current	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
Official Bank Rate													
Upside risk	0.00	0.25	0.50	0.75	1.00	1.00	1.00	1.25	1.50	1.75	1.50	1.25	1.25
Arlingclose Central Case	3.00	3.50	4.00	4.25	4.25	4.25	4.25	4.00	3.75	3.50	3.50	3.50	3.50
Downside risk	0.00	0.25	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00
3-month money market rate													
Upside risk	0.00	0.25	0.50	0.75	1.00	1.00	1.00	1.25	1.50	1.75	1.50	1.25	1.25
Arlingclose Central Case	3.00	3.90	4.40	4.40	4.40	4.35	4.30	4.25	4.00	3.75	3.75	3.75	3.75
Downside risk	0.00	0.25	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00
5yr gilt yield													
Upside risk	0.00	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.36	3.65	3.90	3.90	3.90	3.90	3.80	3.70	3.60	3.50	3.40	3.30	3.20
Downside risk	0.00	0.70	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
10yr gilt yield													
Upside risk	0.00	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.46	3.70	3.75	3.75	3.75	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70
Downside risk	0.00	0.70	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
20yr gilt yield													
Upside risk	0.00	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.88	4.00	4.00	4.00	4.00	4.00	3.90	3.90	3.90	3.90	3.90	3.90	3.90
Downside risk	0.00	0.70	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
50yr gilt yield													
Upside risk	0.00	0.60	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.24	3.40	3.40	3.40	3.40	3.40	3.30	3.30	3.30	3.30	3.30	3.30	3.30
Downside risk	0.00	0.70	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

PWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00%
PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%
UKIB Rate (Maturity Loans) = Gilt yield + 0.60%

Appendix B - Existing Investment & Debt Portfolio Position at 31 December 2022

Treasury investment position

Investments	**30/09/2022 Balance £m**	**Net movement £m**	**31/12/2022 Balance £m**	**31/12/2022 Income return %**	**31/12/2022 Weighted average maturity years**
Short term investments					
Banks and building societies:					
- Unsecured	9.4	(2.5)	6.9	3.4%	0.19
- Secured	2.0	0.0	2.0	0.5%	0.02
Money Market Funds	16.1	8.3	24.3	3.3%	0.00
Government:					
- Local authorities	0.0	0.0	0.0	0.0%	0.00
- UK Treasury bills	8.0	1.0	9.0	3.1%	0.24
- Debt Management Office	6.5	(2.0)	4.5	2.7%	0.12
- UK Gilts	2.5	0.0	2.5	0.1%	0.09
Supranational banks	2.5	(2.5)	0.0	0.0%	0.00
Cash plus funds	1.0	0.0	1.0	1.2%	0.01
	48.0	**2.3**	**50.2**	**2.9%**	**0.09**
Long term investments					
Banks and building societies:					
- Secured	0.0	0.0	0.0	0.0%	0.00
Long term investments - higher yielding strategy					
Pooled property fund*	5.0	0.0	5.0	3.7%	N/A
	5.0	**0.0**	**5.0**	**3.7%**	**N/A**
TOTAL INVESTMENTS	**53.0**	**2.3**	**55.2**	**3.0%**	**0.09**

* 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

	31/12/2022 Balance £m	31/12/2022 Rate %
External borrowing:		
- PWLB	166.7	3.2%
Investments		
- Total investments	(55.2)	3.0%
Net (Debt) / Investments	**111.5**	

Strategic Director: Resources

City Offices
Colebrook Street
Winchester
Hampshire
SO23 9LJ
Tel: 01962 848 220
Fax: 01962 848 472
email ngraham@winchester.gov.uk
website www.winchester.gov.uk

Forward Plan of Key Decisions

March 2023

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

This is the Forward Plan prepared for the period **1 - 31 March 2023** and will normally be replaced at the end of each calendar month.

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

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

The Plan has been set out in the following sections:

Section A – Cabinet

Section B - Individual Cabinet Members

Section C - Officer Decisions

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

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

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

Cllr Martin Tod

Leader of the Council 31 January 2023

Cabinet Members:	Title
• Cllr Martin Tod	Leader & Cabinet Member for Asset Management
• Cllr Paula Ferguson	Deputy Leader & Cabinet Member for Community & Housing
• Cllr Kathleen Becker	Inclusion & Engagement
• Cllr Russell Gordon-Smith	Service Quality
• Cllr Kelsie Learney	Climate Emergency
• Cllr Margot Power	Finance & Value
• Cllr Jackie Porter	Place & the Local Plan
• Cllr Lucille Thompson	Business & Culture

	Item	Cabinet Member	Key Decision	Wards Affected	Lead Officer	Documents submitted to decision taker	Decision taker (Cabinet, Cabinet Member or Officer	Date/period decision to be taken	Committee Date (if applicable)	**Open/private meeting or document**? If private meeting, include relevant exempt paragraph number
Section A Decisions made by Cabinet										
1	Central Winchester Regeneration (CWR) Appointment of Development Partner and next steps	Cabinet Member for Asset Management	Significantly effect on 2 or more wards	All Wards	Veryan Lyons	Cabinet report	Cabinet	Mar-23	6-Mar-23	Part exempt 3
2	Update on Station Approach Project	Cabinet Member for Asset Management	Expenditure > £250,000	Town Wards	Emma Taylor	Cabinet committee report	Cabinet Committee: Regeneration	Mar-23	9-Mar-23	Open
3	Kings Walk contract award	Cabinet Member for Asset Management	Expenditure > £250,000	Town Wards	Veryan Lyons	Cabinet report	Cabinet Committee: Regeneration	Mar-23	9-Mar-23	Open

	Item	Cabinet Member	Key Decision	Wards Affected	Lead Officer	Documents submitted to decision taker	Decision taker (Cabinet, Cabinet Member or Officer	Date/period decision to be taken	Committee Date (if applicable)	**Open/private meeting or document**? If private meeting, include relevant exempt paragraph number
4	The Dean Car Park, New Alresford	Cabinet Member for Climate Emergency	Expend-iture > £250,000	Alresford & Itchen Valley	Andy Hickman	Cabinet report	Cabinet	Mar-23	16-Mar-23	Part exempt 3
5	Revised Community Infrastructure Levy Strategy	Cabinet Member for Place & Local Plan	Signifi-cantly effect on 2 or more wards	All Wards	Corinne Phillips	Cabinet report	Cabinet	Mar-23	16-Mar-23	Open
6	Bushfield Camp masterplan	Cabinet Member for Place & Local Plan	Signifi-cantly effect on 2 or more wards	Badger Farm & Olivers Battery	Dawn Adey	Cabinet report	Cabinet	Mar-23	16-Mar-23	Open
7	Risk Management Policy 23/24	Cabinet Member for Finance & Value	Signifi-cantly effect on 2 or more wards	All Wards	Amy Tranah	Cabinet report	Cabinet	Mar-23	16-Mar-23	Open

	Item	Cabinet Member	Key Decision	Wards Affected	Lead Officer	Documents submitted to decision taker	Decision taker (Cabinet, Cabinet Member or Officer	Date/period decision to be taken	Committee Date (if applicable)	Open/private meeting or document? If private meeting, include relevant exempt paragraph number
8	Q3 Finance & Performance Monitoring Report	Cabinet Member for Asset Manageme nt	Signifi-cantly effect on 2 or more wards	All Wards	Simon Howson	Cabinet report	Cabinet	Mar-23	16-Mar-23	Open
9	Land transaction	Cabinet Member for Asset Manage-ment	Expend-iture > £250,000	All Wards	Geoff Coe	Cabinet report	Cabinet	Mar-23	16-Mar-23	Part exempt 3
10	Wickham Community Land Trust - additional funding	Cabinet Member for Community & Housing	Expend-iture > £250,000	South-wick & Wickha m	Andrew Palmer	Cabinet committee report	Cabinet Committee: Housing	Mar-23	21-Mar-23	Part exempt
11	Housing Strategy	Cabinet Member for Community & Housing	Significa ntly effect on 2 or more wards	All Wards	Gillian Knight	Cabinet committee report	Cabinet Committee: Housing	Mar-23	21-Mar-23	Open

	Item	Cabinet Member	Key Decision	Wards Affected	Lead Officer	Documents submitted to decision taker	Decision taker (Cabinet, Cabinet Member or Officer	Date/period decision to be taken	Committee Date (if applicable)	Open/private meeting or document? If private meeting, include relevant exempt paragraph number
12	Preventing Homelessness Grant Spending Plan 2023/24	Cabinet Member for Community & Housing	Signifi-cantly effect on 2 or more wards	All Wards	Gillian Knight	Cabinet committee report	Cabinet Committee: Housing	Mar-23	21-Mar-23	Open
13	Private Sector Housing Renewal Strategy	Cabinet Member for Community & Housing	Signifi-cantly effect on 2 or more wards	All Wards	Karen Thorburn	Cabinet report	Cabinet Committee: Housing	Mar-23	21-Mar-23	Open
14	New Homes Programme Update	Cabinet Member for Community & Housing	Expend-iture > £250,000	All Wards	Andrew Palmer	Cabinet committee report	Cabinet Committee: Housing	Mar-23	21-Mar-23	Open

	Item	Cabinet Member	Key Decision	Wards Affected	Lead Officer	Documents submitted to decision taker	Decision taker (Cabinet, Cabinet Member or Officer	Date/period decision to be taken	Committee Date (if applicable)	Open/private meeting or document? If private meeting, include relevant exempt paragraph number
Section B Decisions made by individual Cabinet Members										
15	Local Validation List	Cabinet Member for Place & Local Plan	Signifi-cantly effect on 2 or more ards	All Wards	Lorna Hutchings	Cabinet member decision report	Cabinet Member for Place & Local Plan Decision Day	Mar-23	6-Mar-23	Open
16	Winchester City Football Club Artificial Pitch	Cabinet Member for Asset Manage-ment	Expend-iture > £250,000	St Bartholo mew	Calum Drummond	Cabinet Member decision report	Leader and Cabinet Member for Asset Manage-ment Decision Day	Mar-23	6-Mar-23	Open

	Item	Cabinet Member	Key Decision	Wards Affected	Lead Officer	Documents submitted to decision taker	Decision taker (Cabinet, Cabinet Member or Officer	Date/period decision to be taken	Committee Date (if applicable)	Open/private meeting or document? If private meeting, include relevant exempt paragraph number
Section C					Decisions made by Officers					
17	Treasury Management - decisions in accordance with the Council's approved strategy and policy	Cabinet Member for Finance & Value	Expend-iture > £250,000	All Wards	Design-ated HCC Finance staff, daily	Designated working papers	Designated HCC Finance staff, daily	Mar-23	Mar-23	Open