Public Document Pack

Meeting	Cabinet
Date and Time	Tuesday, 15th November, 2022 at 9.30 am.
Venue	Walton Suite, Winchester Guildhall

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

For members of the public and "visiting councillors" who are unable to utilise this facility a limited number of seats will be made available at the above named location however attendance must be notified to the council at least 3 clear 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 18 October 2022** (Pages 5 - 8)

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 Wednesday 9 November 2022** via democracy@winchester.gov.uk or (01962) 848 264 to register to speak and for further details.

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

8. General Fund Budget Options & Medium Term Financial Strategy (Pages 9 - 44)

Key Decision (CAB3374)

9. Housing Revenue Account (HRA) Business Plan and Budget Options (Pages 45 - 74)

(CAB3365)

10. Rural England Prosperity Fund – Investment Plan Proposal (Pages 75 - 88)

Key Decision (CAB3372)

11. To note the future items for consideration by Cabinet as shown on the December 2022 Forward Plan. (Pages 89 - 96)

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.

7 November 2022

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	-	**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.

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

Tuesday, 18 October 2022

Attendance:

Councillors
Tod (Chairperson)

Ferguson	Learney
Becker	Power
Gordon-Smith	Porter

Apologies for Absence:

Councillors Thompson

Members in attendance who spoke at the meeting

Councillors Cook and Horrill

Other members in attendance:

Councillors Clear, Wallace and Westwood

Audio and video recording of this meeting

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1. APOLOGIES

Apologies were received as noted above.

2. MEMBERSHIP OF CABINET BODIES ETC.

At the invitation of the Leader, Councillor Horrill requested a change to the membership of the Cabinet Committee: Housing which was agreed as set out below.

RESOLVED:

That Councillor Scott replace Councillor Miller as a non-voting invited councillor to the Cabinet Committee: Housing (with Councillor Miller to become a deputy non-voting invited councillor).

3. **DISCLOSURE OF INTERESTS**

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

4. **PUBLIC PARTICIPATION**

Three people had registered to speak regarding report CAB3357 and their comments are included under the relevant minute below.

5. **MINUTES OF THE PREVIOUS MEETING HELD ON 14 SEPTEMBER 2022 (ADJOURNED TO 22 SEPTEMBER 2022).**

RESOLVED

That the minutes of the previous meeting held on 14 September, adjourned to 22 September 2022, be agreed as a correct record.

6. **LEADER AND CABINET MEMBERS' ANNOUNCEMENTS**

The Leader announced that on 12 October 2022, the High Court had refused permission for a judicial review challenge to the decision the council made in March 2022 about the potential future use of the former River Park Leisure Centre site. The council had been awarded £5,000 in costs.

Councillor Porter expressed thanks to the Winchester Round Table charity and other volunteers involved in arrangements for the annual Winchester bonfire and fireworks event to be held on 5 November 2022.

7. **LOCAL PLAN REGULATION 18 CONSULTATION**
(CAB3357)

Councillor Porter introduced the report and highlighted the extensive and constructive discussion that had taken place at the joint meeting of The Scrutiny Committee and Local Plan Advisory Committee held on 29 September 2022 (recommendations and resulting changes included at Appendix 3 of the report). She thanked the chair of Scrutiny Committee together with the Strategic Planning Manager and team for all their work to date.

Three people spoke during public participation as summarised briefly below.

June Perrins (South Wonston Parish Council)
Spoke in opposition to the inclusion of the West Hill Road site, South Wonston as it was a greenfield site, in a sensitive landscape away from the centre of the village. She disputed the conclusions of the settlement hierarchy and in support, set out a comparison between South Wonston and Denmead in terms of bus service and retail provision. In addition, she also disputed the statement regarding main access to the site as she believed a high percentage of vehicles would use Drove Road.

Mark Smith (Otterbourne Parish Council)
In general, the parish council accepted the requirement for additional housing in the village as long as it was sustainable, of a sympathetic design and comprised 2 and 3 bedroom houses. With regard to Site OT03, he emphasised that the support from the parish council was only for development of part of the site and there was a well-used diagonal path dissecting the land which must be retained. He queried why site OT03 had been selected over other sites in the village (such as OT04 and OT08) and whether these might come forward if OT03 was deemed unacceptable.

Patrick Davies
Queried the necessity for the Integrated Impact Assessment, emphasising the difficulties of consulting on such a lengthy and detailed document. He welcomed the aim to achieve carbon neutrality but queried if this could be subject to challenge. Asked how the council would respond to the ongoing uncertainties regarding the government's proposals for future planning policies. Emphasised the importance that the consultation through the online Citizen Space be clearly signposted and easy to complete.

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

Councillor Cook
Welcomed the helpful information and response to queries provided by the Cabinet Member and Strategic Planning team. Highlighted the points raised by the joint meeting on 29 September which had been mostly addressed in Appendix 3 to the report. She still had some concerns relating to the settlement hierarchy and considered that the wording used in the policies should be strengthened. She urged everyone to respond to the consultation which should be as wide and far reaching as possible.

Councillor Horrill
Thanked the officer team for their work. However, expressed disappointment that despite repeated requests from her political group, opportunities for specific briefings with town and parish councils had not been held. Specifically mentioned the concerns held by South Wonston Parish Council (as raised during public participation above) in addition to Littleton Parish Council relating to the proposals for St John Moore Barracks. Believed that the council's discussions with the Partnership for South Hampshire (PfSH) lacked transparency as they were held in private.

The Leader thanked all those contributing for their comments. The Cabinet Member and Strategic Planning Manager provided responses to the points raised. The Strategic Planning Manager emphasised the amount of work that he and his team had undertaken to engage with parish councils and had offered further explanation and guidance where required. The Chief Executive also confirmed that the formal meetings of PfSH joint committee were held in public and a matter of public record.

During discussion the proposals for the consultation were outlined in more detail. In addition, it was emphasised that if those contributing did not agree with a specific proposal, they were encouraged to offer suggestions for improvements. Dialogue with parish councils had been ongoing regarding the scoring used in the settlement hierarchy and this would continue.

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

RESOLVED:

1. That the draft Regulation 18 Local Plan consultation document be approved as attached to report CAB3357 at Appendix 1 (subject to any changes required and authorised under recommendation 3) and be published for a 6-week public consultation under Regulation 18 of the Town and Country Planning (Local Planning) (England) Regulations 2012 for a period of 6 weeks commencing on 2 November until 14 December 2022.

2. That the Integrated Impact Assessment at Appendix 2 of the report be approved for publication and consultation for the same period.

3. That authority be delegated to the Strategic Planning Manager, in consultation with the Cabinet Member for Place and the Local Plan, to undertake any updating, drafting of amendments and the graphic design of the draft Regulation 18 Local Plan prior to publication and consultation on the document.

8. FUTURE ITEMS FOR CONSIDERATION

RESOLVED:

That the list of future items as set out in the Forward Plan for November 2022 be noted.

The meeting commenced at 9.30 am and concluded at 10.50 am

Chairperson

CAB3374
CABINET

REPORT TITLE: GENERAL FUND BUDGET OPTIONS AND MEDIUM-TERM FINANCIAL STRATEGY

15 NOVEMBER 2022

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

All councils are facing serious and immediate pressures as a result of global and national issues that have resulted in increased energy costs, inflation running at over 10%, increased interest rates and general economic volatility. No immediate Government support is anticipated, and councils will have to make difficult decisions and to use reserves to achieve a balanced budget for 2023/24 and beyond.

After the emergency revised budget that was approved during the pandemic and a further £3m savings approved in 2021/22, scope to achieve budget reductions has been severely reduced in recent years. However, it is clear that further changes are needed and work is underway to identify strategic changes to service delivery to achieve this by 2024/25.

This report sets out the challenge for 2023/24 and beyond and includes some more immediate proposals to reduce the impact on Council reserves. Subject to changes being approved, it is possible to set a balanced budget although some call on the Exceptional Inflation Reserve approved in July 2022 is required to achieve this. The report also includes the Medium-Term Financial Strategy which sets out the Council's strategic approach to the use and management of its financial resources.

RECOMMENDATIONS:

That Cabinet:

1. Note the projections set out in Appendix A to this report and support the proposal that the Exceptional Inflation Reserve be used if required to address the forecast deficit for 2023/24.

2. That, subject to final Government Spending Review announcements in December 2022, any additional grant award (such as continuation of New Homes Bonus) not included in current forecasts be used to fund the forecast deficit before reserves are used.

3. Approve the Medium-Term Financial Strategy as set out in sections 22-28 of the report.

4. Approve an increase to Garden Waste subscriptions with effect from November 2022 in order to achieve cost recovery, resulting in charges increasing to £43 for small bins and £65 for large bins. For residents in receipt of a council tax reduction, to increase the discount from £10 to £15 on the cost of purchasing the green waste service.

5. Approve that, following consultation, parking charges in Zone 1 (City Centre) car parks be subject to an increase in line with inflation (10%) and that charges and weekday charging periods or times for these car parks be extended to include Sundays and bank holidays with new overnight charging introduced, to be implemented as soon as is practicable. There is no increase to Park and Walk or Park and Ride charging as part of this recommendation.

6. That Sunday on-street parking restrictions within the Winchester Inner Area Parking Permit Zone and on city centre parking meters be added to the Traffic Regulation Order Programme for 22/23. The exact zones to be included will be subject to consultation.

7. Approve that, following consultation, parking charges in "market town" car parks be increased by a 20p flat amount on each chargeable rate; to £2.00 for the daily rate (where charged); and no change to season tickets, to be implemented as soon as is practicable. This change will not apply to the Alresford Station Car Park, where charges were amended recently.

8. Approve that other fees and charges be increased where appropriate in line with the September Consumer Price Index figure (10.1%) to address contractual increases, to achieve cost recovery or to bring a fee in line with the market norm and that the Section 151 officer be authorised, in consultation with the Cabinet Member for Finance and Value and the Cabinet Member responsible for the service, to approve a different fee where appropriate.

9. Approve that £450k of the Transitional Reserve be used to support a council wide transformation challenge programme, incorporating focussed independent reviews of key services over the next 6 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.

10. Approve that £900k of the existing "Business Rates Retention Reserve" be re-allocated to the "Exceptional Inflation Reserve".

11. Approve that a detailed budget be prepared for consideration by Council in

February 2023 based on the above assumptions, final spending review announcements and including the following options:

a. That grants to core housing providers totalling £68,000 be funded from the Homelessness Prevention Fund rather than the General Fund base budget

b. That, in relation to staffing matters:

   i. an additional “vacancy management” provision of £200k be included

   ii. an additional £23k per annum be included to fund an additional tree officer to support the delivery of essential works.

   iii. £250k be included to fund the outcome from a review of salaries and to maintain reasonable parity with neighbouring councils.

c. That, in relation to the council’s regeneration programme:

   i. as the existing contract for strategic development advice will end in early 2023, £150k is included for the next phase of professional advice needed to assist in preparing for the major decisions we will be bringing forward for regeneration projects

   ii. £130k is included to fund staffing to support the move into delivery phase for our major regeneration projects from 2023 onwards

d. that, in relation to services:

   i. the annual transfer to the Asset Reserve be reduced from £250k to £100k in 2023/24 (one year only) and the transfer to the Parking reserve be suspended for one year only

   ii. an additional £80k per annum be included to address the impact of the “On Street parking” agency ending in 2023

   iii. an additional £50k per annum be included to fund additional “street scene works”

   iv. an additional £67k per annum be included to fund essential health and safety related tree works

   v. £15k per annum for 2 years be included to ensure existing grant funding for the Hampshire Cultural Trust can be maintained

e. That Council Tax will increase in line with the Government referendum limits (currently a maximum of £5 for a Band D property).

IMPLICATIONS:

1 COUNCIL PLAN OUTCOME

1.1 The budget approved in February 2022 (CAB3335 refers) directly supported the delivery of all outcomes set out in the Council Plan.

1.2 This report sets out a budget proposal aimed at maintaining a focus on key priorities, including the Climate Emergency, the delivery of Central Winchester Regeneration work, supporting the economy, delivering homes and improving the health and wellbeing of all communities.

2 FINANCIAL IMPLICATIONS

2.1 These are set out throughout the report. The medium-term financial projections have been updated to take account of inflation pressures. This has resulted in an increased forecast deficit for 2023/24 of £1.7m. This report includes savings proposals of £1.3m and additional growth proposals of £0.8m, resulting in a potential revised forecast of £1.2m. This can be met from the £2m Exceptional Inflation Reserve approved in July 2022. There is also potential for additional Government grant such as New Homes Bonus. Announcements regarding government funding will not be known until late December 2022. This report recommends that if any additional funding is announced in December, this be used to address the forecast deficit before any call is made on Council reserves.

General Fund Revenue (£m)	Forecast	Forecast	Forecast
	2023/24	2024/25	2025/26
Budget Shortfall (Base case)	**-1.728**	**-3.451**	**-4.133**
Total Savings/Parking Strategy Changes	**1.268**	**1.148**	**1.550**
Total Growth Proposals	**-0.765**	**-0.615**	**-0.615**
Forecast Shortfall after savings/growth	**-1.225**	**-2.918**	**-3.198**
Additional Funding Options			
Reserves (or possibly New Homes Bonus)	1.300	1.300	
Strategic Budget Review/service efficiencies		***1.750***	***3.500***
Surplus / (Deficit)	**0.075**	**0.132**	**0.302**

2.2 A range of sensitivity testing has been completed to assess the impact of inflation running higher for longer and of inflation recovering more quickly than currently forecast. Officers will continue to refine the forecasts through to when the detailed budget is brought forward in February 2023.

3 LEGAL AND PROCUREMENT IMPLICATIONS

3.1 Under section 151 of the Local Government Act 1972 a local authority has to make proper arrangements for the administration of its financial affairs. Under s28 of the Local Government Act 2003 a local authority has to review its budget calculations from time to time during the financial year and take appropriate action if there is any deterioration of its budget.

3.2 The Council is required under Chapter 3 of the Local Government and Finance Act 1992 to set a council tax for the forthcoming year along with its budget estimates. The decision must be made by 11 March of the preceding year. The Council's prospective income from all sources must be equal to its proposed expenditure.

3.3 The Council is also required to set a balanced budget, taking into account a range of factors, including consultation feedback and decisions must be taken in accordance with the Council's duties in the Equality Act 2010.

3.4 The approval of the budget and setting of the Council Tax is a decision reserved to Full Council under the Local Government Act 2000 and the Local Authorities (Functions and Responsibilities) Regulations 2000 (as amended). Under these regulations, the Cabinet makes recommendations as to the setting of the council tax and budget to Full Council.

4 WORKFORCE IMPLICATIONS

4.1 The report recognises the current challenges in delivering against Council Plan priorities and includes one off resource proposals for additional staff to support regeneration work, project delivery and to address the increased demand on core services in recent months.

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. Options considered during the budget planning process may therefore involve either the acquisition or disposal of assets, requiring a full business justification case.

6 CONSULTATION AND COMMUNICATION

6.1 Once budget options have been finalised, proposals will be subject to consultation, including discussions with local business representatives through the business/BID briefing and a briefing at the bi-annual parish liaison meeting.

6.2 The council held a Residents Survey in 2022 and the views of a representative sample of over 1700 local residents across the district were sought. In addition to feedback on local priorities, views of emerging policy and the relative perceived importance of council services, questions were asked on how to balance the budget in order 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

6.3 In reality a blended approach to balancing the budget will have to be adopted with the changing macroeconomic position and inflationary costs means that some less favourable options – such as increasing fees and charges – will have to be considered. However, a key part of the budget challenge sessions seek to determine how to make best use of assets and the emerging strategy does include some use of reserves.

7 ENVIRONMENTAL CONSIDERATIONS

7.1 The Council is committed to its Carbon Neutrality targets and in 2019, £800k was included within the revenue budget to support feasibility and programme delivery work. This provision is projected to be fully committed by March 2023. A £200k per annum revenue budget will continue to fund Carbon programme delivery work with effect from April 2023.

7.2 Specific projects are funded through the capital programme, supported in many cases through external grants. Examples include the provision of solar panels to council properties and to local businesses, the installation of EV charging points throughout the district and replacement of windows in the city offices. Further proposals for investment in a significant energy generation project on Council land is currently subject to feasibility review.

8 EQUALITY IMPACT ASSESSEMENT

8.1 The council, in the exercise of all its functions, must have due regard to the public sector equality duty in section 149 Equality Act 2010. This document is part of the budget consultation process, and the public sector equality duty is considered alongside any relevant budget options.

8.2 An equality impact assessment (EqIA) has been undertaken on the decisions recommended within this medium-term financial strategy report. 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.

9 DATA PROTECTION IMPACT

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* *Slowdown in commercial property investment, meaning that the council's development schemes achieve less interest or less income than expected*	Close monitoring of rent position by property team with support to tenants through effective working relationships. 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 £12m uncommitted revenue reserves available to support further increases to the projected deficit	
Financial *The council is unable to balance the revenue budget* *Risk of lower than projected demand for income generating services specifically parking*	Proposals set out in this report, including the strategy for management of reserves mitigate against this. The council has £12m uncommitted revenue reserves available which can be utilised as a last resort as above	

SUPPORTING INFORMATION:

10.1 This report sets out:

a) An update and forecast in relation to the 2022/23 Budget

b) A summary of Government funding assumptions

c) Budget Options for the 2023/24 budget (detail to be considered by Council in February 2023)

d) General Fund Budget Projections for future years

e) A proposed Medium Term Financial Strategy to address the projected future deficits and support service delivery

11 Impact of Inflation and Economic Volatility

11.1 The existing budget and Medium-Term Financial Strategy (MTFS) had assumed a broadly balanced position for 2023/24 with any deficits met from reserves. Longer term deficits were to be addressed through the Strategic Budget Review which was to consider options for delivering services at less cost over the medium term.

11.2 However, the exceptional economic pressures referenced in the General Fund Outturn Report in July (CAB3352 refers) have increased throughout this year. In July, Cabinet approved the "Exceptional Inflation Reserve" of £2m to help address pressures in 2023/24.

11.3 Inflation increased to 10.1% in September. The energy price cap will help address concerns of further increases this year, but pressures remain, exacerbated by recent interest rate increases. All public sector bodies are in a similar position and experiencing very significant unplanned and unbudgeted costs, many without the healthy reserves this council has retained in recent years.

11.4 Revised forecasts have been prepared and are summarised in this report and indicate a very significant deficit for 2023/24.

11.5 The very high levels of inflation will set a new baseline for council costs far higher than predicted in February 2022. Government assistance with the challenge will be limited. Healthy general reserves have been retained to support this in the short term. However, decisions need to be made from now to address future shortfalls and options are set out in this report.

11.6 One positive from the economic pressures is the increased return from the council's investments, which are forecast to be £700k more favourable than had been expected as a result of interest rate rises.

11.7 It is anticipated that much of this benefit will be removed from 24/25 when cash balances reduce in line with projected spend and the council takes on additional planned borrowing to support the delivery of its council plan.

12 2022/23 Budget Update

12.1 The latest forecast for the 2022/23 general fund budget was set out in the Quarter 2 Performance Report (CAB3367 refers) which has been reviewed by the Performance Panel and is included on the agenda for the Scrutiny Committee on 23 November 2022. Whilst the increased inflation and energy costs have impacted on the budget, reduced spend and increased income in some areas is expected to result in a balanced budget being maintained by March 2023.

13 Government Funding Assumptions

13.1 The promise of a 2-year settlement is now uncertain and the Fair Funding Review is not expected any time soon. Current indications are that Council Tax will remain capped at 2% (or £5) and no other assistance with inflationary pressures is anticipated, with Government encouraging local councils to utilise their reserves to manage through this period of volatility and uncertainty.

13.2 Some provision for New Homes Bonus to continue (or something similar) is expected (reserves still held by Govt for this) but there is unlikely to be any clarity on this until the end of December.

13.3 With no assistance with inflation pressures and no ability to increase council tax above the 2% or £5 limit, the Council will have to consider inflation linked increases to all fees and charges if it is to fund services in future years.

14 Council Tax

14.1 Council tax referendum limits for districts are expected to once again remain at 2% or £5.

14.2 The MTFS assumes an annual tax base increase of 2.4% (up from previous estimates of 1.2%). An increase of 2.4% is generating approximately an additional £190k p.a. of Council Tax Income. However, there are additional costs associated with additional properties (Environmental Services Contract cost is specifically increased based on number of additional properties).

14.3 The MTFS currently assumes a council tax increase of 2.5% in 2023/24.

14.4 Depending on the tax base distribution this could mean a maximum increase of approx. 2.9% for both the town and district, which is below the CPI inflation rate of 10.1% in September 2022. The maximum increase is impacted by the town tax base increase compared to the overall district average increase. If the town tax base increase is higher than the district average then this reduces the maximum precept increases due to the methodology behind the £5 limit.

15 Medium Term Budget Forecast

15.1 The revised forecast indicated in the table below takes account of increased inflation (assumes 10% increase on contracts, 5.5% on pay and 100% on energy costs). The forecast assumes inflation will fall in future years but not reach the Bank of England 2% target at least until 2026.

15.2 In addition to the inflation increases, other pressures, such as reduced parking income, reduced commercial rent income and increased spend on waste collection result in a projected deficit of £1.7m in 2023/24 increasing to over £4m by 2026. Measure to address this deficit are set out later in the report.

Assumptions:

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

General Fund Revenue (£m)	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26
Funding			
Winchester District	8.165	8.470	8.786
Winchester Town	1.068	1.081	1.094
Council Tax (excluding Parish Precepts)	9.233	9.551	9.879
Retained Business Rates	6.149	6.272	6.397
New Homes Bonus			
Lower Tier Services Grant			
Services Grant			
Damping Forecast	0.000	0.000	0.000
Other Grants	0.349	0.349	0.349
	15.731	**16.172**	**16.626**
Investment Activity	2.505	1.547	1.521
Resources available	**18.236**	**17.719**	**18.147**
Baseline Net Expenditure			
Gross Income	**16.035**	**17.043**	**17.283**
Gross Expenditure	**-34.398**	**-35.768**	**-36.954**
Baseline resource requirements	**-18.363**	**-18.725**	**-19.671**
One-off budgets & Reserve Related Movements	-0.840	-1.045	-1.209
Total net resource requirements	**-19.202**	**-19.770**	**-20.880**
Budget Surplus / (Shortfall)	**-0.967**	**-2.051**	**-2.733**
% of Gross Expenditure	*2.8%*	*5.7%*	*7.4%*
Plus Unavoidable Growth	-0.761	-1.400	-1.400
UPDATED Budget Surplus / (Shortfall)	**-1.728**	**-3.451**	**-4.133**

15.3 Unavoidable Growth – The additional budget pressures referred to in paragraph 16.2 above and in the table are summarised in the table below:

Issue	Annual Cost	Description
Existing Parking income – Reduced demand	£1m	City centre parking remains at capacity, but Park and Ride and Commuter parking have not returned. 23/24 still includes an assumption for reduced income (£639k) to offset this. 24/25 assumes full recovery but current indications are that this will not be achieved
Corporate Estate Rental Income	£300k	The current estate generates approx. £4m rental income. Some limited reductions are anticipated from 23/24 due to the economic climate.
Waste Contract Additional spend	£100k	Current budget is not sufficient to meet existing service costs (increased demand re glass collections for example)

16 Reserves

16.1 A summary of reserves is also included as appendix 3.

16.2 The "Exceptional Inflation Reserve" includes £1.8m to mitigate against the increased 23/24 forecast deficit. The Business Rates Retention reserve include £900k that is not required and that can be used to supplement the inflation reserve.

16.3 In addition, the "Transitional Reserve" established 3 years ago is £3.4m. It is proposed to use £450k of this reserve to support "invest to save" reviews of key services with a view to reducing longer term operating costs. The remainder can help mitigate future deficits.

16.4 It should be noted that major projects and regen work is usually funded from the Major Investment Reserve. With existing commitments, there is only just over £3m remaining in that reserve and all future business cases for regen work will need to take this into account (a clearer and stronger focus on financial viability). Whilst many costs can be capitalised and funded from borrowing if works proceed, upfront investment has been high for previous projects, arguably with insufficient focus on cost recovery.

17 Budget Options/Proposed Savings

17.1 Whilst it was originally planned to fund all 23/24 deficits from reserves, this can no longer be recommended. Some immediate savings totalling over £120k have already been identified from the budget review process and will be applied from April 23. Other proposed budget reductions include:

Proposed Saving	Annual Saving	Description
Budget Review	£120k	Various reductions to budgets where spend now lower than in previous years
Garden Waste Subscription – 10% increase on annual fee Concessionary discount to increase from £10 to £15	£100k	The current subscriptions just cover existing contract costs but not all admin and support costs. Contract costs will increase in line with inflation this year (est. 9.9%). Renewal requests for the Feb 23 service go out shortly. It is recommended that the November report seeks approval for an immediate increase in this charge in line with contract costs (£43 small bins, £65 large bins). This remains in line with lower quartile of 22/23 charges for Hampshire Councils, although many will increase charges further before March. A larger increase (approx. 20%) would be needed to fully recover all operating costs. It is also proposed that the discount offered to residents subject to the council tax reduction scheme be increased from £10 to £15 per annum.
Fees and Charges – 10% average increase	£70k	With Council Tax charges likely to be subject to the existing cap, an inflation linked increase to other fees and charges is recommended. Most charges are set on a "cost recovery" basis and with costs all increasing, fee increases cannot be avoided. As the charging policy for fees is well established (most linked to cost recovery), it is recommended that the S151 be given delegated authority to finalise fees and charges in line with inflation.
Housing Grants	£68k	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 budget, it is recommended that this support be met from the annual Homelessness Prevention Grant (Council receives £300k annually to support homelessness).
Vacancy Management	£200k	The budget already includes provision for vacancy management which is achieved naturally with little intervention through staff turnover/recruitment. With staff costs the

Proposed Saving	Annual Saving	Description
		largest single budget, some additional controls are needed to reduce overall spend. This will include a review of all vacant posts, use of agency staff and potential deferral of appointment to some non-essential roles. This will place additional pressures on teams but is a far more sensible short-term measure than direct staff cuts. The budget challenge process will require the council to consider its staffing establishment which may lead to some reduction in overall headcount over the coming years.
Assets/Parking Reserve	£450k	Annual contributions to the two reserves total £600k. for 23/24, rather than use other reserves to maintain this contribution, it is proposed to reduce these transfers pending further analysis on the long term call on these reserves

18 <u>Transformation Challenge Programme/Strategic Budget Review</u>

18.1 Detailed budget reviews have highlighted the potential to reduce budgets by at least £120k without any key decisions required to support this. Work on the review to date have also generated the proposals set out in section 18 above above.

18.2 However, with longer term savings targets of £2m by 2024/25 and potentially £3m by 2025/26 (assuming some continuation of New Homes Bonus or similar grant scheme), much more detailed work is required to ensure changes are transformational, well targeted, consider all potential options, ensures the Council continues to meet its statutory obligations and takes account of all emerging pressures.

18.3 Key areas of work include:

- Review of capital programme, cash flow requirements and timing of future borrowing
- Future operation/management of Park and Ride services
- Tourism/Marketing/Visitor Info Centre Provision
- Digitisation and streamlining of Planning services
- Management of Public Conveniences
- Management/operation of off-street parking provision/enforcement

- CCTV Provision and monitoring
- Customer Services – Investment in Online/app reporting (and reduced postage)
- Management of Grounds Contracts/Highway Grounds subsidy
- Grants - Review of programme
- Management of key corporate assets (asset challenge to be arranged)
- Commercial operation and use of the Guildhall and Abbey House (previous review work to be refreshed now market is recovering)

18.4 Whilst some of these reviews can be completed in house, most will require external and independent support if they are to achieve the objective of reducing core spend.

18.5 It is recommended that £450k of the Transitional Reserve be used to fund “invest to save” work in these areas and that the section 151 officer be authorised to approve spend against this provision.

18.6 The scope of these reviews is to be determined but it is essential they focus on costs and income generation. It is also recommended that a member board be established to review scope and proposals and to hold officers to account against agreed timelines.

18.7 It is essential that the reviews are completed within 6 months to ensure implementation of recommendations can be effective to support the 2024/25 budget setting process.

19 Parking Strategy Proposals

19.1 With city centre demand relatively unaffected by previous increases but capacity increasing in outer car parks, an inflation linked increase to Zone 1 (City Centre) car parks within the air quality management area AQMA) is recommended to further influence behaviour change.

20 To support this, it is also proposed that Sunday on-street parking restrictions within the Winchester Inner Area Parking Permit Zone be added to the Traffic Regulation Order Programme for 22/23. The exact zones to be included will be subject to consultation.

20.1 Evening and Sunday demand has been unaffected by charging introduced in 2021 and so it is also proposed that following consultation, charges and weekday charging periods or times for these car parks be extended to include Sundays and bank holidays with a new overnight charge introduced, to be implemented as soon as is practicable. This is a common approach in central car parks in other cities.

20.2 Extending the operating period for car park management teams will also be required. Additional investment is included in section 25 below although this will be offset by the additional income generated from the charging proposals.

20.3 There is no increase to Park and Walk or Park and Ride charging as part of this recommendation.

20.4 It is also proposed that parking charges in “market town” car parks be increased by a 20p flat amount on hourly chargeable rates, to £2.00 for the daily rate, and no change to season tickets, to be implemented as soon as is practicable. This change will not apply to the Alresford Station Car Park, where charges were amended recently.

21 <u>Essential Growth Items</u>

21.1 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 are summarised in the table below:

Proposed	Annual Cost	Description
Strategic Development Advice (one off)	£150k	as the existing contract for strategic development advice will end early in 2023, £150k is included for the next phase of professional advice needed to assist in preparing for the major decisions we will be bringing forward for regeneration projects
Regen Project staff	£130k	Capacity to deliver existing and planned future regen projects is not sufficient to manage successful delivery of regeneration work.
Staff salary review	£250k	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.
Managing off street parking after Agency ends	£80k	£250k provision to fund the impact of the “On Street Parking” agency ending. This is now projected to be £330k. This will be clarified when a business case will be presented for the new residual service in [December 2022].
Street Scene/Pride in Place spend	£50k	One off provision was included in 22/23 for additional spend in the city centre and market

Proposed	Annual Cost	Description
		towns. Some ongoing provision is required for future years.
Essential Tree Works	£67k	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 this.
Tree Officer	£23k	Additional resource is required to ensure the effective management of council trees.
Hampshire Cultural Trust – Maintain grant	£15k	Existing budget assumes HCT grant reduces in future years. However, operating costs of buildings previously managed directly by the council have increased similar to other services. It is therefore proposed that funding is retained at current levels for a two further years.

22 <u>Medium Term Financial Strategy</u>

22.1 The Medium-Term Financial Strategy (MTFS) is intended to set out the Council’s strategic approach to the use and management of its financial resources and provide a framework within which decisions can be made.

22.2 The key proposals for achieving long term budget sustainability for the General Fund include:

a) Utilising the Exceptional Inflation and Transitional Reserves in the short term (up to 24/25) to cover forecast deficits and maintain a balanced budget

b) Completing a programme of strategic service reviews with a view to reducing net operating costs by £2m by April 2024, with all measures to be identified and agreed by July 2023.

c) The implementation of fee increases and other more immediate budget options set out earlier in this report with effect from April 2023.

22.3 Financial projections in Appendix A are shown over a ten-year period to 2030/31 in order to provide insight into the longer-term financial sensitivities and the earmarked reserves strategy.

22.4 The budget options set out in this report, if approved in February 2023, contribute towards a balanced budget through to March 2024.

22.5 Reserves are projected to reduce significantly over this period. The Transitional reserve and Exceptional Inflation Reserve can be used to maintain a balanced budget through to 2023/24, with the remainder providing cover for the risk of forecasts being worse than projected in this report.

22.6 The existing MTFS includes a specific focus on investment to generate additional future income. Whilst it is proposed to retain this aim within the strategy, it must be noted that scope for strategic investments to make a positive contribution to Council finances is very limited, at least in the short term. Councils that have relied heavily on this strategy in recent years are currently very exposed to economic pressures and announcements of potential failures and issuing of section 114 notices are increasing.

22.7 The focus on efficiency and transformation that forms a key element of the existing MTFS has ensured the Council has maintained service provision in a climate of reducing resources. Significant savings and efficiencies have been identified, with £2.4m of budget reductions identified in 2020/21 and a further £3m of operational savings achieved in 2021/22.

23 Medium Term Financial Planning

23.1 The existing MTFS grouped the medium-term financial challenge options around six themes; funding, modernising service delivery/Transformation, asset management/regeneration, efficiency, income generation and enabling partnerships. It is proposed to retain these themes and they will be used to establish the brief for more detailed work with the aim to identify options for reducing net operating costs by up to £2m by April 2024 and £3.5m by April 2025. The Strategic Budget Review has already identified budget savings and further proposals for savings are included in this report. However, the more detailed work is required to ensure strategic service changes are properly targeted, take full account of existing demands and exploit opportunities for both savings and income generation.

23.2 The Strategic Review will continue to focus on the key themes as set out below:

a) Funding – Detailed analysis of impact of Spending Review announcements, use of existing and future non-ring-fenced grant funding, scope for accessing additional funding programmes etc

b) Modernising service delivery/Transformation – A focus on digital transformation and “channel shift” (but with targeted support where required, a review of the potential for adopting a more commercial approach, removing unintended barriers/blockages between teams/services etc. Specific work will focus on digitisation of planning services, use of technology to modernise the management of off-street parking and the management and monitoring of CCTV services.

c) Asset Management/Regeneration – Opportunities have become more challenging in the last year. Increased build costs mean a number of schemes may well have viability challenges. However, the “Asset Challenge” process is ongoing, and consideration will be given to the potential of asset sales in some circumstances. The proposed disposal of the Bar End Depot site is well advanced, and the option of disposal will be included in all challenge reviews in the next year. Making best use of existing buildings/assets, bringing forward development of existing assets to improve return on investment etc. Whilst some opportunities remain to bring forward regeneration proposals, most opportunities will only contribute to longer term deficits, once developments are completed and operational, which can often take some years. As an example, the revenue impact of disposing of the central Bar End depot site has been included from 2025/26.

d) Efficiency – The 2021/22 budget process reduced net operating costs by over £3m and scope for further efficiency savings will be limited. However, whilst previous "salami slicing" style targets for budget holders will be of very limited benefit, a coordinated "cross service" efficiency programme can still make an important contribution towards the process

The Council is required to provide a number of services by statute and like many councils offers a range of discretionary services either by itself, or through partners. The council will need to consider how much funding it provides to a range of discretionary services and potentially the level of provision of statutory services. Council services must remain affordable within the overall financial context, and it is proposed to include a focus on discretionary services and statutory service delivery approaches within this programme.

e) Income Generation - Opportunities to invest which also generate a financial return, either through reductions in cost or income generation, are assessed on a case-by-case basis and scope for this will be included in all Strategic Budget Review work moving forward.

f) Grants/Partnerships – The Council administers a well-established grants programme which underpins the work of core partners. The Council also operates an effective IT service partnership with Test Valley Borough Council. Scope to switch more existing direct service delivery to shared services through partnerships or partner delivery funded by grant will form part of the Review process.

24 General Fund Capital

24.1 The Council has an ambitious general fund capital programme totalling £63m over the next 10 years. Of this, £20.5m relates to the Strategic Asset Purchase Scheme (SAPS) which will only be spent if suitable assets are identified for purchase in line with the provisions of the scheme. Of the total programme just over £20m has been approved for expenditure, with the remaining projects, including SAPS, subject to appraisal.

24.2 The current macroeconomic conditions present significant challenges to the capital programme. Both inflation and borrowing costs have increased significantly since the Capital Investment Strategy was approved by Council in February this year. The consequences of those challenges, and how to mitigate against them, is being considered as part of the preparation for the Capital Investment Strategy in February 2023 and further detail is provided below.

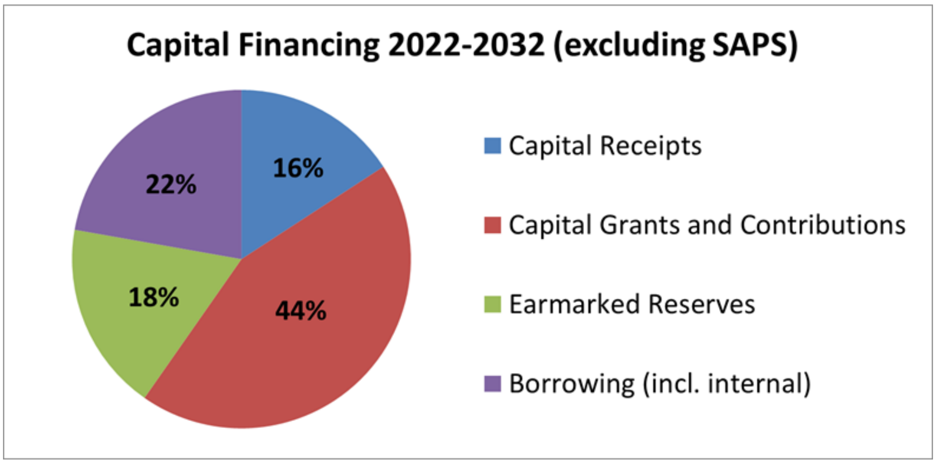
24.3 The impact of on the General Fund capital programme is varied: for example, there is scope in some areas to absorb additional costs and maintain current levels of activity (such as in the Disabled Facilities Grant programme) and in other areas such as play area refurbishment and ongoing capital repairs pragmatic decision making may enable the same, or similar, outcomes to be achieved within the current budget envelope. The council will continue to be in a position to make an impact in communities across the district after successfully obtaining grant funding such as the UK Shared Prosperity and Rural England Prosperity Funds.

24.4 There are particular pressures for refurbishment and regeneration projects in the current high inflation/higher borrowing cost environment which mean some projects, such as redeveloping the former Goods Shed, are currently commercially unviable and all are subject to increased risk due to the deteriorating economic situation.

24.5 Careful asset management is essential and there are potential opportunities from asset sales where the capital receipt could be used to either finance projects that would otherwise be unaffordable or to reduce the council's outstanding borrowing need which translates to annual revenue cost savings.

<u>Capital financing</u>

24.6 Excluding SAPS (funded by borrowing if suitable purchases are identified), the proposed financing of the programme is as follows:



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

- Capital grants and contributions (e.g. Disabled Facilities Grant, Local Enterprise Partnership, and Community Infrastructure Levy);
- Capital receipts (from asset sales);
- Earmarked Reserves (e.g. the Major Investment Reserve, the Property Reserve, the Car Parks Property Reserve, and the IMT Reserve);
- Revenue contributions; and
- Borrowing including internal (also known as the “Capital Financing Requirement”).

24.8 Where possible, the most restricted funding sources should be used before using earmarked reserves or revenue contributions. Capital grants and contributions typically are for either specific projects or types of expenditure, and capital receipts from the sale of assets can only be used to finance new capital expenditure or reduce unfinanced capital expenditure (borrowing) from prior years. Revenue reserves are not restricted to capital only and can therefore fund expenditure that is not capital in nature and can be used to fund day to day expenditure should there be either an unplanned shortfall in income or unexpected additional expenditure.

24.9 Local authorities may also incur borrowing for capital projects in line with the Prudential Code as long as the capital programme overall is “affordable, sustainable, and prudent”. General Fund capital projects funded by prudential borrowing will incur an annual revenue cost over the life of the asset – a minimum revenue provision (MRP), which is equivalent to the principal repayment, and external interest/opportunity cost. There is not a requirement to apply MRP in respect of the HRA. Where a project does not provide additional income or savings in excess of the annual borrowing cost, it may be necessary for the council to make further savings elsewhere. Typically, the council funds projects from borrowing where the income and/or savings exceed the cost of borrowing.

24.10 Where the council has existing resources (e.g. reserves) it is able to “internally” borrow and so delay the need to externalise its borrowing requirement; this reduces interest costs in the short term. The council’s Capital Financing Requirement (CFR) up to 31 March 2022, which represents unfinanced capital expenditure in prior years, is shown in the table below. The CFR is increased when a new capital project isn’t financed from other resources and is reduced by the annual MRP. The council can also elect to reduce the CFR by making a “voluntary” provision above the MRP. This will reduce the amount of MRP in future years and, if funded by a new capital receipt, will also reduce the need to externally borrow and therefore interest savings can be made. In 2021/22, the GF voluntary provision was made following the receipt of a grant in respect of Durngate flood prevention scheme thus reducing the CFR in respect of that scheme.

Capital Financing Requirement	**General Fund £000**	**Housing Revenue Account £000**	**Total £000**
Capital Financing Requirement at 1 April 2021	**71,628**	**178,177**	**249,805**
Unfinanced capital expenditure - in year	2,437	8,615	11,052
Minimum revenue provision (MRP)	(876)	0	(876)
Voluntary provision for the financing of capital	(377)	(787)	(1,164)
Capital Financing Requirement at 31 March 2022	**72,812**	**186,005**	**258,817**
Made up of:			
External borrowing	0	166,722	166,722
Internal borrowing	72,812	19,283	92,095

Challenges

24.11 The council's capital programme must be "affordable, sustainable, and prudent" as required by the Prudential Code. Both inflation and the cost of borrowing have increased significantly since the Capital Investment Strategy was approved by Council in February. This has impacted negatively on the commercial viability of some refurbishment and regeneration schemes where a surplus after the cost of borrowing had been anticipated, and on the affordability of the capital programme overall.

Inflation

24.12 The September Consumer Prices Index (CPI) was 10.1%. However, inflation differs between products and sectors. For example, inflation in construction materials increased significantly between July 2021 and July 2022: repairs and maintenance +21.9%, new housing + 21.2%, and other new work +27.7%. Encouragingly all showed a small decrease between July 2022 and August 2022 though it's too early to know if this is the beginning of a trend (source: Monthly Statistics of Building Materials and Components - data.gov.uk). In addition, construction experienced the highest rate of salary growth of all sectors between February and July due to a shortage of workers. As economic activity slows it may well be that costs such as materials fall back in the medium term.

Borrowing

24.13 Since the budget was set in February, the cost of borrowing to the council has increased significantly. Local authorities can borrow from the Public Words Loans Board (PWLB) which is typically the cheapest and easiest source of borrowing. Lending rates are based on UK gilts (government borrowing) plus a margin of 0.8%. Early in the year, the council's treasury advisors and market implied future rates indicated small increases in the cost of borrowing in the short to medium term. On 1st February, the 40-year annuity rate was 2.3% but a week after the "mini-budget" on 28th September had increased to 5.8%. Since the reversal of the mini-budget and intervention by the Bank of England rates have still fallen but the 40-year PWLB rate remains elevated above 4% at the time of writing.

24.14 Significant changes in the cost of borrowing can impact on the commercial viability of refurbishment or regeneration projects and on the affordability of the capital programme overall. For example, for a £5m project with a 30-year life the annual cost of borrowing (MRP (principal repayment) and interest) is £240,000 per annum (4.8%) at an interest cost of 2.5% and is £325,000 (6.5%) at an interest cost of 5%. The gross yield for commercial viability needs to be in excess of the total MRP and interest cost.

Use of reserves

24.15 Several items in the capital programme are financed from earmarked reserves. Any increase in the use of reserves reduces the council's ability to respond to unexpected events and to finance work in respect of major projects that cannot be capitalised. In addition, it would reduce the council's overall cash position which would mean that more of the council's CFR (borrowing need) will need to be externalised sooner when rates may still be high. A reduction in the use of reserves will have the opposite effect.

<u>Impact on capital programme and mitigations</u>

24.16 In preparing the 2023-2033 Capital Investment Strategy (to be approved by Council in February 2023) officers will consider the capital programme in detail. Given an evolving situation with respect to inflation and the cost of borrowing any assumptions now can and will change. It is also important to bear in mind that projects approved in February will need to be appraised prior to committing expenditure and their viability may change. This section considers key items in the capital programme, how they are affected, and how the effects of inflation and increased borrowing costs can be mitigated.

Grants

24.17 The Council has an annual budget of around £1.2m for **Disabled Facilities Grants** which is based on the amount allocated to Winchester. Annual expenditure varies each year but typically in the last couple of years has been around 80% of the amount received and the council has in excess of £1m unapplied from previous years in addition to the current budgets. As such, the DFG programme has some capacity to absorb increased costs. However, if the grant received from central government doesn't increase in line with inflation, there is a risk in later years that the programme may need to be reduced in terms of total grants awarded.

24.18 The programme of **CIL funded community grants** totals just under £1.6m of which £300,000 is unallocated. £350,000 of the £1.6m had been paid over by the end of Q2. Of the remainder, there is a risk that those who were awarded grants find that costs have increased somewhat since the grant was originally awarded and projects may become unviable and/or further grant funding is requested. This risk has been noted and addressed in CAB3360 which delegated authority to the Cabinet Member for Place and the Local Plan to approve supplementary capital estimates and expenditure, via a Decision Day, to existing projects for which additional funding is required due to inflation and which in total should not exceed £500,000 in. The CIL team is reviewing the strategic approach to CIL and will be reporting to a policy committee before March 2023.

Capital repairs and equipment refresh budgets

24.19 The Town Forum has a 5-year **play area refurbishment programme** of just over £1m which the Town finances with the exception of Abbey Gardens. Equipment and works costs are increasing due to inflation. However, officers have visited the sites in the current programme to consider where savings can be made. They have identified that some equipment in good condition could be retained rather than a wholesale removal of existing equipment. This not only has the potential to allow works to proceed within the current budget envelope but also helps with sustainability by avoiding disposal of equipment in good working order. Consideration also needs to be given as to whether certain sites continue to be fit for purpose and meet community needs.

24.20 In addition, the Town Forum is funding the **resurfacing of the tennis courts at River Park** for which there is a £150,000 budget. Indications now are that it may cost up to £200,000. However, officers are considering other options and may be able to complete the works within budget.

24.21 The 10-year programme includes roughly £2m from the **car parks major works programme** (including provisional sums in the later years) as well as £820,000 in respect of works to **Chesil car park**. If costs increased by say 20% then this would add additional pressure on the car parks reserve of almost £600,000 over the 10 years. Officers are reviewing the programme and considering the timing and the likely cost of works. There is potential to delay some works; for example, it may be possible to extend the life of some assets such as resurfacing works which would reduce the pressure. It is also possible that materials costs may fall in the future during recession which will relieve the pressure on future budgets.

24.22 The IMT programme totals around £2m over the next 10 years. Due to the rapidly changing nature of IT solutions, forecasts beyond the near term are subject to significant change. Asset replacement costs are increasing and the move to hybrid working has required additional equipment investment which has enabled staff to work more flexibly and continue to provide, and improve, the services the council offers while embracing a new way of working. Laptops will need replacing more frequently due to increased use but these increased costs are partially offset by the reduction in the number of desks in use. The move to cloud services for both hardware and software will increase the pressure in years 5 to 10 on operating budgets but will reduce the demand on capital. Officers are working on refreshing the forecast budget requirements as part of the budget setting process.

Refurbishment and regeneration projects

24.23 There are a number of projects in the capital programme, subject to appraisal, to refurbish or redevelop existing assets. These projects are funded by borrowing on the basis that new income generated will cover the annual cost of borrowing and deliver a surplus to the council. Both inflation and higher borrowing costs, as well as an increased risk of void periods in a recession, impact on the viability of these schemes.

24.24 The current estimated cost of works at the **former Goods Shed** are in the region of £5m and, at current borrowing rates, would deliver a large annual loss to the council (circa £80,000+ per annum or £2.4m over its useful life assuming no void periods). As such the scheme is likely to be paused and alternative meanwhile uses considered.

24.25 A provisional budget of £500,000 was included for works to **158-159 High Street**. Those works are now estimated at least £800,000 and with the current cost of borrowing would also deliver an annual loss to the council. A budget of £550,000 has been allocated for refurbishment works at **59 Colebrook St** and £700,000 for works to the **Casson Block**. If costs increased by 20% then Colebrook Street is commercially unviable with a small annual loss but based on the estimated income assumptions Casson Block would still provide a surplus. In both cases more detailed updated costings are required and the increased risk of void periods as well as the level of rent achievable in the current economic climate needs to be considered prior to deciding whether to proceed with the scheme.

24.26 A budget of £800,000 is included in the Plan to fund the provision of a replacement community/sports **pavilion at North Walls**. The project has been well supported by the local community who had secured over £200k towards the build costs (included within the total £800k). Original plans were not taken forward when tenders came in well above the available budget and the scheme has been redesigned and is currently awaiting Planning approval. However, in light of the increase in construction costs, price estimates are now well above £1m for the build and additional funding will be required to deliver the project. With the time taken to bring this scheme forward, some grant funding is no longer available, and the community funding pledges have also reduced.

Other projects

24.27 There are a number of projects on the horizon that are not in the programme but may be affected. These include the **North Walls Park Plan** for example for which the scope may need to be scaled back in the near term, and a possible **solar farm** for which feasibility will need to be reconsidered to take account of increased borrowing costs. Identifying potential grant funding assist in making projects viable that otherwise may not be and the council has successfully obtained grants recently for a number of projects including for solar PV and for the City Offices decarbonisation works.

Asset sales

24.28 As well as refurbishing existing assets, the council considers the possible sale of assets as part of its asset challenge programme. While there may be reasons not to dispose of particular assets the benefit of a sale is that it produces a capital receipt that can be used to fund capital expenditure for which alternative funding is not available or where high borrowing costs would make a project unviable. It could be used to fund expenditure that would have been funded by revenue reserves thus releasing those reserves for other purposes.

24.29 A new capital receipt can also be used to reduce prior year unfinanced capital expenditure and deliver annual revenue savings by reducing MRP (principal repayment) and interest costs. The actual saving would depend on the life of the asset concerned and on the interest costs at the time. The following table illustrates the estimated annual saving made on an asset with a life of 40 years:

Revenue saving by applying £1m capital receipt to unfinanced project with 40 year life				
	5.5%	**4.5%**	**3.5%**	**2.5%**
Annual saving (£'000)	62	54	47	40
Cumulative saving (40 yrs) (£'000)	2,493	2,174	1,873	1,593

25 MTFS Forecast Assumptions and Sensitivity Analysis

25.1 The tables below show the main assumptions used in the MTFP. These are central case assumptions based on the best knowledge available at the time of publishing, further updates will be made later in the process for example when the finance settlement is confirmed.

Base Case (Used for forecasts included in report and appendices:

Council Tax Base	1.2%	2.4%	1.2%	1.2%	1.2%
Council Tax - Band D £	2.7%	2.5%	2.5%	2.5%	2.0%
Contractual Inflation	7.0%	10.0%	5.0%	4.0%	2.0%
Pay Inflation	5.5%	5.5%	4.0%	4.0%	2.0%
Utility Inflation	100.0%	10.0%	5.0%	4.0%	2.0%
Covid 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
Budget Shortfall (Base case)	**-1.185**	**-1.728**	**-3.451**	**-4.133**	**-5.391**

More Pessimistic (inflation higher for longer)

Council Tax Base	1.2%	2.4%	1.2%	1.2%	1.2%
Council Tax - Band D £	2.7%	2.5%	2.5%	2.5%	2.0%
Contractual Inflation	7.0%	12.0%	10.0%	8.0%	4.0%
Pay Inflation	6.0%	7.0%	5.0%	5.0%	4.0%
Utility Inflation	100.0%	50.0%	20.0%	10.0%	5.0%
Covid 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
Budget Shortfall (high inflation for longer)	**-0.408**	**-1.807**	**-3.716**	**-5.050**	**-6.889**

More Optimistic (assuming a faster recovery)

Council Tax Base	1.2%	2.4%	1.2%	1.2%	1.2%
Council Tax - Band D £	2.7%	2.5%	2.5%	2.5%	2.0%
Contractual Inflation	7.0%	6.0%	4.0%	2.0%	2.0%
Pay Inflation	5.5%	5.0%	3.0%	3.0%	2.0%
Utility Inflation	60.0%	-20.0%	-20.0%	4.0%	2.0%
Covid 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
Budget Shortfall (high inflation for longer)	**-0.043**	**0.048**	**-0.581**	**-0.873**	**-2.131**

25.2 The highest risk assumptions are those outside of the control of the council such as government funding and contract inflation.

I. There is a great deal of uncertainty around the finance settlement which has made medium term forecasting very difficult and therefore increasing the risk of either a favourable or adverse outcome. As there is less risk around the long-term projections it is anticipated that the timing of transformation and savings plans will need to be agile enough to be brought forward should that be required.

II. CPI has increased from 3% in mid-2021 to over 10% by September 2022 and is expected to remain volatile in the short-term. The council has a number of high value contracts, such as environmental services, which means the MTFP is sensitive to spikes in inflation. A forecast of 10% has now been included in projections for 2022/23 but reducing to 5% from 2024/25. If inflation does remain high past 2023/24, or even continues on an upward trajectory, then forecasts will need to be revisited bearing in mind that each 1% increase has a baseline cost of £109k per annum.

26 Strategic Reserves

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

26.2 Whilst the Council started in April 2020 with a healthy overall balance of earmarked reserves, there are significant existing budget commitments particularly in relation to major projects such as the new Winchester sport and leisure centre and central Winchester regeneration. In particular the Major Investment reserve, which has historically been the main reserve used to support revenue expenditure for major projects, is forecast to reduce from £7.6m in April 2020 to £3.7m by March 2024.

26.3 The creation of a new Transitional Reserve was approved by Cabinet in October 2019 (CAB3178). The purpose of this reserve is to both support the significant financial risks faced by the Council in relation to Government and other funding reductions and also to enable investment in the Council Plan (for example supporting the Climate Emergency).

26.4 In summary, reserves are used to support:

a) Funding of the capital programme

b) Investment in transformation

c) Funding one-off costs associated with staffing reviews and organisational development work.

d) Providing one-off support for service budgets (such as the local plan)

e) Community infrastructure plans

f) Council Plan support

g) Asset management plans, IT strategy, Car parking strategy

h) Winchester town account (notably major refurbishment and replacements of play areas.)

26.5 It is important to note that reserves are finite and can therefore only be used to fund one-off expenditure. One-off expenditure can include projects which span a number of financial years but cannot include recurring expenditure such as utilities.

26.6 Total General Fund earmarked reserves, before proposals in this paper, are forecast to reduce from £38.0m at 01 April 2022 to £24.8m at 31 March 2024. The forecast closing balances (31 March 2024) of key earmarked reserves are summarised below;

a) Operational reserves (£4.4m), 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 (£7.1m), 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 (£3.7m), such as the asset management reserve, are used to maintain existing council assets and are supported by spending plans such as the asset management plan.

d) Restricted reserves (£9.7m), 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.

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

27 <u>Balances / risk reserves</u>

27.1 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 funding over the medium-term projections.

27.2 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.

28 <u>Adequacy of reserves and robustness of estimates</u>

28.1 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.

28.2 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.

28.3 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.

28.4 The S151 officer is able to provide positive assurance on the robustness of the estimates, within the context of the overall budget and reserve levels, for the purpose of the budget calculations for the next year.

29 OTHER OPTIONS CONSIDERED AND REJECTED

29.1 Scope for additional savings in 23/24 to reduce the use of reserves does exist but would have a very significant and direct impact on service levels and service quality. With the uncertainty that exists regarding future funding, the recommended balance between savings and use of reserves to achieve a balanced budget is considered reasonable.

29.2 However, it is essential that work to identify longer term savings through the Strategic Budget Review as set out in this report is critical to ensure the Council can meet its obligation to set a balanced budget in 2024/25.

BACKGROUND DOCUMENTS:

Previous Committee Reports:

CAB3318 - General Fund Budget Options and Medium-Term Financial Strategy dated 20 October 2021

CAB3335 - General Fund Budget 2022/23 dated 17 February 2022

CAB3332 - Capital Investment Strategy 2022-2032 dated 17 February 2022

CAB3352 - General Fund Outturn 2021/22 dated 19 July 2022

Other Background Documents:

None

APPENDICES:

1. Medium Term Financial Projections
2. Summary of all Revenue Proposals
3. Summary of Reserves

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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%	2.5%	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	9.233	9.551	9.879	10.176	10.481	10.797	11.122	11.457	11.803
Retained Business Rates	5.596	6.149	6.272	6.397	3.916	3.974	4.029	4.138	4.043	4.096
New Homes Bonus	2.327									
Lower Tier Services Grant	0.100									
Services Grant	0.154									
Damping Forecast		0.000	0.000	0.000	1.368	0.185				
Other Grants	0.349	0.349	0.349	0.349	0.349	0.349	0.349	0.349	0.349	0.349
	17.348	**15.731**	**16.172**	**16.626**	**15.808**	**14.989**	**15.175**	**15.609**	**15.850**	**16.248**
Investment Activity	2.160	2.505	1.547	1.521	1.632	1.610	1.587	1.563	1.539	1.515
Resources available	**19.508**	**18.236**	**17.719**	**18.147**	**17.441**	**16.599**	**16.762**	**17.172**	**17.389**	**17.763**
Baseline Net Expenditure										
Gross Income	**14.339**	**16.035**	**17.043**	**17.283**	**17.242**	**17.324**	**17.334**	**17.340**	**17.336**	**17.321**
Gross Expenditure	**-31.305**	**-34.398**	**-35.768**	**-36.954**	**-37.426**	**-37.946**	**-38.645**	**-39.359**	**-40.086**	**-40.829**
Baseline resource requirements	**-16.967**	**-18.363**	**-18.725**	**-19.671**	**-20.184**	**-20.622**	**-21.312**	**-22.019**	**-22.750**	**-23.507**
One-off budgets & Reserve Related Movements	-2.542	-0.840	-1.045	-1.209	-1.248	-1.078	-0.631	-0.627	-0.627	-0.480
Total net resource requirements	**-19.508**	**-19.202**	**-19.770**	**-20.880**	**-21.432**	**-21.700**	**-21.942**	**-22.647**	**-23.377**	**-23.987**
Budget Surplus / (Shortfall)	**-0.000**	**-0.967**	**-2.051**	**-2.733**	**-3.991**	**-5.101**	**-5.180**	**-5.475**	**-5.988**	**-6.224**
% of Gross Expenditure	*0.0%*	*2.8%*	*5.7%*	*7.4%*	*10.7%*	*13.4%*	*13.4%*	*13.9%*	*14.9%*	*15.2%*

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Summary of all Revenue Proposals

General Fund Revenue (£m)	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26
Budget Shortfall (Base case)	**-0.967**	**-2.051**	**-2.733**
Unavoidable Growth - compared to base case			
Car Parking Income	-1.000	-1.000	-1.000
Less Covid Contingency	0.639		
Investment Property Income	-0.300	-0.300	-0.300
Waste Contract Growth (e.g. ad-hoc's)	-0.100	-0.100	-0.100
Base Case Updates	**-0.761**	**-1.400**	**-1.400**
Surplus / (Deficit) Inc. Unavoidable Growth	**-1.728**	**-3.451**	**-4.133**
Budget Options			
Garden Waste Subscription @ Oct CPI (10%)	0.100	0.100	0.100
Central Parking charges @ CPI (Oct start)	0.175	0.350	0.450
Market Town parking charges @ CPI	0.005	0.010	0.012
Central Parking - 7 day week charges (Oct start)	0.100	0.200	0.200
Outer ring/P&R - No increase?			
Fees and Charges average @ 10% (current budg	0.070	0.070	0.070
Core Hsg Grants funded from Prevention Grant	0.068	0.068	0.068
Asset Reserve - suspend annual contribution	0.100		
Parking Reserve - Adjust annual contribution	0.350	0.150	0.150
Vacancy Management	0.200	0.200	0.200
Bar End Depot			0.300
Strategic Budget Review/service efficiencies	0.100		
Total Budget Options	**1.268**	**1.148**	**1.550**
Surplus / (Deficit) inc. all Buget Options	**-0.460**	**-2.303**	**-2.583**
Other Growth Proposals			
Parking agency impact	-0.080	-0.080	-0.080
HCT Freeze	-0.015	-0.015	
Regen Project staffing	-0.130	-0.130	-0.130
Salaries - Increment Increase	-0.250	-0.250	-0.250
Strategic development adviser (one off)	-0.150		
Street scene/Pride of Place	-0.050	-0.050	-0.050
Essential Tree works	-0.067	-0.067	-0.067
Tree Officer	-0.023	-0.023	-0.023
Total Growth Proposals	**-0.765**	**-0.615**	**-0.600**
Surplus / (Deficit) inc. all savings & growth	**-1.225**	**-2.918**	**-3.183**
Additional Funding Options			
Reserves or New Homes Bonus	1.300	1.300	
Strategic Budget Review/service efficiencies		***1.750***	***3.500***
Surplus / (Deficit)	**0.075**	**0.132**	**0.317**

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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)	(4,324)	(3,702)	(3,551)	(3,551)	(3,551)	(3,551)	(3,551)	(3,551)	(3,551)	(3,551)
Community Grants & Commissions	(558)	(491)	(484)	(424)	(424)	(424)	(424)	(424)	(424)	(424)	(424)
Flood Support Schemes	(66)										
Landscape Mitigation	(12)	(10)	(8)	(6)	(4)	(2)					
Local Development Framework (LDF)	(290)										
New Burdens	(837)	(169)	(169)	(169)	(169)	(169)	(169)	(169)	(169)	(169)	(169)
	(10,794)	**(4,994)**	**(4,363)**	**(4,150)**	**(4,148)**	**(4,146)**	**(4,144)**	**(4,144)**	**(4,144)**	**(4,144)**	**(4,144)**
ASSET RESERVES											
Property - Asset Management Reserve	(3,761)	(3,340)	(1,773)	(1,603)	(1,553)	(1,503)	(1,453)	(1,403)	(1,353)	(1,053)	(1,003)
Car Parks Property	(1,899)	(1,804)	(1,684)	(1,634)	(1,584)	(1,534)	(1,484)	(1,434)	(1,384)	(1,334)	(1,284)
Information Management and Technology	(208)	(243)	(209)	(171)	(214)	(131)	(145)	(206)	(163)	(226)	(141)
	(5,868)	**(5,387)**	**(3,666)**	**(3,409)**	**(3,352)**	**(3,169)**	**(3,083)**	**(3,043)**	**(2,901)**	**(2,613)**	**(2,428)**
RESTRICTED RESERVES											
S106 (Interest)	(290)	(290)	(290)	(290)	(290)	(290)	(290)	(290)	(290)	(290)	(290)
Community Infrastructure Levy - General Fund	(12,245)	(9,343)	(8,593)	(8,593)	(8,593)	(8,593)	(8,593)	(8,593)	(8,593)	(8,593)	(8,593)
Community Infrastructure Levy - Winchester Town	(1,209)	(751)	(614)	(614)	(614)	(614)	(614)	(614)	(614)	(614)	(614)
Winchester Town Reserve	(456)	(227)	(250)	(166)	(174)	(167)	(167)	(167)	(167)	(167)	(167)
	(14,199)	**(10,610)**	**(9,746)**	**(9,662)**	**(9,671)**	**(9,664)**	**(9,664)**	**(9,664)**	**(9,664)**	**(9,664)**	**(9,664)**
RISK RESERVES											
Municipal Mutual Insurance	(139)	(139)	(139)	(139)	(139)	(139)	(139)	(139)	(139)	(139)	(139)
Transitional Reserve	(3,090)	(3,321)	(3,221)	(3,421)	(3,421)	(3,421)	(3,421)	(3,421)	(3,421)	(3,421)	(3,421)
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)	**(7,160)**	**(7,060)**	**(7,260)**	**(7,260)**	**(7,260)**	**(7,260)**	**(7,260)**	**(7,260)**	**(7,260)**	**(7,260)**
Total General Fund Earmarked Reserves	**(37,990)**	**(28,151)**	**(24,835)**	**(24,481)**	**(24,431)**	**(24,239)**	**(24,150)**	**(24,111)**	**(23,968)**	**(23,681)**	**(23,496)**
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)

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CAB3365
CABINET

REPORT TITLE: HOUSING REVENUE ACCOUNT (HRA) BUSINESS PLAN AND BUDGET OPTIONS

15 NOVEMBER 2022

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

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

WARD(S): ALL

PURPOSE:

The purpose of this report is to update members on the current HRA 30-year Business Plan, and how it has been impacted by unprecedented inflationary pressures and changes in interest rates. In addition, Government intervention to strike a balance between the investment requirements of landlord's business plans and the cost-of-living crisis upon tenants has also had a significant impact on rent setting. These factors have led to increased volatility and uncertainty in the Medium-Term Financial Planning (MTFP) horizon underpinning the business planning process.

The report identifies the likely impact of these pressures and risks upon the delivery of the plan and confirms that the proposed business plan is currently considered to be sustainable and viable over the 30-year period given the underlying key assumptions, but that these need to be kept under review. In addition, it analyses the impact of different proposed HRA rent Ceilings upon the HRA Business Plan.

RECOMMENDATIONS:

That Cabinet:

1. Note that, in light of the absence of any Government confirmation regarding possible rent setting ceilings and the proposed changes to the rent setting mechanism identified elsewhere within the report, at present it is not possible to approve a draft 30-year HRA Business Plan.
2. Note the draft HRA Business 30-year Plan for 2022-23 to 2051-52 as summarised in the Operating Account included as Appendix 1, based upon an assumed 5% rent increase in 2023-24.
3. Note the latest forecast 30-year HRA capital investment programme of £1.086m, an increase of £212m on the present plan, subject to the approval of individual schemes; and subject to the final detailed HRA budget and the 10-year Capital Investment Strategy being approved by Council in February 2022.
4. Note the impact of different rent assumptions upon the viability of the HRA Business Plan as set out in section 16 and that the final rent decision will be subject to the results of the Government consultation on Rent Ceiling's for 2023-24.

IMPLICATIONS:

1 COUNCIL PLAN OUTCOME

1.1 Providing good quality housing and new affordable homes is a strategic priority for the Council. Effective management of the resources available to the Council enable it to take advantage of new opportunities and ensure that satisfaction levels remain high amongst tenants in relation to their home and community. In particular

1.2 Tackling the Climate Emergency and Creating a Greener District

a) Carbon Neutrality measures will be implemented across existing housing stock and include within the design and construction of new properties, and feasibility considered in the purchase of any substitute properties

1.3 Homes for all

a) Assist with the increase of affordable housing property stock across the Winchester district

1.4 Vibrant Local Economy

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

1.5 Living Well

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

1.6 Your Services, Your Voice

a) Housing tenants are directly involved in decisions regarding service provision, both through the work of TACT and through regular digital engagement processes. The service continues to review options to provide an improved customer experience, increase opportunities for digital engagement and to ensure satisfaction with services provided by the Council remains high.

2 FINANCIAL IMPLICATIONS

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

2.2 The Government is currently consulting on proposals to set a maximum cap on rent increases rather than allow rents to increase in April 2023 in line with the previously agreed formula of CPI+1% which would have meant a rent increase of 11.1% (see section 19).

2.3 The draft HRA Business 30-year Plan for 2022-23 to 2051-52 set out later in the report and summarised in the Operating Account included as Appendix 1, has been prepared based upon an assumed 5% rent increase in 2023-24. At this level, the draft HRA Business Plan is both viable and sustainable and will support the council's ambitious delivery of 1,000 new affordable homes over the next ten years. The proposed plan provides sufficient funds over the 30 years to deliver over 1,700 new affordable homes in total.

2.4 If the Government set a cap below the 5% level, the Plan is likely to be unsustainable and this is set out in more detail later in the report.

2.5 This report also sets out the financing required to continue to meet the 1,000-home target as set out in the Council Plan. This requires a 30-year HRA capital investment programme of £1.086m, an increase of £212m on the present plan and an associated long term funding strategy that will see overall borrowing of £463m in year 30, an increase of £122m over the present plan

3 <u>LEGAL AND PROCUREMENT IMPLICATIONS</u>

3.1 Under Part VI of the Local Government and Housing Act 1989 any local authority that owns housing stock is obliged to maintain a Housing Revenue Account. The HRA is a record of revenue expenditure and income in relation to an authority's own housing stock. The items to be credited and debited to the HRA are prescribed by statute. It is a ring-fenced account within the authority's General Fund, which means that local authorities have no general discretion to transfer sums into or out of the HRA.

3.2 The Council is required to prepare proposals each year relating to the income of the authority from rents and other charges, expenditure in respect of repair, maintenance, supervision and management of HRA property and other prescribed matters. The proposals should be made on the best assumptions and estimates available and designed to secure that the housing revenue account for the coming year does not show a debit balance. The report sets out information relevant to these considerations.

3.3 Section 76 Local Government and Housing Act 1989 places a duty on local housing authorities: (a) to produce, and make available for public inspection, an annual budget for their HRA which avoids a deficit; (b) to review and if necessary, revise that budget from time to time and (c) to take all reasonably practicable steps to avoid an end-of-year deficit.

3.4 The proposed HRA budget fulfils these requirements. The report also seeks approval for major investment estimates in relation to a variety of schemes. In compliance with Section 151 of the Local Government Act 1972, the Council has in place Financial Procedures which provide appropriate arrangements for the approval of major works estimates. The various major works schemes must be capable of being carried out within the Council's statutory powers. To the extent that the details of the schemes appear from the body of the report, it does appear that the proposed works meet this requirement. In particular the maintenance of dwellings may be considered consistent with the Council's repairing obligation under Section 11 of the Landlord and Tenant Act 1985.

4 WORKFORCE IMPLICATIONS

4.1 Some of the options for consideration for next year's budget may require an additional staffing resource.

5 PROPERTY AND ASSET IMPLICATIONS

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

6 CONSULTATION AND COMMUNICATION

7 The HRA Outturn report was discussed with TACT at its meeting 28 July 2022. At this meeting TACT asked how the dramatic rise in inflation had been factored into the 30-year business plan; about borrowing arrangements and how the 30-year business plan is updated. The HRA Budget Options paper was discussed with TACT at its 22 September 2022 meeting. Tenants asked for another meeting to be arranged and asked for clarity on some of the issues that were covered including the Government rent ceiling proposals. This meeting took place on 26 October 2022 when tenants asked about the judgements being made and whether rent arrears will have an impact on rental income. TACT fed back that the assumptions being applied appeared to be reasonable, although commented that inflation rates used seemed very optimistic.

ENVIRONMENTAL CONSIDERATIONS

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 increase in build costs, which takes account of building 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 Business Plan 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. Through is fabric first void works and a tenant "retrofit ready" programme to reduce carbon reduction emissions and provide energy savings to tenants.

7.4 All new homes are built to high energy Passivhaus Plus 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.

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

This document is part of the budget consultation process, and the public sector equality duty is considered alongside any relevant budget options. A full impact assessment will be completed as part of any detailed recommendations brought forward in February 2023.

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 *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.

Risk	Mitigation	Opportunities
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 monitor's government announcements on the use of RTB receipts and potential capital grant funding.
Deliverables *Risk that the Council can not 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*	Members may want to consider that whether the programme should 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	

Risk	Mitigation	Opportunities
	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 streams as a result of the end of the current agreement on rent setting in April 2025.*	Rental income accounts for 93% of all the HRA annual income, and future potential government intervention and constraint upon this has a significant impact on the size and deliverability of the plan	Sectorial lobbying of Government to seek future certainty will help to 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.	A Housing Company has the potential to increase the available supply of affordable housing to support our residents.
Reputation *Failure to complete major housing projects due to lack of resources would have a direct impact on both customer satisfaction*	Business planning tools with regular updates are utilised to make sure resources are available to complete projects.	

Risk	Mitigation	Opportunities
and the Council's reputation.		
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 EXECUTIVE SUMMARY

11.1 This is an annual report and is based on a refreshed 30-year HRA business plan that incorporates assumptions on future inflation, interest rates, rents and changes in the number and mix of properties in the HRA. It allows for the maintenance of the housing stock at current decent homes standard and provides funding for the delivery of 1000+ new affordable homes. The Plan assumes a 5% rent increase next year and that the long-term cost of borrowing is 4%, and on this basis is considered to be both sustainable and viable.

11.2 The report recognises the increased difficulty, challenge and uncertainty surrounding the current HRA MTFS over the next 3-5 years and how this increases over the life of a 30-year business plan. It identifies the key challenges affecting the delivery of the plan as inflationary pressures, interest rate risk and Government intervention on rents and how these have affected the business plan and its delivery

11.3 A material change identified is the 42% increase in the cost of new homes delivery which necessitates an increase in the amount and cost of borrowing. It identifies that this would lead to an increase in the investment required to deliver the programme over 30 years of 24% or £212m, which would require an additional £122m of new borrowing over that assumed last year. In light of this members may want to consider whether the new homes programme should be delayed or re-profiled to reduce the increase in new borrowing. There are implications that would need to be considered if this were the case in terms of the impact on RTB 1-4-1 receipts

11.4 The report recognises the current instability and volatility affecting the cost of borrowing, it now assumes that long-term borrowing rates will increase by1% to 4% from the 3% assumed last year. It identifies that the HRA has the ability and funds available to borrow internally for up to 3 years and thus to delay the need to finance borrowing externally until stability returns to a reasonable normality or rates fall below 4%.

11.5 It details the Government consultation on limiting HRA rents to a maximum increase or ceiling of 5% in 2023-24 and identifies that cost inflation in 2023-24 is expected to exceed the amount generated by a 5% increase by c. £300k.

12 BACKGROUND:

12.1 Since the inception of Self-Financing HRAs in 2012, the economic and fiscal environment has been particularly benign and favourable with generally low and stable inflation and historically low and affordable interest rates. Unfortunately, that has now changed dramatically with the combined impact of the Pandemic, the war in the Ukraine, unaffordable and unsustainable increases in the cost of energy, the protracted cost of living crisis, the projected current and medium-term high levels of inflation; coupled with the consequent pressure to dampen inflation by raising interest rates, and the current uncertainty and turbulence in the financial markets caused by the recent government fiscal event. These factors have effectively created a tsunami of unprecedented pressures, risks and uncertainty that impact upon the ability of the council to undertake MTFP. Extending this planning horizon over a longer 30-year period for the HRA is even more challenging and requires judgements to be made about the long-term impact of these factors.

12.2 The HRA 30-year Business Plan is based upon a growth strategy financed largely by future borrowing and reinvestment of RTB 1-4-1 capital receipts. In these circumstances it faces an unusual level of uncertainty around both future costs and income as well as inherent interest rate risk.

12.3 The HRA, like the General Fund, is currently facing extraordinary levels of anticipated and actual in year cost pressure inflation in both its day-to-day costs for things like staffing, utilities, contracts and building maintenance costs but also in longer term new build construction costs which have significantly increased over the last year and are now forecast be 42% higher than this time last year. This is compounded within the HRA by its reliance upon long-term borrowing to fund future growth which in turn is adversely impacted by increases by the Bank of England in interest rates aimed at reducing inflationary pressure back down to the target of 2% a year, and continuing turbulence in the financial markets

12.4 These cost pressures need to be modelled within the HRA 30-year business plan and assumptions made about whether they are likely to continue to increase or will reduce, and whether they will be embedded and ongoing or if costs will return to pre-pandemic levels. This makes business planning much more judgemental, complex and uncertain.

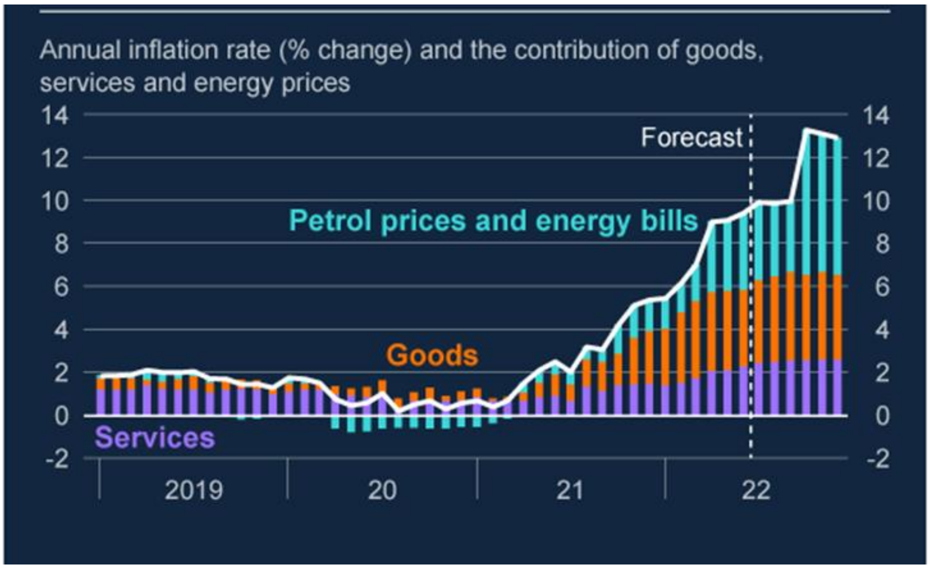
12.5 There is also an issue with progressing new build schemes that have yet to receive planning permission as a result of the need to mitigate the impact of phosphates. This has resulted in scheme delays and, consequently, likely increases in both construction and mitigation costs. This has been reflected in profiling and funding the new build programme.

12.6 The Government are also concerned about the current impact of the cost-of-living crisis upon tenants. In response to the increased levels of inflation and concern about how this would impact on next year’s rents, it has issued a consultation paper that proposes, amongst other things, to limit increases in rents. It favours a ceiling or limit of 5% for existing tenants in 2023-24 but is also seeking responses on a range of rent ceiling proposals from 3% to 7%. Its stated aim is to strike a balance between both protecting tenants and ensuring the long-term viability of Local Authority HRA and RSL business plans. The current rent setting formula for annual rent increases up to the end of 2024-25 is based upon the September CPI (10.1%) plus 1% indicating a normative likely rent increase of 11.1%. Last year's formula rent increase was 4.1% but was limited to 3.1% by the council exercising its flexibility and judgement.

13 INFLATIONARY PRESSURES

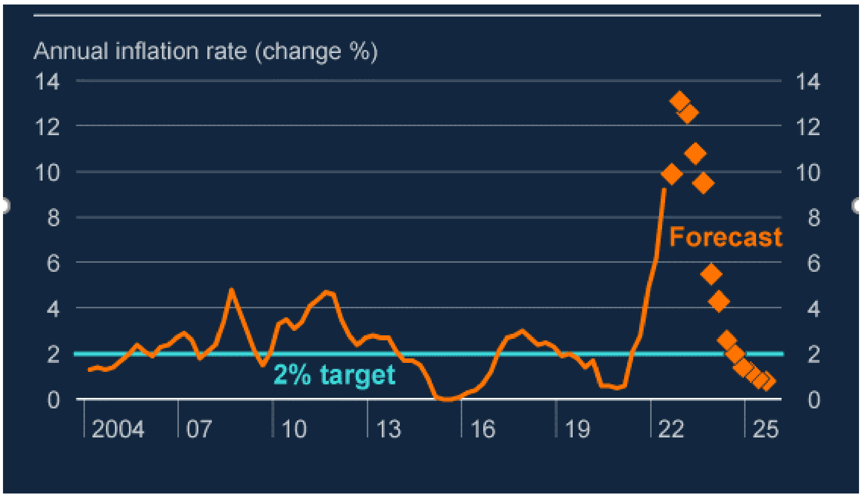
13.1 The Bank of England, in its recent August Monetary report, identified the likely impact of inflation and broke its key components down by inflation on goods, services and energy. This clarifies the current inflationary drivers. See Graph 13.1 below

Graph 13.1 the various key components driving the rise in inflation



13.2 The Bank also forecasts that it's likely that inflation will fall back reaching the target of 2% by 2025-26, although obviously this is a prediction that is dependant of a number of critical assumptions and is likely to be subject to future change

Graph 13.2 August forecast for CPI



Source BOE Monetary Report August 2022
https://www.bankofengland.co.uk/monetary-policy-report/2022/august-2022

13.3 The approach taken to HRA business planning this year has been to breakdown the HRA cost base to individual cost drivers and to apply specific inflationary uplifts to both actual and anticipated inflation on these individual elements. The inflationary factors used are in line with those applied to the council's General Fund, both in percentage terms and in duration. This accounts for most of the controllable costs within the HRA but excludes the impact of current capital financing charges (£6.7m) and of new capital investment and its associated financing.

13.4 The current assumption in the plan is that inflation will have returned to its normal target level of 2% by 2027/28. This is considered a prudent but reasonable assumption to make. Table 12.3 shows the breakdown of the HRA cost base between individual cost drivers and how much of the cost base they represent. It also shows the aggregate impact of these assumptions both in terms of the annual average cost inflation %age, and the monetary impact of this. It shows that inflation is presumed to peak in 2023-24 at 7.2%, costing the HRA £1.650m, before falling back to 2% in 2027-28.

Table 13.4 – Inflationary cost drivers and the impact of assumed cost inflation over the MTFP

%age of Budget	Cost Driver	2022-23 Amount	22/23	2023.24	2024.25	2025.26	2026.27	2027.28
		£'s	%	%	%	%	%	%
1%	**Insurance**	156,801	7.00%	12.00%	7.00%	4.00%	4.00%	2.00%
1%	**Third party payments**	171,000	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
1%	**Transport**	204,263	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
1%	**Grounds Maintenance**	217,300	7.00%	12.00%	7.00%	4.00%	4.00%	2.00%
1%	**Cleaning**	245,600	7.00%	12.00%	7.00%	4.00%	4.00%	2.00%
2%	**Rent and Taxes**	333,048	7.00%	12.00%	7.00%	4.00%	4.00%	2.00%
2%	**Energy**	351,600	100.00%	50.00%	6.00%	4.00%	2.00%	2.00%
6%	**Supplies and services**	1,295,583	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
13%	**Support Services**	2,750,440	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
22%	**Employees**	4,743,506	5.50%	5.50%	4.00%	2.00%	2.00%	2.00%
25%	**Revenue repairs**	5,446,000	5.50%	6.91%	3.94%	3.73%	3.66%	2.00%
26%	**Capital major works**	5,682,000	5.50%	6.91%	3.94%	3.73%	3.66%	2.00%
	Total Cost Base	21,597,141	22,976,792	24,626,823	25,567,668	26,352,114	27,129,345	27,671,932
	cost of inflation		1,379,651	1,650,031	940,845	784,446	777,231	542,587
	effective aggregate inflation factor		6.4%	7.2%	3.8%	3.1%	2.9%	2.0%

13.5 The impact of inflation upon new build tender prices at present is significant and officers have been gathering market intelligence and evidence to establish and support what reasonable level of funds are now likely to be required to enable the construction of the council's target of new build affordable homes; and to ensure that all projected RTB 1-4-1 capital receipts are applied and not returned, with interest, to the Government.

13.6 In last year's HRA 30-year Business Plan it was assumed that the overall cost of delivery was £2,800 per square metre including fees, this year's plan allows for £3,978 per square metre including fees, an increase in the required overall funding of £1.178 per square metre or 42%. To put this into perspective, whereas last year we could have commissioned and built a new 2 bed affordable home for £250,000, today this would cost £321,900.

13.7 This has resulted in a significant increase in the investment requirement within the HRA 30-year Business Plan to deliver the same quantity of new homes as last year. The budgeted cost has increased from £536m to £719m within the plan, an overall increase of £182m or 34%. Table 12.6 over shows the forecast overall change in investment required and how this is to be funded. This shows that a significant part of the funding for this increased cost is coming from increased HRA borrowing, compared to last year there is an increase of 70% or £122m in the borrowing required to fund the programme,

13.8 The large increase in costs and in current PWLB interest rates will likely affect the potential viability of individual new build schemes when they are financially evaluated and members may want to consider the trade-off between delivering new Passive House plus developments and rent levels in order to deliver these schemes.

Table 13.8 – Comparison of the change in the size of investment and how it's funded between last year and this year.

Year	Major Works & Imps £000	Leaseholder £000	Climate Change £000	New Build Development Costs £000	New Build Major Repairs £000	Total Expenditure £000
Proposed Capital Investment Programme						
22-23	305,950		15,703	718,607	46,117	1,086,377
21-22	284,967		15,703	536,110	37,797	874,578
Change	20,982	-	-	182,497	8,320	211,799
Change as a %age	7%		0%	34%	22%	24%
Proposed basis of Funding						
Year	Borrowing £000	RTB 141 Receipts £000	Other RTB Receipts £000	Other £000	MRR £000	Total £000
22-23	296,658	157,162	45,627	142,550	444,380	1,086,377
21-22	174,336	105,618	43,459	136,428	414,738	874,578
Change	122,322	51,543	2,168	6,123	29,642	211,799
Change as a %age	70%	49%	5%	4%	7%	24%

14 INTEREST RATE RISK

14.1 The HRA has current externally funded debt of £167m which is fixed rate maturity debt at an average rate of 3.2%. A proportion of this debt will mature and will then need to be refinanced or repaid within the next 5 years - this amounts to £30m. The presumption so far has been that it would be refinanced.

Table 14.1 Schedule of debt maturing over the HRA planning period

Year		PWLB borrowing to be refinanced	Cummulative amount to refinance
		£ pa	£ pa
1	2022.23	5,000,000	5,000,000
2	2023.24	5,000,000	10,000,000
3	2024.25	5,000,000	15,000,000
4	2025.26	5,000,000	20,000,000
5	2026.27	10,000,000	30,000,000
6	2027.28	10,000,000	40,000,000
9	2030.31	10,000,000	50,000,000
10	2031.32	15,000,000	65,000,000
13	2034.35	15,000,000	80,000,000
15	2036.37	10,000,000	90,000,000
20	2041.42	10,000,000	100,000,000
25	2046.47	10,000,000	110,000,000
30	2051.52	10,000,000	120,000,000

14.2 Whilst interest rates were low and stable, the re-financing risk was considered low. The recent economic turmoil has increased the risk that this debt will have to be refinanced at an unusually high rate. Whilst it is impossible to predict where interest rates will be at the time of refinancing; officers continue to watch rates to borrow at the best rates available The HRA Business plan strategy is one of growing the HRA by over a 1,000 new affordable dwellings, with the costs of this met through the increased rental income streams that enable the HRA to support a higher level of debt and its associated borrowing costs.

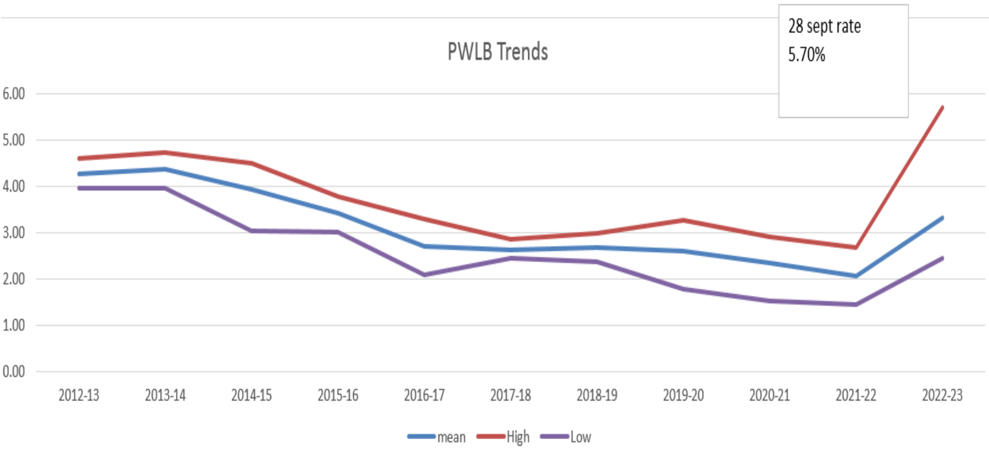
14.3 However, the recent volatility and turbulence in the financial markets has resulted in significant falls in the value of government debt and corresponding increases in gilt yields, although the recent market intervention by the BOE has supported debt prices and led to reduced gilt yields.

14.4 This directly affects the interest rates at which the council can borrow and as an example of the impact of this volatility the rate of 50-year PWLB debt at the 31/8/2022 was 3.87%, on the 28/9/2022 it was 5.71% and on 30/9/2022 had fallen back to 4.43%. This makes it even more difficult than usual to make long term borrowing decisions.

14.5 Table 14.5 shows the range of interest rates applicable to borrowing at 50-year PWLB maturity rates since self-financing began in 2012. As can be seen from the difference between the lowest rate, the highest rate and the average rate each year there has previously been considerable stability within this marketplace. In 2022-23 this has changed and has been exacerbated by the recent fiscal event and the subsequent BOE intervention.

Graph 14.5 – The fluctuation of 50 year PWLB rates since Self-Financing HRAs in 2012.

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
mean	4.25	4.36	3.92	3.42	2.69	2.61	2.66	2.60	2.33	2.04	3.32
High	4.59	4.71	4.48	3.78	3.28	2.84	2.99	3.25	2.90	2.68	5.70
Low	3.96	3.96	3.02	3.01	2.07	2.45	2.36	1.77	1.51	1.45	2.44



14.6 However, the HRA has some capacity to delay and mitigate the decision to go and borrow externally if it borrows from its own resources internally. At present the HRA has accumulated cash backed reserves of £53m at 31.3.2022. It can use these resources to delay the point at which it must finance any new borrowing with external funding. Current forecasts indicate that depending on full delivery of the capital programme, the HRA would need to externally borrow in 2024/25. However, it is the nature of capital expenditure that slippage does occur, particularly in respect to large scale new build projects for which sites are yet to be identified. In reality the HRA may not need to externally borrow until 2025/26 meaning it can 'internally' borrow against its reserve balances thus reducing the external interest cost. In line with the council's borrowing strategy, the HRA may externalise its borrowing earlier to provide certainty where rates are at a level that is viable in the context of the 30-year business plan

15 RENTS AND THE GOVERNMENTS CONSULTATION

Social and Affordable Rents

15.1 The current rent setting regime of CPI+1% was put in place for 5 years by the Regulator of Social Housing and runs from 2020-21 to 2024-25 at the end of which period it is widely assumed rents will return to annual CPI only increases. This framework recognised the need for a stable financial environment to support the delivery of new homes and to enable registered providers to plan ahead. The previous Government had set aside the previous 10-year framework when the Welfare Reform Act imposed 4 years of real 1% cuts in rent levels under from 2016-2020, which adversely affected landlord's business plans and reduced rental growth by some 20%.

15.2 The government has now issued a consultation paper on limiting the flexibility of landlords to set rents under the current system which favours a 5% ceiling on rent increases for all existing tenants for 2023-24 and seeks views on a number of variations around this from 3% to 7% ceilings. This does not currently apply to new lettings but the government is also seeking views extending it to new lets and in extending it for a further year to 2024-25. It seeks to find a balance between protecting tenants from extraordinary rent increases and recognising the impact of inflation on landlord's business plans.

15.3 Social rents are based on a formula rent that was based on relative property value, local earnings levels and the size of individual properties. This is a national objective basis for setting all social rents both Local Authority and Registered Social Landlords and was meant to reduce perceived unjustifiable differences in rents between the sectors. The resulting formula guideline rent is increased annually, at present this is by CPI+1%. In 2023-24 this would lead to average rent increases of 11.1%. The increase would apply equally to both affordable and social housing.

15.4 However, because of the historic application of annual caps and limits upon social rent increases only 4% of current tenants are at the formula guideline rent. This is the rent that the government believes the property should be let at. In Winchesters case the gap between the average actual rents and the average formula guideline rent is currently £1.82 per week, presenting a potential loss of income to the HRA of £460k a year. Under the consultation proposals the gap between target and actual would increase initially to £8.44 per week, a potential loss of £2.1m a year, before being reduced over future years as new lettings are made at the guideline rent level and reduce the gap. There is therefore a risk to the viability of the business plan if the proposals on limiting rent increases are extended to new lettings as well.

15.5 The proposed HRA Business plan is predicated upon an average 5% rent increase both in 2023-24 and in 2024-25 and then assumes annual rent increases of just CPI. It also importantly assumes that over the life of the plan that all new rents will be set at the guideline rent level and that the current projected gap between actual and guideline rents will reduce over time.

15.6 The estimated net rental yield in 2023-24 from a 5% rent increase on social and affordable housing is likely to be c. £1,337,000. This compares to the estimated impact of cost inflation on base budgets of £1,650,131, which excludes the impact of increases in new homes tender delivery costs of 42% and the consequent increase in long term borrowing.

15.7 The likely change in weekly social and affordable rents under a 5% rent increase are shown below and over. An important difference between social and affordable rents is that social tenants rent is a charge for the occupation of the property and that they pay an additional sum for service charges, whereas these are included in the gross rent of affordable tenants.

Table 15.7.1 Current Social Rents 2022-23

Bedsizes	1	2	3	4	5	6	Total
Number of Properties	1,670	1,628	1,495	69	1	1	4,864
Average Weekly Rent	£92.46	£107.21	£121.83	£130.83	£151.38	£148.79	£106.99
Average Weekly FormulaTarget Rent	£93.88	£109.29	£123.79	£134.75	£153.01	£149.20	£108.81
Current Gap Actual vs Target rent	£1.41	£2.08	£1.96	£3.92	£1.63	£0.41	£1.82
Potential Lost Income	£122,721	£176,233	£152,131	£14,071	£85	£21	£459,755

Table 15.7.2 Projected Average Social Rents in 2023-24 based on a 5% rent increase.

Bedsizes	1	2	3	4	5	6	Total
Number of Properties	1,670	1,628	1,495	69	1	1	4,864
Average Weekly Rent	£97.09	£112.57	£127.92	£137.37	£158.95	£156.23	£112.34
Average Weekly FormulaTarget Rent	£104.20	£121.32	£137.41	£149.58	£169.84	£165.61	£120.78
Current Gap Actual vs Target rent	£7.12	£8.74	£9.48	£12.20	£10.89	£9.38	£8.44
Potential Lost Income	£617,988	£740,183	£737,143	£43,784	£566	£488	£2,134,040

Table 15.7.3 Current Affordable Rents in 2022-23

bedsizes	1	2	3	4	Total
Number	79	71	38	1	189
Average Net Rent	£134.93	£169.22	£194.38	£228.30	£160.26
Average of Service	£11.28	£6.39	£3.57	£6.09	£7.86
Average Weekly Gross Rent	£146.21	£175.61	£197.95	£234.39	£168.12

Table 15.7.4 Projected Average Affordable Rents in 2023-24 based on a 5% rent increase.

bedsizes	1	2	3	4	Grand Total
Number	79	71	38	1	189
Average Net Rent	£141.68	£177.68	£204.10	£239.72	£168.27
Average of Service	£11.84	£6.71	£3.74	£6.39	£8.26
Average Weekly Gross Rent	£153.52	£184.39	£207.84	£246.11	£176.53

Shared Ownership Rents

15.8 The council also currently has around 46 units of shared ownership property with more units likely to be delivered this year and next at both North Whitely and Winnall. Currently the leases between shared owners and the council only allow for upwards only rent increases and are based on September RPI plus 0.5% this would result in a rent increase of 13.1% and is applied to 2.75% of the outstanding equity not owned by the shared owners. Although contractually committed the Council may consider whether it wants to limit the size of these increases.

Service Charges

15.9 The presumption with all service charges is that they should be set to recover actual costs. As discussed above, they largely affect social housing tenants and lessees. Reflecting the reallocation and apportionment of estate, block and communal charges for estate-based services, such as grounds maintenance, cleaning, rechargeable repairs, and where applicable buildings insurance. The definition of service charges here doesn't include services to individual homes, such as: heating and hot water, lighting and sewage and water charges. Service charges, except daily living expenses such as fuel, water and meals, are covered by housing benefit if their payment is a condition of occupying the home.

15.10 In preparing the 2021-22 budget a comprehensive exercise was undertaken to review service charges actuals and to realign proposed charges with actual costs as over time they had diverged in some instances. The council also took the decision to limit any weekly increase in service charges to £5 a week as a one off in 2022-23.

15.11 In reviewing the current position there is very likely to be some significant increases in contractual service costs this year and next such as grounds maintenance, catering, cleaning and insurance. In addition, some 20% of the costs of running the sewage operation are down to electricity costs. This will only be fully identified once we close the 2022-23 accounts next year.

15.12 There is also one area that is significantly under-recovering cost and that is sewage treatment. This service is provided to just 371 private residents and costs are currently being under-recovered annually by £103k, this is likely to widen as the costs of increases in electricity feed through. To put this into perspective we are currently charging an average of £264 per resident but the true cost to the HRA is actually around £609 per annum. There are complexities around our ability to recover all of this immediately, but consideration should be given to investigating both the reasons for the high cost of operating this service and the ability of the council to achieve full cost recovery over a transitional period.

16 ANALYSIS OF DIFFERENT RENT INCREASE OPTIONS

16.1 The range of potential rent options consulted on by the Government suggest that they will set the proposed ceiling on rent increases at either 3%, 5% or 7% actual rent increases in 2023-24, with 5% the most likely rent ceiling or cap.

16.2 There is an underlying business need to invest in new affordable housing which is based upon the need to reinvest RTB 1-4-1 capital receipts, and if new build capital investment is reduced it could adversely impact on the councils eligible spend and result in a risk of these capital receipts having to be being paid back to the Government with Interest.

16.3 The proposed rent caps were run through the HRA business model to analysis the impact they would have on the viability of the HRA and its capacity for new investment. The impact of different actual rent increases is reduced over time by the impact of letting vacant property at the guideline rent level. The actual difference in monetary terms of different rent options is shown in both Graph 16.3 and table 16.3 over. As can be seen the difference between a 5% and a 7% increase in 23-24 is £525k, a sum sufficient to continue to fund a tenancy sustainment programme for an additional 3 years.

Graph 16.3 Impact of different rent options over 30 years

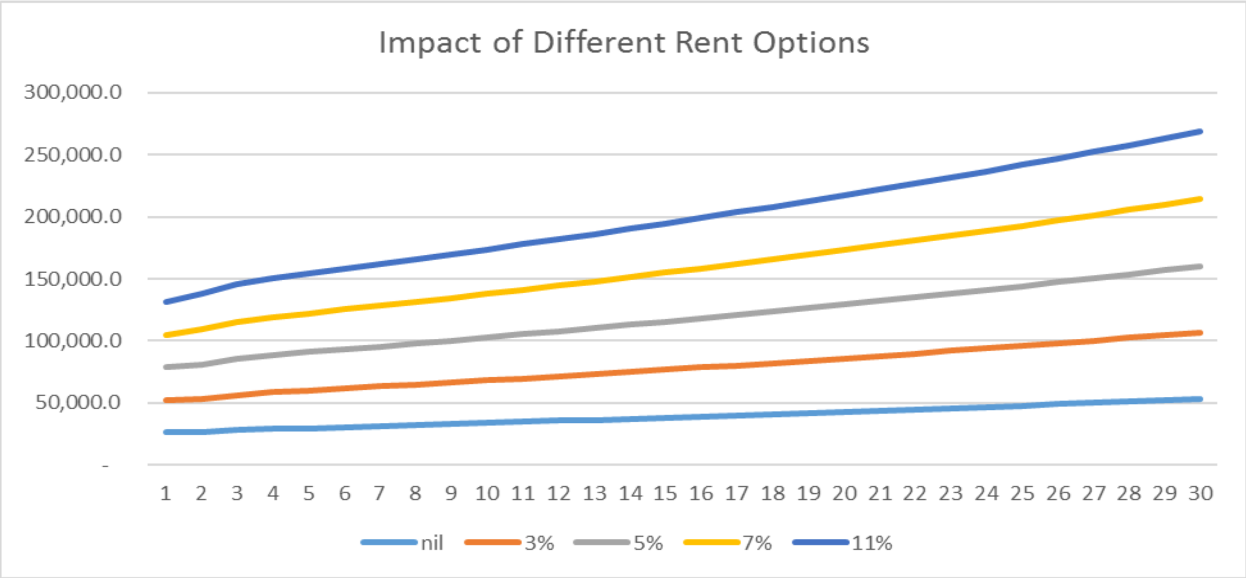


Table 16.3 Nominal Value of different Rent Options in Money terms

Rent Increase	2023-24 £000	change £000	Cumm. Chnage £000	over 30 years £M	change £M	Cumm. Change £M
3%	27,061	788	812	1,183	15	15
5%	27,586	525	1,337	1,193	10	25
7%	28,111	525	1,862	1,203	10	35
11%	29,161	1,050	2,912	1,223	20	55

16.4 **A 3% increase** - would result in a £56m capital shortfall from 2031-32, working balances at year 30 of only £7.4m and a reduction in borrowing capacity. It would also make the HRA less resilient to future increases in factors such as interest rates and inflation. This option would result in issues of viability and a need to find material cuts in investment and or management and maintenance.

16.5 **A 5% Increase** - Although the business plan base modelling has been done assuming a 5% increase, and this would result in a viable HRA, it would not provide much financial resilience if long term interest rates were to be above 4%, or to fund additional costs of retrofitting, or to meet additional costs if decent homes standards are revised upwards. It would however mean no capital shortfall, working balances at year 30 of £13m and sufficient borrowing capacity based on 4% long term interest rates to fund the current business plan. However as can be seen this increase would generate £1.337m of income but would not cover the estimated impact of revenue cost inflation which is forecast to be £1.650m, leaving a shortfall of c. £300k.

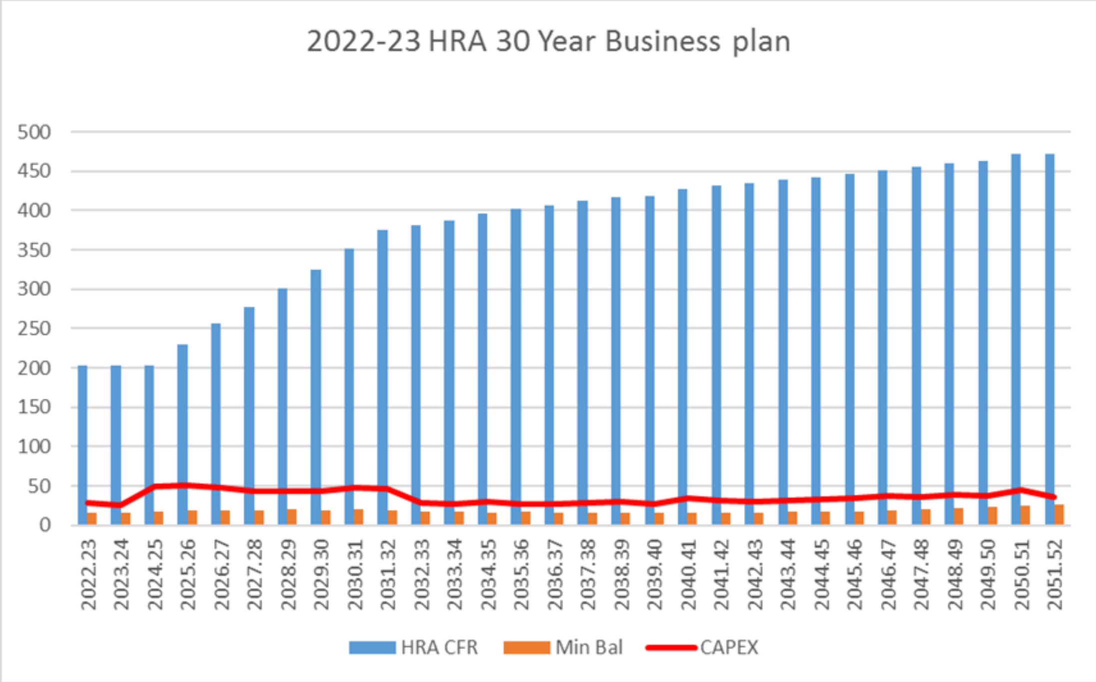
16.6 **A 7% increase** would also result in no capital shortfall, working balances at year 30 of £18m and a no reduction in borrowing capacity. In addition, it would generate sufficient funding to meet the cost of inflation and over the 30 years would generate an additional resource of £10m with an additional £525k in 2023-24.

17 The current housing management system, MRI Housing Enterprise (formally Orchard) is renewed and procured on a fixed term rolling contract at an annual value of £168,191.51. It is proposed that future budgetary provision be allowed for officers to enter in to a 5-year contract with MRI housing Enterprise. This will allow officers to test the market to ensure it is a best for value IT contract. The housing IT management system and contract has been in place for 30 years and so entering into a longer contract with MRI will allow officers to undergo a full best value review of the current system, providing enough time, should it be required, to procure a new IT provider, to migrate 30 years of data, to provide training to staff and to test the new system before going live.

18 THE BASE MODEL

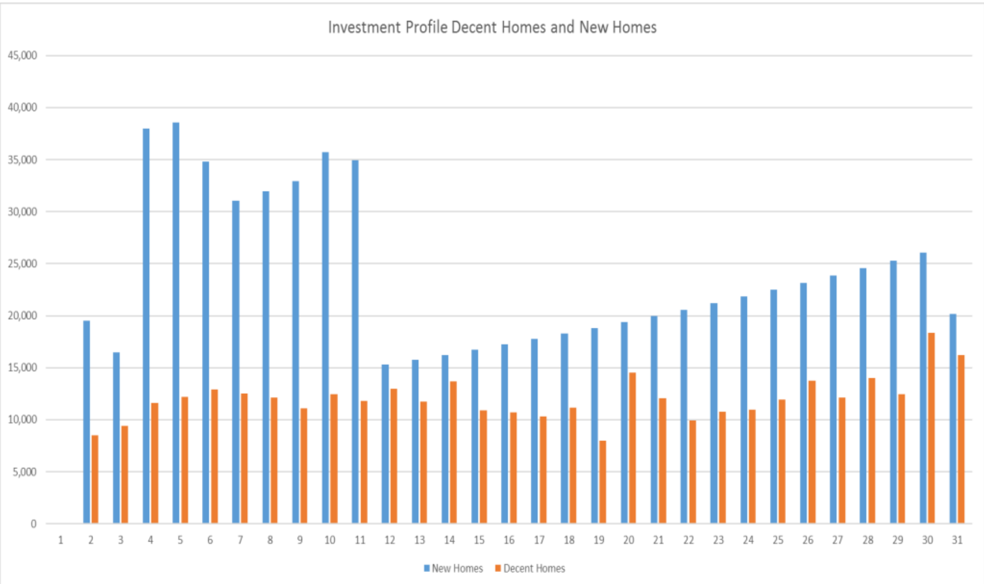
18.1 Taking account of the assumptions above on costs, income and interest rates, the base model is shown below. This shows the impact of continuing to invest in growing the HRA and delivering the 1000+ homes. The base model is predicated upon a 5% rent increase in 2023-24, a 5% rent increase in 2024-25, and 3% in 2025-26: with long term cost inflation and long-term rent increases both at 2%. These are based on reasonable assumptions about the continued operation rent ceiling cap and the level of CPI in 2025-26. It also assumes that the average cost of long-term borrowing is 4% from 2027-28. These assumptions are reviewed annually as part of the HRA business plan refresh. The base operating account is shown in Appendix 4. Shows that overall borrowing will rise to £450m.

Graph 18.1 The draft HRA 30 Year Business Plan 2022-23



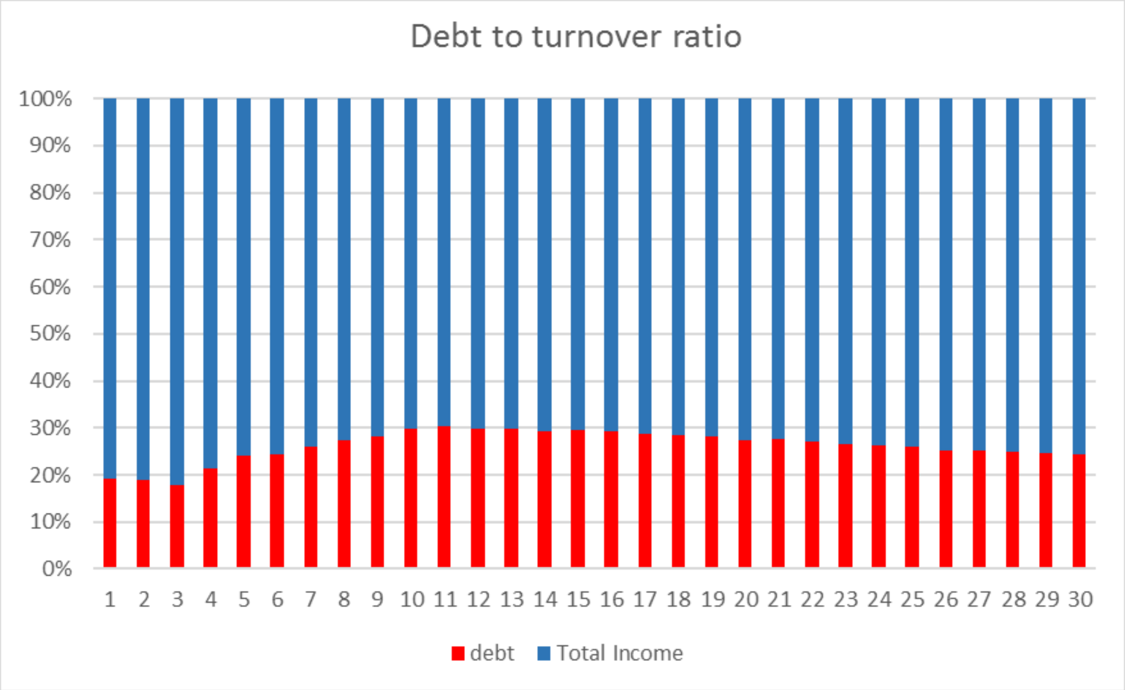
18.2 The Profile of capital investment over the 30-year period below in graph 15.2 shows the split between proposed investment in maintaining the stock (shown in brown) and the investment in delivering growth through new homes.

Graph 18.2 the Investment profile of new capital spend split between existing decent homes and new homes



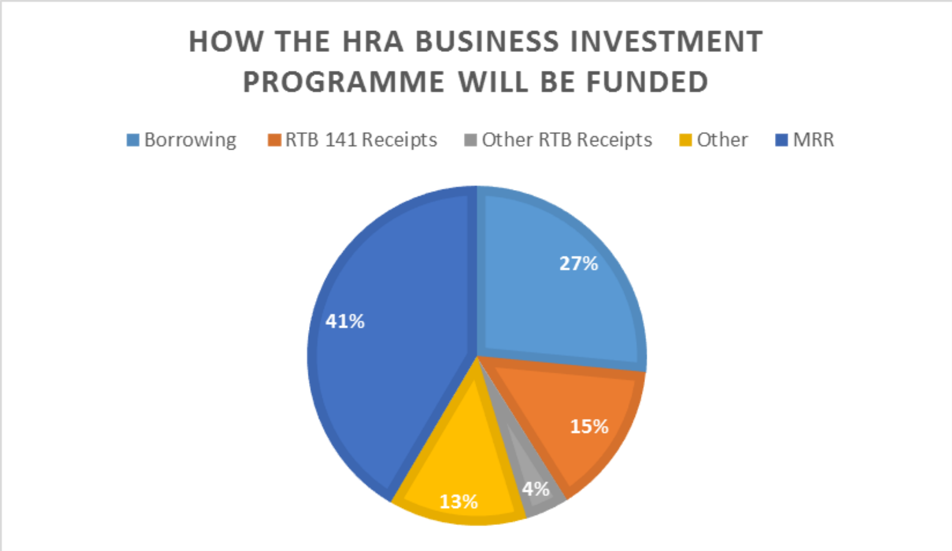
18.3 The financial impact of borrowing an extra £276m, taking total borrowing over the life of the 30-year HRA Business plan to £450m, is to raise the current debt to turnover ratio from 19% in 2022-23 to a peak of 30% in 2031-32 before this falls back to 24% by year 30. At the same time the Operating turnover is predicted to increase from the current level of £30.4m to £76.6m. See Graph below.

Graph 18.3 Projected debt to turnover ratio over the planning period.



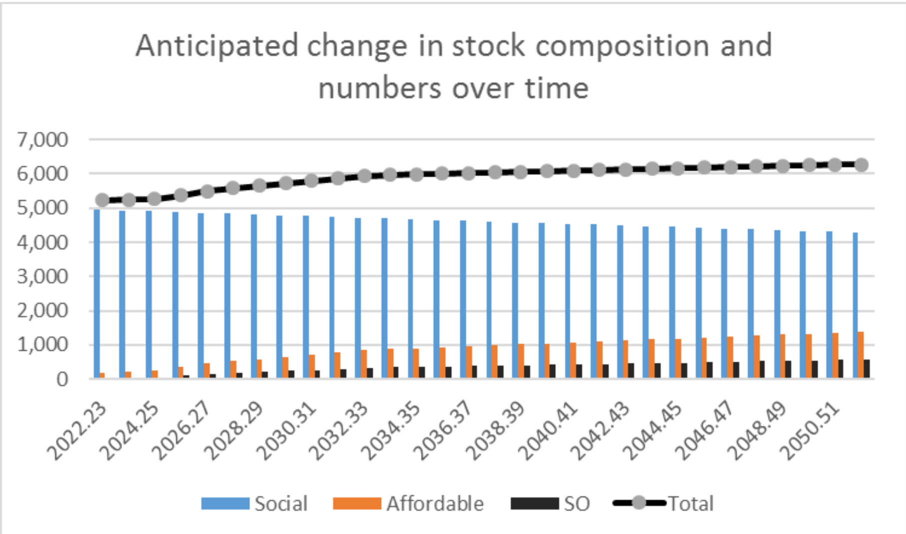
18.4 The funding of the HRA 30-year capital investment programme is made up of the funding streams identified in Table 12.6. or shown graphically in graph 15.4. This shows that 41% of the funding is internally generated through depreciation recycled through the Major Repairs Reserve (MRR), 27% comes from increased borrowing, and 15% from RTB 1-4-1 funding, 13% from Other, largely Shared ownership capital receipts with £17m from s106 funds, the last 4% is the reinvestment of other capital receipts largely the scheduled RTB debt that the Council retains from RTB sales.

Graph 18.4 Funding the proposed HRA Investment Programme



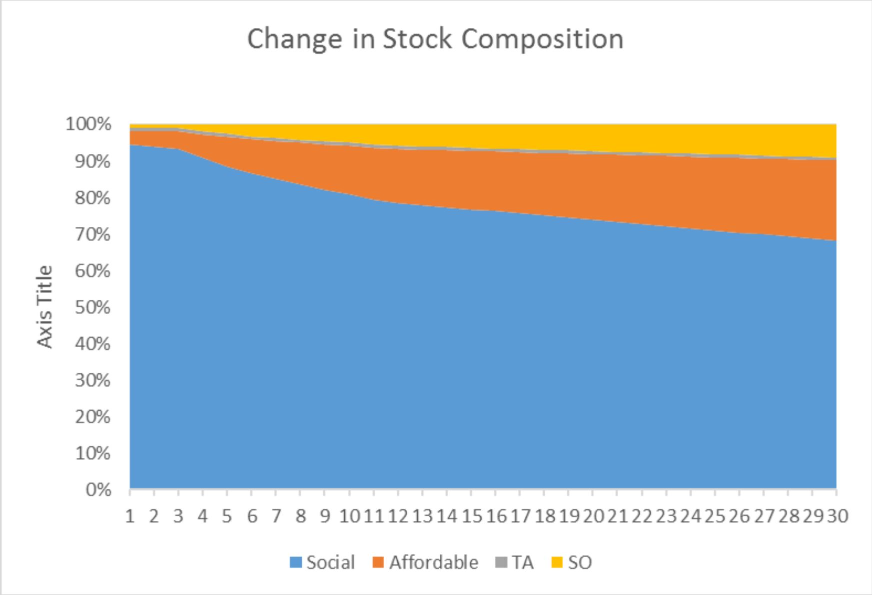
18.5 The HRA itself will grow from a net 5,100 properties to a net 6.200 over the 30-year period. This will see a projected annual loss of an average of 23 social properties per year through the RTB and the anticipated re-provision of over 1200 new affordable properties, and 520 new shared ownership properties

Graph 18.5 Projected net growth in HRA stock numbers over Planning period



18.6 The makeup of the HRA affordable housing offer will also change over this time with the provision of an increasing number of new affordable properties as well as shared ownership properties. This will help offset the increasing cost of debt financing through helping to grow the HRA income stream in real terms.

Graph 18.6 The change in the makeup of the HRA property portfolio over time



19. OTHER OPTIONS CONSIDERED AND REJECTED

1. A Nil rent increase would not be sustainable or viable for the HRA
2. Not engaging in a new build investment programme is not an option as it will put at risk £160m of 1-4-1 RTB Capital Receipts

BACKGROUND DOCUMENTS:

Previous Committee Reports:

CAB3325 – HRA Budget 2021-22 and Business Plan 2021-51 23 Nov 2021

CAB3275 – HRA Budget 2020-21 and Business Plan 2020-50 10 Dec 2020

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

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

Other Background Documents:

None

APPENDICES:-

APPENDIX 1 – KEY BUSINESS PLAN ASSUMPTIONS

APPENDIX 2 – THE DRAFT HRA OPERATING ACCOUNT

APPENDIX 1 KEY BUSINESS PLAN ASSUMPTIONS

Business plan Assumptions on rent and SC increases

	Social Rent Increases	Affordable Rent Increases	Shared Ownership	TA	Service Charges
2022.23	3.1%	3.1%	5.4%	3.1%	3.1%
2023.24	5.0%	5.0%	12.8%	5.0%	5.0%
2024.25	5.0%	5.0%	6.5%	5.0%	5.0%
2025.26	3.0%	3.0%	4.5%	3.0%	4.0%
2026.27	2.0%	2.0%	3.5%	2.0%	3.0%
2027.28	2.0%	2.0%	3.5%	2.0%	3.0%
2028.29	2.0%	2.0%	3.5%	2.0%	2.0%
2029.30	2.0%	2.0%	3.5%	2.0%	2.0%
2030.31	2.0%	2.0%	3.5%	2.0%	2.0%
2031.32	2.0%	2.0%	3.5%	2.0%	2.0%
2032.33	2.0%	2.0%	3.5%	2.0%	2.0%
2033.34	2.0%	2.0%	3.5%	2.0%	2.0%
2034.35	2.0%	2.0%	3.5%	2.0%	2.0%
2035.36	2.0%	2.0%	3.5%	2.0%	2.0%
2036.37	2.0%	2.0%	3.5%	2.0%	2.0%
2037.38	2.0%	2.0%	3.5%	2.0%	2.0%
2038.39	2.0%	2.0%	3.5%	2.0%	2.0%
2039.40	2.0%	2.0%	3.5%	2.0%	2.0%
2040.41	2.0%	2.0%	3.5%	2.0%	2.0%
2041.42	2.0%	2.0%	3.5%	2.0%	2.0%
2042.43	2.0%	2.0%	3.5%	2.0%	2.0%
2043.44	2.0%	2.0%	3.5%	2.0%	2.0%
2044.45	2.0%	2.0%	3.5%	2.0%	2.0%
2045.46	2.0%	2.0%	3.5%	2.0%	2.0%
2046.47	2.0%	2.0%	3.5%	2.0%	2.0%
2047.48	2.0%	2.0%	3.5%	2.0%	2.0%
2048.49	2.0%	2.0%	3.5%	2.0%	2.0%
2049.50	2.0%	2.0%	3.5%	2.0%	2.0%
2050.51	2.0%	2.0%	3.5%	2.0%	2.0%
2051.52	2.0%	2.0%	3.5%	2.0%	2.0%

Occupancy and bad debts levels

	Voids Social	Voids AF	Voids TA	Bad debts Social	Bad debts AF	Bad debts TA
2022.23	1.5%	2.0%	4.0%	0.5%	0.5%	2.0%
2023.24	1.5%	2.0%	4.0%	0.5%	0.5%	2.0%
2024.25	1.5%	2.0%	4.0%	0.5%	0.5%	2.0%
2025.26	1.5%	2.0%	4.0%	0.5%	0.5%	2.0%
2026.27	1.5%	2.0%	4.0%	0.5%	0.5%	2.0%
2027.28	1.5%	2.0%	4.0%	0.5%	0.5%	2.0%
2028.29	1.5%	2.0%	4.0%	0.5%	0.5%	2.0%
2029.30	1.5%	2.0%	4.0%	0.5%	0.5%	2.0%
2030.31	1.5%	2.0%	4.0%	0.5%	0.5%	2.0%
2031.32	1.5%	2.0%	4.0%	0.5%	0.5%	2.0%
2032.33	1.5%	2.0%	4.0%	0.5%	0.5%	2.0%
2033.34	1.5%	2.0%	4.0%	0.5%	0.5%	2.0%
2034.35	1.5%	2.0%	4.0%	0.5%	0.5%	2.0%
2035.36	1.5%	2.0%	4.0%	0.5%	0.5%	2.0%
2036.37	1.5%	2.0%	4.0%	0.5%	0.5%	2.0%
2037.38	1.5%	2.0%	4.0%	0.5%	0.5%	2.0%
2038.39	1.5%	2.0%	4.0%	0.5%	0.5%	2.0%
2039.40	1.5%	2.0%	4.0%	0.5%	0.5%	2.0%
2040.41	1.5%	2.0%	4.0%	0.5%	0.5%	2.0%
2041.42	1.5%	2.0%	4.0%	0.5%	0.5%	2.0%
2042.43	1.5%	2.0%	4.0%	0.5%	0.5%	2.0%
2043.44	1.5%	2.0%	4.0%	0.5%	0.5%	2.0%
2044.45	1.5%	2.0%	4.0%	0.5%	0.5%	2.0%
2045.46	1.5%	2.0%	4.0%	0.5%	0.5%	2.0%
2046.47	1.5%	2.0%	4.0%	0.5%	0.5%	2.0%
2047.48	1.5%	2.0%	4.0%	0.5%	0.5%	2.0%
2048.49	1.5%	2.0%	4.0%	0.5%	0.5%	2.0%
2049.50	1.5%	2.0%	4.0%	0.5%	0.5%	2.0%
2050.51	1.5%	2.0%	4.0%	0.5%	0.5%	2.0%
2051.52	1.5%	2.0%	4.0%	0.5%	0.5%	2.0%

Cost Pressure Assumptions

	R&M	ENERGY	CONTRACTS	EMPLOYEES	OTHER	New Build cost per sq metre	PWLB Borrowing rate
2022.23	5.5%	100%	7%	5.5%	2%	3,995	1.00%
2023.24	6.9%	50%	12%	5.5%	2%	4,115	1.00%
2024.25	3.9%	6%	7%	4.0%	2%	4,238	1.00%
2025.26	3.7%	4%	4%	2.0%	2%	4,365	5.00%
2026.27	3.7%	2%	4%	2.0%	2%	4,496	5.00%
2027.28	2.0%	2%	2%	2.0%	2%	4,631	4.00%
2028.29	2.0%	2%	2%	2.0%	2%	4,770	4.00%
2029.30	2.0%	2%	2%	2.0%	2%	4,913	4.00%
2030.31	2.0%	2%	2%	2.0%	2%	5,061	4.00%
2031.32	2.0%	2%	2%	2.0%	2%	5,213	4.00%
2032.33	2.0%	2%	2%	2.0%	2%	5,369	4.00%
2033.34	2.0%	2%	2%	2.0%	2%	5,530	4.00%
2034.35	2.0%	2%	2%	2.0%	2%	5,696	4.00%
2035.36	2.0%	2%	2%	2.0%	2%	5,867	4.00%
2036.37	2.0%	2%	2%	2.0%	2%	6,043	4.00%
2037.38	2.0%	2%	2%	2.0%	2%	6,224	4.00%
2038.39	2.0%	2%	2%	2.0%	2%	6,411	4.00%
2039.40	2.0%	2%	2%	2.0%	2%	6,603	4.00%
2040.41	2.0%	2%	2%	2.0%	2%	6,801	4.00%
2041.42	2.0%	2%	2%	2.0%	2%	7,005	4.00%
2042.43	2.0%	2%	2%	2.0%	2%	7,215	4.00%
2043.44	2.0%	2%	2%	2.0%	2%	7,432	4.00%
2044.45	2.0%	2%	2%	2.0%	2%	7,655	4.00%
2045.46	2.0%	2%	2%	2.0%	2%	7,884	4.00%
2046.47	2.0%	2%	2%	2.0%	2%	8,121	4.00%
2047.48	2.0%	2%	2%	2.0%	2%	8,365	4.00%
2048.49	2.0%	2%	2%	2.0%	2%	8,616	4.00%
2049.50	2.0%	2%	2%	2.0%	2%	8,874	4.00%
2050.51	2.0%	2%	2%	2.0%	2%	9,140	4.00%

APPENDIX 2 DRAFT HRA OPERATING ACCOUNT

		Income			Expenditure										
Year	Year	Net rent Income £,000	Misc Income £,000	Total Income £,000	Managt. £,000	Deprec'n £,000	Repairs £,000	Total expenses £,000	Capital Charges £,000	Net Operating (Expenditure) £,000	Transfer (to) Revenue Reserve £,000	Surplus (Deficit) for the Year £,000	Surplus (Deficit) b/fwd £,000	Interest £,000	Surplus (Deficit) c/fwd £,000
1	2022.23	29,449	985	30,434	-10,729	-8,535	-5,571	-24,836	-5,806	-208	-56	-264	16,658	258	16,652
2	2023.24	30,795	1,015	31,809	-11,279	-8,753	-5,927	-25,960	-6,015	-165	-56	-221	16,652	271	16,702
3	2024.25	33,182	1,045	34,227	-11,755	-8,977	-6,137	-26,868	-6,130	1,228	-56	1,172	16,702	184	18,058
4	2025.26	34,418	1,076	35,494	-12,163	-9,258	-6,382	-27,804	-7,614	76	-56	20	18,058	93	18,172
5	2026.27	36,335	1,109	37,443	-12,441	-9,641	-6,621	-28,703	-9,060	-320	-56	-376	18,172	90	17,886
6	2027.28	38,178	1,142	39,319	-12,726	-10,094	-6,823	-29,643	-9,621	56	-56	0	17,886	89	17,975
7	2028.29	39,683	1,176	40,859	-13,017	-10,478	-7,032	-30,527	-10,609	-277	-56	-333	17,975	89	17,731
8	2029.3	41,223	1,211	42,434	-13,315	-10,877	-7,246	-31,439	-11,566	-570	-56	-626	17,731	87	17,192
9	2030.31	43,624	1,248	44,872	-13,621	-11,291	-7,467	-32,379	-12,576	-84	-56	-140	17,192	86	17,138
10	2031.32	44,439	1,285	45,724	-13,934	-11,719	-7,697	-33,351	-13,677	-1,304	-56	-1,360	17,138	82	15,860
11	2032.33	46,117	1,324	47,441	-14,255	-12,171	-7,932	-34,358	-14,375	-1,291	-56	-1,347	15,860	76	14,588
12	2033.34	47,579	1,363	48,943	-14,583	-12,632	-8,149	-35,364	-14,625	-1,046	-56	-1,102	14,588	70	13,556
13	2034.35	48,830	1,404	50,234	-14,919	-13,022	-8,373	-36,314	-14,949	-1,028	-56	-1,084	13,556	65	12,537
14	2035.36	51,069	1,446	52,516	-15,264	-13,424	-8,602	-37,290	-15,332	-107	-56	-163	12,537	62	12,436
15	2036.37	51,405	1,490	52,895	-15,617	-13,839	-8,838	-38,294	-15,561	-961	-56	-1,017	12,436	60	11,479
16	2037.38	52,732	1,535	54,266	-15,979	-14,267	-9,080	-39,325	-15,821	-880	-56	-936	11,479	55	10,598
17	2038.39	54,083	1,581	55,663	-16,349	-14,708	-9,328	-40,385	-16,028	-749	-56	-805	10,598	51	9,844
18	2039.4	55,446	1,628	57,074	-16,728	-15,162	-9,584	-41,474	-16,178	-578	-56	-634	9,844	48	9,257
19	2040.41	56,779	1,677	58,456	-17,117	-15,631	-9,846	-42,594	-16,387	-525	-56	-581	9,257	45	8,721
20	2041.42	59,333	1,727	61,060	-17,515	-16,114	-10,115	-43,745	-16,668	647	-56	591	8,721	45	9,358
21	2042.43	59,677	1,779	61,456	-17,923	-16,612	-10,392	-44,927	-16,894	-365	-56	-421	9,358	46	8,983
22	2043.44	61,172	1,832	63,004	-18,341	-17,125	-10,676	-46,143	-17,034	-173	-56	-229	8,983	44	8,798
23	2044.45	62,696	1,887	64,583	-18,770	-17,654	-10,968	-47,392	-17,183	9	-56	-47	8,798	44	8,795
24	2045.46	64,254	1,944	66,198	-19,209	-18,200	-11,268	-48,676	-17,343	179	-56	123	8,795	44	8,962
25	2046.47	65,845	2,002	67,848	-19,659	-18,762	-11,575	-49,996	-17,548	303	-56	247	8,962	45	9,255
26	2047.48	68,766	2,062	70,829	-20,119	-19,342	-11,892	-51,353	-17,789	1,686	-56	1,630	9,255	50	10,935
27	2048.49	69,127	2,124	71,251	-20,592	-19,940	-12,216	-52,748	-17,977	526	-56	470	10,935	56	11,461
28	2049.5	70,822	2,188	73,010	-21,076	-20,556	-12,550	-54,181	-18,158	670	-56	614	11,461	59	12,134
29	2050.51	72,552	2,254	74,806	-21,572	-21,191	-12,893	-55,655	-18,412	739	-56	683	12,134	62	12,880
30	2051.52	74,321	2,321	76,642	-22,080	-21,845	-13,244	-57,169	-18,678	795	-56	739	12,880	77	13,696

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CAB3372
CABINET

REPORT TITLE: RURAL ENGLAND PROSPERITY FUND – INVESTMENT PLAN PROPOSAL

15 NOVEMBER 2022

REPORT OF CABINET MEMBER: Cllr Lucille Thompson, Cabinet Member for Business and Culture

Contact Officer: Susan Robbins Tel No: 01962 848 461 Email srobbins@winchester.gov.uk

WARD(S): ALL

PURPOSE

In September Government announced a top-up to the UK Shared Prosperity Fund with an additional grant allocation to local authorities under the Rural England Prosperity Fund. Winchester City Council has been allocated £745,096 of funding to be spent on support for rural businesses and rural communities. As with the UK Shared Prosperity Fund the council is required to submit to Government by the end of November an online application in the form of an investment plan to enable access to the funds.

This report sets out the investment proposals under which capital projects can come forward for funding from the market towns, villages and rural areas of Winchester district. The investment priorities and indicative funding profile over the two-year programme April 2023 to March 2025 is also provided and will form the basis of the Council's investment plan.

RECOMMENDATIONS:

That Cabinet:

1. Note the UK Rural England Prosperity Fund (Rural Fund) proposed investment interventions and rank as set out in Table 3;

2. Note the list of interventions and indicative Rural Fund allocation as outlined in Table 4, to be funded from the Council's allocation of the Rural Fund;
3. Delegate authority to the Corporate Head of Service: Economy &

Communities, in consultation with the Cabinet Member for Business and Culture, to take the necessary decisions and actions required to submit an investment plan and accept the allocation of funds;

4. Delegate authority to Corporate Head of Service: Economy & Communities to implement and administer the scheme and all related grant schemes and plans in accordance with the requirements and priorities of the prospectus and fund;

5. Approve a capital budget of £745,096 to be funded by the Rural Fund;

6. 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 Fund.

IMPLICATIONS:

1 COUNCIL PLAN OUTCOME

1.1 The Rural England Prosperity Fund is a "top-up" and extension of the UK Shared Prosperity Fund (UKSPF) already allocated to Winchester City Council and which was considered by Cabinet in July (CAB3356). The council plan outcomes identified in that report remain valid for this funding allocation, with the following additions.

1.2 Tackling the Climate Emergency and Creating a Greener District

1.3 The Rural Fund has specific interventions providing funding for:

a) net zero infrastructure for rural businesses

b) rural circular economy projects

c) creation of and improvements to local rural green spaces

d) active travel enhancements in the local area

1.4 To support green growth, consideration should be given to how projects can work with the natural environment to achieve objectives. At a minimum, this needs to include the project's impact on natural assets and nature. Projects that deliver the greatest economic, environmental and social should be prioritised.

1.5 Vibrant Local Economy

1.6 Supporting Rural Businesses is an investment priority and can support interventions through funding (capital grants) for:

a) small-scale investment in micro and small enterprises in rural areas, including:
    (i) capital funding for net zero infrastructure for rural businesses, and
    (ii) diversification of farm businesses outside of agriculture to encourage start up, expansion or scale up of these businesses where this involves converting farm buildings into other commercial or business uses.

b) growing the local social economy and supporting innovation, including:
    (i) community businesses
    (ii) cooperatives and social enterprises
    (iii) research and development sites

c) the development and promotion (both trade and consumer) of the visitor economy, such as:
    (i) local attractions
    (ii) trails
    (iii) tourism products more generally

1.7 Living Well

1.8 Supporting Rural Communities is the second investment priority and can support interventions through funding (capital grants) for:

a) Investment and support for digital infrastructure for local community facilities.

b) Investment in capacity building and infrastructure support for local civil society and community groups.

c) Creation of and improvements to local rural green spaces.

d) Existing cultural, historic and heritage institutions that make up the local cultural heritage offer.

e) Local arts, cultural, heritage and creative activities.

f) Active travel enhancements in the local area.

g) Rural circular economy projects.

h) Impactful volunteering and social action projects to develop social and human capital in local places.

2 FINANCIAL IMPLICATIONS

2.1 The Rural Fund can support investment in interventions starting from 1 April 2023 and all UKSPF contributions, including the Rural Fund, must be spent by 31 March 2025. Other sources of funding, including the council's own contributions, can be spent after this date to complete schemes.

2.2 Funding of £745,096 is allocated to the council and Government has stipulated that this be spent on a 25% / 75% split over the two year programme. Under current guidance there is no opportunity to carry forward allocations into year two. Any unspent fund will be need to be returned to government.

Table 1. Winchester district Rural Fund allocation profile

2023/24	25%	£186,274
2024/25	75%	£558,822
Total	100%	£745,096

2.3 Unlike the UKSPF, this additional funding allocation does not come with any element of administrative costs support, so all activity in support of managing and reporting must come within existing recourse.

2.4 Any grants awarded to external organisations or funds used to invest in council projects need to account for all costs (including staff) and any additional capital funding and be able to cover ongoing maintenance costs implications. Funding has to be used on capital projects that means it must be spent on lasting assets such as a building or equipment. It cannot be used for revenue costs such as running costs or promotional activities. Grants and funding must be for business or community purposes and cannot be used to fund domestic property improvements or to buy private vehicles for example.

2.5 Value for money and additionality will need to be shown along with any future private investment that could be unlocked. It may be possible to use revenue funding from the council's UKSPF allocations to support the capital from the Rural Fund top-up. But this will need to be consistent with the council's UKSPF investment plan.

3 LEGAL AND PROCUREMENT IMPLICATIONS

3.1 The delivery of the funding will be through two routes: a competitive grant process for external organisations and business; and procurement and contracting for council investment. To demonstrate value for money, competitive procurement to deliver the range of projects if funding is secured, will be considered per project in accordance with the grant, the Councils Contract Procedure Rules and the Public Contract Regulations 2015.

3.2 As part of the process to select projects for funding due diligence will be conducted and assurance sought that grant beneficiaries have robust business plans that demonstrate best value and the viability and success of projects. Checks to ensure there is no duplication of funding from programmes or schemes supporting similar activities will also need to be completed.

4 WORKFORCE IMPLICATIONS

4.1 The council is the lead authority for the administration of the Rural Fund and role of the council will include deciding how to award grants and funding for both external and direct delivery on its own projects. This will involve:

a) managing local project calls for selecting projects in line with approved plans

b) approving applications

c) contracting with successful applicants

d) making payments

e) day-to-day monitoring

4.2 No additional support resources has been allocated to local authorities to assist with the delivery of the Rural Fund. This fund's administration, management and reporting will be combined with the governance and staff resources for the delivery of the UK Shared Prosperity Fund and as set out in Cabinet report CAB3356.

5 PROPERTY AND ASSET IMPLICATIONS

5.1 Rural Funding must be used for capital projects and spent on lasting assets such as buildings or equipment. All projects must account for the ongoing maintenance costs and responsibility for this will remain with the asset owner. No asset liability shall be transferred to council as a consequence of any grant funding.

5.2 Further to making any decision that relates to property and assets, such as whether or not to dispose and acquire, which mechanism and the property and/or project development, the Public Sector Equality Duty (PSED) objectives must be taken into consideration. A further consideration will be whether public property and assets are able to comply with the PSED such as design and access.

6 CONSULTATION AND COMMUNICATION

6.1 Consultation was carried out to develop the proposed fund allocation as follows:

a) Briefings with the Cabinet Member for Business and Culture

b) Item in DSU to advise all members on 14th October

c) Item in the October Parish Connect

d) Discussed at the Winchester District UKSPF (Shadow) Partnership Board on 2nd November

e) Item on the agenda of the Parish Liaison Briefing on 15th November

f) Emails to partners and stakeholders to advise of proposed allocations

g) Meetings with project managers across the council

h) MPs have been informed

6.2 Feedback and comments have been received from Campaign to Protect Rural England (CPRE), EM3 Local Enterprise Partnership (LEP), Hampshire Cultural Trust, Corhampton & Meonstoke Parish Council, Hambledon Parish Council, Colden Common Parish Council and Micheldever Parish Council.

6.3 The consultation has shown full support for the funding opportunity, overall support for the split of funding by investment proposal with those representative bodies calling for a greater share for the sector/organisations they represent. All feedback will be taken into consideration prior to the investment plan submission.

7 ENVIRONMENTAL CONSIDERATIONS

7.1 The fund can provide opportunities for projects to support the Council's 2030 Carbon Neutrality target and the objectives outlined in the Carbon Neutrality Action Plan.

7.2 As one of the investment proposals includes funding (grant) for capital investment in carbon reduction or elimination projects, there will be a requirement to capture emission data as part of the reporting and project evaluation in respect of any grant.

8 PUBLIC SECTOR EQUALITY DUTY (PSED)

8.1 As part of the proposed governance for the delivery of the council's UKSPF the Corporate PSED Panel will be used to advise and give guidance on investments that come forward for implementation. This will also include a requirement for fund applicants to complete an Equality Impact Assessment for their projects.

9 DATA PROTECTION IMPACT ASSESSMENT

9.1 The submission of the investment plan does not have any direct implications for data protection. As the Rural Fund is for capital investment it is unlikely there will be the need to hold personal information. However, organisations and or businesses whose projects do require the holding of individual personal data will be required to demonstrate that they are GDPR compliant in handling and storing such data and this will be a requirement within the grant agreement.

10 RISK MANAGEMENT

10.1 Medium Risk; This Investment Plan and the delivery of the Rural Fund will be combined with governance of the UKSPF, including its risk assessment and management. There will be an ongoing need for robust programme management to ensure that the key interventions contained in the Investment Plan are delivered. The UKSPF risk assessment is given in the following table.

Risk	Mitigation	Opportunities
Financial Exposure The fund must be used for the purposes it is intended – if not there may be a need to claw back funds. The programme under or overspends on the budget allocation and profile.	Detailed financial performance monitoring will be built into the programme management processes for each project and service and will form part of the grant agreement / contract. There will also be programme level financial monitoring and reporting to both the external Partnership Board and internally through existing project reporting processes.	
Exposure to challenge As there is limited funds available so there may be challenge on why certain interventions are given funding and not others.	An open and transparent process for final project selection. A costed business case for each will need to be provided to the Partnership Board that will advise on selection.	
Innovation New programmes and funding regimes with fixed frameworks can stifle innovation in delivery	Some projects and services will be aimed at new activity and new approaches will be encouraged within the scope of the UKSF framework.	
Reputation Failure to achieve the	A Partnership Board with cross district	As outcomes are achieved there is the

Risk	Mitigation	Opportunities
outcomes and share the benefits of the UKSPF across the district results in negative perception of the council.	representation will ensure the view of a wide range of interests and places are considered in the selection and delivery of projects.	opportunity for PR and reporting on what investments have delivered to showcase action across the district.
Achievement of outcome The projects and services fail to meet the target outcomes they are were designed to achieve.	The milestones, expectations and timescales will be set out in a Memorandum of Understanding. There will be a formal reporting request every six months, with qualitative updates on a more frequent basis also required. Projects / service deliverers will be required to carry out evaluations of the intervention to demonstrate the effectiveness and achievement of outcomes.	Opportunity exist to develop evaluation and customer insight process and approaches by learning from other organisation undertaking this as part of their project / service delivery evaluation.
Property Investment in property increases ongoing costs or fails to achieve the planned savings and improvements.	All capital expenditure projects will be required to include all financial implications within the detailed business case and final proposals for funding.	
Community Support There is a lack of capacity within local community organisations to deliver or participate in projects.	Project / service deliverers will be required to include all staff costs and resources necessary to deliver the intervention within the detailed project submission for funding.	Projects that support community development are included in the programme.
Timescales Projects are not delivered to the required deadlines.	The Partnership Board will provide oversight to the funding programme monitoring delivery and identifying delays and	

Risk	Mitigation	Opportunities
	slippage so that these can be addressed at the earliest opportunity.	
Project capacity Lack of staff resources reduces capacity to deliver the projects and services.	Project / service deliverers will be required to include all staff costs and resources necessary to deliver the intervention within the detailed project submission for funding.	

11 SUPPORTING INFORMATION:

11.1 Background

11.2 Government published its Rural England Prosperity Fund (referred to as Rural Fund) prospectus and local authority funding allocations on 3rd September 2022. It states that the fund has been created as:

"Rural areas often face specific challenges including:

a) lower productivity rates

b) poorer connectivity

c) poorer access to key services

The Rural Fund supports the aims of the government's Levelling Up White Paper and Future Farming Programme. It funds capital projects for small businesses and community infrastructure. This will help to improve productivity and strengthen the rural economy and rural communities."

11.3 The Rural Fund provides capital funding to:

a) support new and existing rural businesses to develop new products and facilities that will be of wider benefit to the local economy. This includes farm businesses looking to diversify income streams

b) support new and improved community infrastructure, providing essential community services and assets for local people and businesses to benefit the local economy

11.4 Projects must be in a rural areas and for Rural Fund purposes, rural areas are:

a) Towns, villages and hamlets with populations below 10,000 and the wider countryside.

b) Market or ‘hub towns’ with populations of up to 30,000 that serve their surrounding rural areas as centres of employment and in providing services.

11.5 This means that the city centre (town wards) is exclude from this fund.

Table 2. Winchester district ward population estimates 2020

Ward	Pop. Estimate 2020
Alresford and Itchen Valley	8,646
Badger Farm and Oliver's Battery	8,299
Bishop's Waltham	7,715
Central Meon Valley	9,329
Colden Common and Twyford	5,712
Denmead	7,633
Southwick and Wickham	7,668
The Worthys	6,579
Upper Meon Valley	5,628
Whiteley and Shedfield	6,459
Wonston and Micheldever	7,504
Town Wards	
St Barnabas	9,288
St Bartholomew	10,094
St Luke	6,441
St Michael	9,293
St Paul	9,637
Town Ward Total	**44,753**

Source ONS

11.6 Detailed Proposals

11.7 The Rural Fund is a rural top-up to UKSPF allocations and to the council’s investment plan that was considered by Cabinet in July (CAB3356) and submitted to Government at the end of July. To secure the Rural Fund allocation the council is required to complete and submit a second application form that represents its Rural Fund Investment Plan. The application has three sections and the following summarises the information proposed for each.

11.8 *1. Local context*

11.9 *Detail and evidence our local challenges, market failures and opportunities.* For the district this will include:

a) The challenge of meeting net zero carbon and addressing climate impacts

b) Building on LEADER[1] with further farm diversifications and sustainable farming / environmental land management transition

c) Deprivation and access to services in rural communities and the need for improved / expanded community facilities

11.10 *2. Selection of interventions and outcomes*

11.11 *Identify the priority interventions and outcomes and rank them in order of expected value added.* For the district it is proposed to give priority to added value investment in carbon reduction and climate mitigation activities and to investment in community infrastructure and assets.

11.12 Table 3. Indicative Rural Fund Investment Interventions and Rank

Investment Proposal & Rank	Local context and Priority	Rural Fund Investment Intervention	Indicative Share of allocation
1. Net Zero / Climate Mitigation	• Council Plan - Greener Faster • Carbon Neutrality Action Plan • Green Economic Development Strategy (GEDS) • Bio-diversity Action Plan • Hampshire Movement Strategy	Supporting Rural Business • Funding (capital grants) for small-scale investment in micro and small enterprises in rural areas. Supporting Rural Communities • Funding (capital grants) for rural circular economy projects. • Funding (capital grants) for investment and support for digital infrastructure for local community facilities • Funding (capital grants) for active travel enhancements in the local area	40%
2. Community Infrastructure and Assets Improvement	• Council Plan - Pride in Place • Council Plan – Local Vibrant Economy • Green Economic Development Strategy (GEDS) • Digital Winchester	Supporting Rural Business • Funding (capital grants) for growing the local social economy and supporting innovation. Supporting Rural Communities • Funding (capital grants) for investment in capacity building and infrastructure support for local civil society and community groups. • Funding (capital grants) for impactful volunteering and social action projects to develop social and human capital in	25%

[1] LEADER was part of the Government's Rural Development Programme for England providing funding for projects that create jobs, help rural business to grow, and benefit the rural economy between 2015 and 2020.

Investment Proposal & Rank	Local context and Priority	Rural Fund Investment Intervention	Indicative Share of allocation
		local places	
3. Culture, Arts and Tourism Development	• Council Plan - Inclusion & Engagement • GEDS and emerging Sustainable Tourism Strategy & Cultural Strategy	<u>Supporting Rural Business</u> • Funding (capital grants) for the development and promotion (both trade and consumer) of the visitor economy <u>Supporting Rural Communities</u> • Funding (capital grants) for existing cultural, historic and heritage institutions that make up the local cultural heritage offer • Funding (capital grants) for local arts, cultural, heritage and creative activities	20%
4. Green Spaces Enhancement	• Council Plan - Greener Faster • Bio-diversity Action Plan	<u>Supporting Rural Communities</u> • Funding (capital grants) for creation of and improvements to local rural green spaces	15%

11.13 *3. Delivery*

11.14 *3a. Expenditure - Detail of what will be delivered with the funding and the indicative spend profile for the two years of the fund.*

11.15 <u>Table 4. Expenditure profile and potential project deliverables</u>

Investment Proposals	Potential delivery projects / activities	Indicative allocations		
		2023/24 (25%)	**2024/25 (75%)**	**Total**
		£186,274	£558,822	**£745,096**
1. Net Zero / Climate Mitigation	• Energy generation PV/Solar/Heat Pumps • Community energy schemes • EV charging points • Climate resilience & natural environment solutions / mitigation • Circular economy initiatives • Active travel - Creation of new or up-grading of existing footpaths and cycle paths	£74,510	£223,529	**£298,038**
2. Community Infrastructure and Assets	• Improvement / up-grades to community facilities • Farm diversification projects	£46,569	£139,706	**£186,274**

Investment Proposals	Potential delivery projects / activities	Indicative allocations		
		2023/24 (25%)	2024/25 (75%)	Total
Improvement	• Digital infrastructure at rural hubs for community use and broadband for business hubs • Community businesses, cooperatives and social enterprises • Co-working spaces			
3. Culture, Arts and Tourism Development	• Improvements to tourism, heritage, arts and cultural buildings and sites to increase accessibility • Maker spaces • Improvement to cultural, arts or tourism facilities e.g. development, restoration or refurbishment assets and sites.	£37,255	£111,764	**£149,019**
4. Green Spaces Enhancement	• Community gardens and green spaces • Greening of streets and paths • Tree planting and rewilding of areas	£27,941	£83,823	**£111,764**

11.16 *3b. Approach to engagement with rural partners - Detail of the consultations with rural partners and the plans for future engagement.*

11.17 Stakeholders and partners including, all Members, all Parish Councils, local MPs, Hampshire County Council, EM3 LEP and a group of representative bodies including South Downs National Park, CPRE, Community First, Hampshire Cultural Trust have been consulted on the investment proposals and funding allocations. The Partnership Board for the UKSPF already has representation from the community and environmental sectors, and representation from rural businesses and the land-based sector will be invited to join. Further engagement with these sectors will take place to help shape the grant funding programmes and to promote the opportunity for businesses and community organisation to apply for support.

11.18 Conclusion

11.19 The application and investment plan has to be submitted to government by the end of November 2022. It is recommended that the funding allocation is shared across four investment proposal, and in order of priority these are:

a) Net Zero / Climate Mitigation

b) Community Infrastructure and Assets Improvement

c) Culture, Arts and Tourism Development

d) Green Spaces Enhancement

11.20 It is recommended that the Corporate Head of Service: Economy & Communities, in consultation with the Cabinet Member for Business and Culture, be given authority to take the necessary decisions and actions required to submit an investment plan and accept the allocation of funds. This includes the required sign-off by the Leader of the Council, Chief Executive and Section 151 officer.

11.21 As the Rural Fund is aimed at providing capital funding to invest in buildings, assets and equipment by businesses and community organisation in the market towns and rural areas of the district it is recommended that a competitive grants programme is established for each of the four priority investment proposals.

11.22 The grant eligibility, criteria and award process will be devised with advice from the Winchester District UKSPF Partnership Board and relevant rural partners. It is recommended that delegated authority be given to Corporate Head of Service: Economy & Communities, in consultation with Cabinet for Business and Culture to determine the grant scheme(s) and to implement and administer the scheme and all related plans in accordance with the requirements and priorities of the prospectus and fund.

12 OTHER OPTIONS CONSIDERED AND REJECTED

12.1 Do not submit an investment plan to draw down the council's Rural Fund allocation. This is not recommended as the council would miss out on the opportunity to secure £745,000 funding for the rural businesses, communities and places across the district.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

CAB3356 - UK Shared Prosperity Fund – Investment Plan Proposal, 19 July 2022

CAB3356 Shared Prosperity Fund.pdf (winchester.gov.uk)

Other Background Documents:-

Rural England Prosperity Fund: prospectus

Rural England Prosperity Fund: prospectus - GOV.UK (www.gov.uk)

APPENDICES:

None

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Forward Plan of Key Decisions

December 2022

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 December 2022** 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 October 2022

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	Tree Strategy	Cabinet Member for Place & Local Plan	Significantly effect on 2 or more wards	All Wards	Susan Robbins	Cabinet report	Cabinet	Dec-22	14-Dec-22	Open
2	Parking service 'post transfer of on-street parking back to HCC'	Cabinet Member for Climate Emergency	Significantly effect on 2 or more wards	All Wards	Andy Hickman	Cabinet report	Cabinet	Dec-22	14-Dec-22	Part exempt 1, 2, 4
3	CCTV monitoring	Cabinet Member for Climate Emergency	Expenditure > £250,000	All Wards	Andy Hickman	Cabinet report	Cabinet	Dec-22	14-Dec-22	Part exempt 3

	Item	Cabinet Member	Key Decision	Wards Affected	Lead Officer	Documents submitted to decision taker	Decision taker (Cabinet, Cabinet Member or Officer	Date/period decision to be taken	Committee Date (if applicable)	Open/private meeting or document? If private meeting, include relevant exempt paragraph number
4	Council Plan 2020-25 refresh	Cabinet Member for Asset Management	Significantly effect on 2 or more wards	All Wards	Simon Howson	Cabinet report	Cabinet	Dec-22	14-Dec-22	Open
5	Q2 Finance & Performance Monitoring Report	Cabinet Member for Asset Management	Significantly effect on 2 or more wards	All Wards	Simon Howson	Cabinet report	Cabinet	Dec-22	14-Dec-22	Open
6	Asset Management Plan	Cabinet Member for Asset Management	Significantly effect on 2 or more wards	All Wards	Geoff Coe	Cabinet report	Cabinet	Dec-22	14-Dec-22	Open
7	Land transaction	Cabinet Member for Asset Management	Expenditure > £250,000	All Wards	Geoff Coe	Cabinet report	Cabinet	Dec-22	14-Dec-22	Part exempt

	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										
8	Draft Village Design Statement for Littleton	Cabinet Member for Place & Local Plan	Expend-iture > £250,000	Wonston & Michel-dever	Steve Opacic	Cabinet member decision report	Cabinet Member for Place & Local Plan Decision Day	Dec-22	5-Dec-22	Open
Section C Decisions made by Officers										
9	Treasury Management - decisions in accordance with the Council's approved strategy and policy	Cabinet Member for Finance & Value	Expend-iture > £250,000	All Wards	Desig-nated HCC Finance staff, daily	Designated working papers	Designated HCC Finance staff, daily	Dec-22	Dec-22	Open

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<u>Notification of addition to the December 2022 Forward Plan</u>

On 4 November 2022, the following additional item was notified for inclusion in the December 2022 Forward Plan:

	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										
1	Extension of Insurance Contract	Cabinet Member for Finance & Value	Expend-iture > £250,000	All Wards	Amy Tranah	Cabinet member decision report	Cabinet Member for Finance & Value Decision Day	Dec-22	5-Dec-22	Open

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