



<b>Meeting</b>	Cabinet
<b>Date and Time</b>	Tuesday, 21st November, 2023 at 9.30 am.
<b>Venue</b>	Walton Suite, Guildhall, Winchester and streamed live on YouTube at <a href="http://www.youtube.com/winchestercc">www.youtube.com/winchestercc</a>

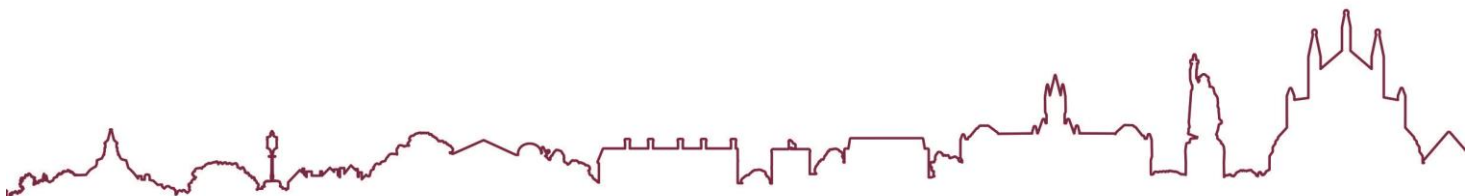
**Note:** This meeting is being held in person at the location specified above. Members of the public should note that a live video feed of the meeting will be available from the council's YouTube channel ( [youtube.com/WinchesterCC](http://youtube.com/WinchesterCC) ) during the meeting.

A limited number of seats will be made available at the above named location however attendance must be notified to the council at least 3 working days before the meeting. Please note that priority will be given to those wishing to attend and address the meeting over those wishing to attend and observe.

## AGENDA

### PROCEDURAL ITEMS

- 1. Apologies**  
To record the names of apologies given.
- 2. Membership of Cabinet bodies etc.**  
To give consideration to the approval of alternative arrangements for appointments to bodies set up by Cabinet or external bodies, or the making or terminating of such appointments.
- 3. Disclosure of Interests**  
To receive any disclosure of interests from Members and Officers in matters to be discussed.  
*Note: Councillors are reminded of their obligations to declare disclosable pecuniary interests, personal and/or prejudicial interests in accordance with legislation and the Council's Code of Conduct.*



4. **To note any request from Councillors to make representations on an agenda item.**

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

## **BUSINESS ITEMS**

5. **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](mailto:democracy@winchester.gov.uk) or 01962 848 264).*

6. **Minutes of the previous meeting held on 17 October 2023** (Pages 5 - 10)

Members of the public and visiting councillors may speak at Cabinet, provided they have registered to speak three working days in advance. Please contact Democratic Services **by 5pm on 15 November 2023** via [democracy@winchester.gov.uk](mailto:democracy@winchester.gov.uk) or (01962) 848 264 to register to speak and for further details.

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

8. 59 Colebrook Street - refurbishment and conversion to shared accommodation for the use of Ukrainian and Afghanistan guests (Pages 11 - 28)

**Key Decision** (CAB3433)

9. General Fund Budget Options & Medium-Term Financial Strategy (Pages 29 - 60)

**Key Decision** (CAB3430)

10. Housing Revenue Account (HRA) Business Plan and Budget Options (Pages 61 - 78)

**Key Decision** (CAB3432)

11. To note the future items for consideration by Cabinet as shown on the December 2023 Forward Plan. (Pages 79 - 86)

**Laura Taylor**  
**Chief Executive**

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13 November 2023

Agenda Contact: Nancy Graham, Senior Democratic Services Officer  
Tel: 01962 848 235, Email: [ngraham@winchester.gov.uk](mailto: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](http://www.winchester.gov.uk)*

## **CABINET – Membership 2023/24**

Chairperson: Councillor Tod (Leader and Asset Management)

<b>Councillor</b>	- <b>Cabinet Member</b>
Cutler	- Deputy Leader and Cabinet Member for Finance and Performance
Becker	- Cabinet Member for Community and Engagement
Learney	- Cabinet Member for Climate Emergency
Porter	- Cabinet Member for Place and Local Plan
Thompson	- Cabinet Member for Business and Culture
Westwood	- Cabinet Member for Housing

**Quorum** = 3 Members

### **Corporate Priorities:**

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

### **Public Participation at meetings**

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

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

### **Filming and Broadcast Notification**

This meeting will be recorded and broadcast live on the Council’s website. The meeting may also be recorded and broadcast by the press and members of the public – please see the Access to Information Procedure Rules within the Council’s Constitution for further information, which is available to view on the [Council’s website](#). Please note that the video recording is subtitled but you may have to enable your device to see them (advice on how to do this is on the meeting page).

### **Disabled Access**

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

### **Terms Of Reference**

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

## **CABINET**

**Tuesday, 17 October 2023**

Attendance:

Councillors  
Tod (Chairperson)

Cutler  
Becker  
Learney

Porter  
Thompson  
Westwood

Members in attendance who spoke at the meeting

Councillors Horrill, Read, Wallace and Williams

[Video recording of this meeting](#)

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1. **APOLOGIES**

No apologies were received.

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

There were no changes of membership to be made.

3. **DISCLOSURE OF INTERESTS**

Councillors Porter and Tod each declared personal (but not prejudicial) interests in respect of agenda item 9 (report CAB2426 refers) due to their role as County Councillors, as there were schemes referred to in the report that were County Council projects.

4. **PUBLIC PARTICIPATION**

One member of the public spoke regarding report CAB3427 and his comments are summarised under the relevant minute below.

5. **MINUTES OF THE PREVIOUS MEETING**

RESOLVED:

That the minutes of the previous meeting held 13 September 2023 be agreed as a correct record.

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

Councillor Learney announced the launch of the council's Rethinking Recycling survey which would help the council make improvements to the services offered. The consultation was available on the council's website until 26 November 2023.

Councillor Westwood announced the completion of 54 new council homes in North Whiteley, 27 of which were shared ownership and the remainder as affordable rent. Each unit was of a high standard of design, build quality and energy efficiency.

Councillor Becker announced free 'Little Lunch Club' half term lunches and subsidised activities for families across the district which were part of the council's Cost of Living support.

7. **WINCHESTER CITY STREET MARKET MANAGEMENT CONTRACT AND OPERATING POLICY**  
(CAB3427)

Councillor Thompson introduced the report and emphasised the importance of an attractive and well managed street market in the city centre. The street market management contract was now to be competitively retendered so that that the market's operation could be aligned with the priorities outlined in the Council Plan.

Councillor Thompson reported that the Winchester Town Forum and the Business & Housing Policy Committee had each raised similar points regarding the draft policy, including safety considerations and accessibility. Councillor Thompson then proposed an additional recommendation (5) to those set out in the report to ensure that the new operating policy included specific details for the measurements for the placing and spacing of the market stalls. The wording of the resolution was agreed as set out in new resolution 5 below.

Ian Tait spoke during public participation as summarised briefly below.

He was a supporter of the street market at its current location which was a bigger and more successful operation, with quality goods on sale when compared to its previous position in Middle Brook Street. He was concerned at pedlars in the High Street and also that the Farmers' Market had diminished in size in recent years. He also requested that the council help ensure that the baby changing facilities at the Market Lane toilets were reopened without further delay.

At the invitation of the Leader, Councillors Wallace and Horrill addressed the meeting as summarised briefly below.

**Councillor Wallace**

He believed that street markets were at the forefront of the visitor experience and the new contract was an opportunity to create a more distinctive market to attract more visitors and also to have regard to sustainability matters. The contract should be bolder in its aspirations in

this regard, and he made some suggestions such as promoting local retailers.

Councillor Horrill

She raised some points for clarification which included – (i) opportunities for other street markets in the market towns of the Winchester district, (ii) why had a signed agreement with the current operator been left for so long? (iii) a robust performance schedule was referred to in the report, but how would this be conducted? (iii) how would safety concerns be overseen and dealt with in the new contract, such as dangerous loading and unloading of stalls that had been witnessed? (iv) how would local providers be given priority and proper labelling of produce enforced? and (v) how would street market approved traders be ratified by the council?

Councillor Thompson and the officers present responded to each of the points raised above and provided assurance and clarification where appropriate.

In response to questions from Cabinet, it was confirmed that officers had met with the current operator of Alresford Market regarding brand awareness and sharing best practice. The mechanisms of weighting and scoring for new traders were also explained, including how this would favour locally sourced goods and where traders were based. A compliance policy regarding public health was also to sit alongside the operating policy and labelling of goods would also be subject to the usual trading standards criteria.

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

RESOLVED:

1. That the Winchester City Street Market Operating Policy be adopted as set on in Appendix 1 to CAB3427.
2. That the Corporate Head of Service: Economy and Community be given delegated authority to commence the competitive tender exercise to seek bids for a market operator and to award the contract to the most economically advantageous tender for a term of 3 years with an option to renew annually for up to a further 2 years based on performance of service provision.
3. That the Corporate Head of Service: Economy and Community be authorised to enter into all necessary agreements with the preferred contractor to manage the street market.
4. That delegated authority be granted to the Service Lead: Legal to execute and enter into all necessary contractual agreements.
5. That the Corporate Head of Service: Economy and Community, in consultation with the Cabinet Member for Business and Culture, amends the Winchester Street Market Operating Policy to include specific measurements for the placing and spacing of the Market stalls.

8. **COMMUNITY INFRASTRUCTURE LEVY (CIL) FUNDING ALLOCATIONS FOR 2023 BIDS**  
(CAB3426)

Councillor Porter introduced the report and referred to the variety of successful proposals put forward, each reflecting the principles of the council plan.

At the invitation of the Leader, Councillors Williams, Wallace, Read and Horrill addressed the meeting as summarised briefly below.

Councillor Williams

He thanked Councillor Porter and officers for their correspondence with Bishops Waltham and Durley Parish Councils regarding their proposals. He was pleased to see investment in various schemes to benefit the community of Bishops Waltham, including the improvements to the capacity of Bishops Waltham Doctor's Surgery.

Councillor Wallace

He welcomed that CIL allocation was more representative of the population across the district. He requested that he be provided with up-to-date information regarding CIL receipts and CIL funding by ward. Regarding rent for the temporary consulting rooms at Bishops Waltham Doctor's Surgery, he queried what rent was to be paid by the NHS for use of the new facilities?

Councillor Read

He welcomed the wide variety of projects, notably improvements to Waterloo Leisure Centre. As there was a large pot of CIL money still available, he requested that that an all member briefing be arranged to help local ward members better support projects in their area.

Councillor Horrill

She referred to the unsuccessful bid for CIL funding for a new access road and drainage for a rural affordable housing site at Waterloo Lane, Micheldever and requested that local representatives be engaged so they could assist in taking forward the proposals.

Councillor Porter responded to each of the points raised above. She advised that Councillor Wallace would be supplied the information requested. Regarding the affordable housing site at Micheldever, there was technical information that was required to be gained from the council's housing team which was currently being sought.

Further to a point raised by the Leader, Cabinet agreed that recommendation 3 of the report have additional text added regarding the clause relating to the CIL allocation to Waterloo Leisure Centre, as detailed in the report at paragraph 11.13. This was that the project must receive full planning permission and be accompanied by an active travel package to link the site to the Winchester area. Furthermore, there was typographical correction to recommendation 3 regarding the paragraph number referenced and a further correction to be made at



paragraph 6.2 of the report – ‘Going forward bids will be invited between 1<sup>st</sup> September and 31<sup>st</sup> 30<sup>th</sup> November.’

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

RESOLVED:

1. That the 2023/24 allocation of £296,341 from Winchester City Council CIL income receipts set aside in the existing allocation for community projects be approved as detailed in report CAB3426, and the expenditure be approved under Financial Procedure rule 7.4 for the funding of thirteen community led projects recommended by the Informal Panel:

- a. St John Ambulance Hall, Bishops Waltham. Building purchase - £40,000
- b. Jubilee Hall, Bishops Waltham. Energy efficiency measures - £40,000
- c. Memorial Park, Compton. Inclusive play equipment - £15,000
- d. Eversley Park Playground, Kings Worthy. Play equipment - £12,000
- e. Oliver’s Battery Recreation Ground. Leisure equipment - £10,000
- f. Otterbourne Village Hall. Improvements - £12,850
- g. Shedfield Reading rooms. Improvements - £15,000
- h. Swanmore Allotments. Infrastructure improvements - £12,100
- i. Twyford village centre. Real time bus information - £10,000
- j. Wickham Community Centre. Improvements - £39,717
- k. Wickham Primary School. Pre-school outdoor provision £21,000
- l. St Barnabas Church, Winchester. Improvements - £50,000
- m. Winchester Rugby Football Club. LED Floodlights - £18,674

2. That a budget and expenditure of a capital grant of £217,000 from the Winchester City Council CIL receipts be approved for the provision of temporary consulting rooms at Bishops Waltham Surgery recommended by the Informal Panel and detailed in Section 11.12 of report CAB3426. Funding for this project will be allocated and spent from the 10% community pot ring-fenced for community and health projects. The allocation of CIL money would be dependent on the surgery obtaining planning permission for the temporary consulting rooms.

3. That a budget and expenditure of a capital grant of £200,000 from the Winchester City Council CIL receipts be approved for the project to extend and redevelop Waterlooville Leisure Centre, recommended by the Informal Panel and detailed in Section 11.13 of report CAB3426. Funding for this project will be allocated and spent from the 10% community pot ring-fenced for community and health projects. This allocation is subject to the project receiving full planning permission and being accompanied by an active travel package to link the site to the Winchester area.

4. That the allocation of up to £410,000 from the Winchester City Council CIL receipts be approved for the projects to improve and refurbish the public toilets in various locations in the town and district area

as detailed in section 11.14 of report CAB3426. Funding for this project will be allocated and spent from the 60% CIL pot ring-fenced for Winchester City Council led projects.

5. That the allocation of £21,000 be approved to provide new and improved bus shelters on Cromwell Road and Andover Road as detailed in section 11.15 of report CAB3426. Funding for this project will be allocated and spent from the 60% CIL pot ring-fenced for Winchester City Council led projects.

6. That the allocation of £60,000 be approved to replace gas boilers with air source heat pumps and install solar panels to Meadowside Leisure Centre in Whiteley, as detailed in section 11.15 of report CAB3426. Funding for this project will be allocated and spent from the 60% CIL pot ring-fenced for Winchester City Council led projects.

7. That a budget and expenditure of a capital grant of £300,000 be approved for the provision of a contra-flow cycle scheme on the Upper High Street, Winchester as detailed in section 11.16 of report CAB3426. This funding will be allocated from the 30% of the Winchester City Council CIL receipts ring-fenced for Hampshire County Council led schemes agreed for CIL support by Winchester City Council.

8. That it be noted that in accordance with the recommendation of CAB3385, there is now £344,580 remaining in the Community and Health 'pot' (10% of the remaining unallocated CIL) for further rounds of yearly bids for community and health projects.

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

RESOLVED:

That the list of future items as set out in the November 2023 forward plan be noted.

The meeting commenced at 9.30am and concluded at 10.55am (adjourned between 10.12am and 10.17am)

Chairperson

CAB3433  
CABINET

REPORT TITLE: 59 COLEBROOK STREET – REFURBISHMENT AND  
CONVERSION TO SHARED ACCOMODATION FOR THE USE OF UKRAINIAN  
AND AFGHANISTAN GUESTS

21 NOVEMBER 2023

REPORT OF CABINET MEMBER: Cllr Westwood, Cabinet Member for Housing

Contact Officer: Graeme Todd / Karen Thorburn Tel No: 01962 848282 / 01962  
848076 Email: gtodd@winchester.gov.uk / kthorburn@winchester.gov.uk

WARD(S): ALL

PURPOSE

This report directly supports the Council plan priority of delivering ‘homes for all,’ and to provide shared temporary accommodation for guests on the various Government Resettlement Schemes, due to anticipated demand it is expected that the council’s intended use for this property will be for Ukrainians.

There is a need to provide temporary accommodation for single households who can no longer reside with their host or in their current accommodation.

Single Households make up the largest number of the Homes for Ukraine (HFU) cohort within the district of Winchester alongside facing the greatest challenges in sourcing affordable and good quality accommodation within the district.

The Local Authority Housing Fund (LAHF) round 2 enables the Council to acquire 6 properties, 4 for Afghan resettlement (individuals and families who have previously resided in bridging hotels) and 2 for temporary accommodation. The temporary accommodation can be occupied by Afghan Citizen Resettlement Scheme (including Eligible British nationals under this scheme (ACRS)), Afghan Relocations and Assistance Policy (ARAP), Ukraine Family Scheme (UFS), Homes for Ukraine (HFU) and Ukraine Extension Scheme (UES).

59 Colebrook Street, a vacant council general fund owned property has been identified as a potential property to use to provide temporary accommodation. The property is in a good central location to enable access to training and employment and is near all transport links. The property would enable individuals on the

resettlement schemes to live alongside each other providing support and assisting with the continue integration into our community.

Bringing this property back into use will reduce the need for the council to secure emergency accommodation in the form of bed and breakfast for those households on resettlement schemes and provides a better housing option for our guests who would otherwise be threatened with homelessness.

The Council's resettlement team would continue to support the occupants of this property during their residence there.

59 Colebrook Street has been empty since June 2021, this is a good opportunity to bring back an empty property into use to support these households and once the property is not needed for households on the resettlement scheme it can be used for general temporary accommodation within the council's stock.

#### RECOMMENDATIONS:

That Cabinet recommends Council:

1. Approves a capital budget of £610,000 to refurbish 59 Colebrook Street to provide temporary homeless accommodation, funded by £250k grant from HCC, £206k grant from LAHF, and £154k of prudential borrowing.

That, subject to Council approval of the budget, Cabinet:

2. Approves capital expenditure of up to £610,000 to refurbish 59 Colebrook Street to provide temporary homeless accommodation.
3. Delegates Authority to the Strategic Director (responsible for Housing) to approve the tender evaluation model.
4. Delegates authority to the Strategic Director (responsible for Housing) to appoint the preferred contractor(s) following a competitive procurement process.
5. Delegates authority to the Service Lead (Estates): to enter into all relevant agreements, to negotiate the contractual agreements and see them to completion to enable the conversion and refurbishment contract to be executed.

IMPLICATIONS:**1 COUNCIL PLAN OUTCOME****1.1 Tackling the Climate Emergency and Creating a Greener District**

- a) The refurbishment and conversion of 59 Colebrook Street will bring back into use and improve an empty building. The existing construction and the location of the property within a conservation area will determine what improvements to the energy efficiency of the property can be made.

**1.2 Homes for all**

- a) The property will be converted to form part of the Council's response to house Ukrainians who would otherwise be threatened with homelessness and enables them to remain settled in Winchester.

**1.3 Vibrant Local Economy**

- a) The proposal increases the amount of temporary accommodation to support Ukrainian's who are able to work in paid employment and generate impact in the local community.

**1.4 Living Well**

- a) The refurbishment will provide good quality temporary accommodation with improved energy rating, thus reducing potential for the quality of the Council's temporary accommodation to impact on individuals' health.

**2 FINANCIAL IMPLICATIONS**

- 2.1 The estimated cost of the conversion is up to £610,000 including contingency. The proposed source of funding is outlined in the table below and include a £250,000 contribution from Hampshire County Council:

Table 1. Project funding sources

<b>59 Colebrook Street</b>	£000	% contribution	status
Hampshire County Council Homes for Ukraine funding	250	41%	Approved
LAHF round 2	206	34%	Approved
Prudential Borrowing	154	25%	
<b>Total build cost</b>	<b>610</b>		

- 2.2 Income is based on a 6-person occupation with an assumed 10% void rate. Allowances have been made for estimated maintenance and future major

repairs. The council currently pays a council tax empty homes premium (circa £2,500 in 23/24) which it will no longer be liable for once the building is occupied. After allowing for estimated borrowing costs, a small annual surplus of circa £9,000 per annum from 2025/26 (rising with inflation) is expected to be generated. Further detail is provided in the financial appraisal at Appendix 1.

### 3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 To ensure best value a competitive procurement process for schedule of works JCT contract will be undertaken.
- 3.2 The Procurement team will provide advice on this matter and ensure that the process is undertaken in accordance with the council's Contract Procedure Rules.
- 3.3 It is intended to use a standard Intermediate JCT form of contract which will be managed in accordance with the council's contract management framework.

### 4 WORKFORCE IMPLICATIONS

- 4.1 There are no additional workforce requirements associated with the refurbishment and development. Estates will provide client resources from within existing staffing and the Strategic Housing team will provide support for engagement, communication and liaison with funding bodies, and stakeholders from within existing staff resources, working with the Communications team where appropriate.
- 4.2 Following completion of the refurbishment and development, ongoing management and maintenance will be resourced from existing staffing from within Housing.

### 5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 The property is currently held as an investment property in General Fund; following completion of the conversion and refurbishment the property will remain in the council's General Fund as an operational property.
- 5.2 Winchester City Council is committed to improving the quality of life for Ukraine guests. In working towards this goal, condition surveys and structural surveys have identified that significant refurbishment and maintenance works are required to 59 Colebrook Street. These works will also provide the opportunity to improve the thermal performance of the building by replacing the existing roof and installing increased insulation, other energy saving measures include the introduction of secondary glazing, whilst refurbishing the original windows. Internal alterations are required to provide adequately sized rooms for our guests as well as complete refurbishment throughout, including new lighting; decorations; replacement kitchen and bathrooms, as

well as external landscaping to the rear courtyard to provide outside space for our guests.

## 6 CONSULTATION AND COMMUNICATION

- 6.1 Ward Councillors have been consulted on this proposal and they have indicated their support.
- 6.2 Initial advice has been sought from the Planning team, who advise that HMOs are divided into two categories according to the number of occupants. HMOs occupied by between 3 and 6 unrelated people fall into use **class C4**. HMOs with 7 or more occupants are considered to be a “sui generis” use. Previously the property has been rented out as an HMO for up to 7 occupants. For more than 6 occupants a planning application will be required.
- 6.3 This property is intended to be used for a maximum 6 occupants from the Ukrainian resettlement schemes. When the property is no longer needed for Ukrainians, the anticipated future use will be for temporary accommodation for single persons, managed by the council. If it is decided that capacity needs to be increased at this point, planning permission will be applied for.

## 7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 As mentioned previously in this report the refurbishment will significantly improve the energy rating of the property whilst also bring an empty property back into use after, standards.

## 8 PUBLIC SECTOR EQUALITY DUTY

- 8.1 An equality impact assessment has been carried out. The assessment identified that the project could have the potential to affect some individuals in a negative way. The assessment highlighted that individuals could be affected on the basis of religious difference due to the project being shared accommodation and cultural differences associated with the intended cohort who will reside at 59 Colebrook Street. Officers are aware that when allocating the accommodation, they need to be aware of cultural differences before making an offer of accommodation.
- 8.2 The officers conduct a risk assessment for all individuals/households before offering any of the council’s temporary accommodation, and a risk assessment will be carried out of any individual being considered for 59 Colebrook Street

## 9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 There are no data protection impacts associated with the development of the property. However, the management of the lettings must meet GDPR standards as this will requires personal and financial information about people staying within the property.

10 RISK MANAGEMENT

10.1 This scheme is in line with the council's current overall and Living Well priority risk appetite of moderate:

Risk	Mitigation	Opportunities
<p><b>Financial Exposure:</b> Build costs increasing, resulting in more expensive tenders.</p> <p>Missing the deadline of 31st March 2024 to be in contract for the works could potentially result in repayment of the grant.</p> <p>Potential local Ukraine settlement demand is not met causing rental loss.</p>	<p>A value engineering exercise may be required.</p> <p>Continue to monitor programme. Submit monthly reporting to the funders providing an update on programme, budget and issues. Weekly monitoring of LAHF programme by Officers.</p> <p>Hampshire is one of the highest demands for settlement areas for Ukrainians</p>	<p>It is estimated that a small net surplus will be produced.</p>
<p><b>Exposure to challenge</b> Opposition to development</p> <p>Challenge to tendering and appointment of contractor.</p>	<p>The proposed development will be considered in line with national and local planning policies. Any objections to the planning application, will mean that the decision will be taken by the planning committee.</p> <p>All tendering will be compliant with the council's contract procedure rules and contract management procedures, supported by the council's procurement team.</p>	



<b>Innovation</b>		
<b>Reputation</b> Positive impact for bringing back an empty property in to use, to supply good quality temporary accommodation for our Ukraine guests.		
<b>Achievement of outcome</b> Generating income for general fund		
<b>Property</b> Existing dilapidated property will fall into further disrepair and attract vandalism. Cost of upkeep and frequency of repair increases.  Unforeseen asbestos may be encountered when the works are being undertaken.	Refurbishment works and bringing the property back in to use. An asbestos survey has been carried out, which will be within the quotation documents. A provisional sum for any unforeseen asbestos removal has been included within the figures reported.	Possible cost saving if no unforeseen asbestos is found.
<b>Community Support</b>		
<b>Timescales</b> Ongoing delay in delivery of the works could result in vandalism, reputational damage to the Council and frustration among those in need of the accommodation.	Continued programme of engagement and demonstration of commitment to provide completed property.	
<b>Project capacity</b> The Council is unable to deliver the works within existing resources	Provision of additional resources to deliver the works.	

## 11 SUPPORTING INFORMATION:

- 11.1 In December 2022, the Department of Levelling Up, Housing and Communities (DLUHC) launched the £500 million first round of the Local Authority Housing Fund (LAHF). A capital fund that supports local authorities

in England to obtain settled accommodation for families in housing need who have arrived in the UK via Ukrainian and Afghan resettlement and relocation schemes.

- 11.2 In February 2023 the council submitted an expression of interest to DLUHC for the first round of the LAHF programme as set out in CAB3402 on 23 May 2023. The council was successfully awarded capital grant funding of £2,400,000 with the council expected to match fund to the value of £3,665,000 making the total scheme cost £6,065,000.
- 11.3 In March 2023 it was announced that the LAHF programme would be expanded by £250 million for a second round of funding. The majority of the additional funding is targeted at families on the Afghan and Ukraine Resettlement Scheme who currently remain in unsuitable bridging accommodation.
- 11.4 An element of the funding can/ will be utilised to reduce local housing pressures beyond those on Afghan and Ukraine resettlement schemes by funding and providing better quality temporary accommodation to families owed homelessness duties by the Council.
- 11.5 DLUHC launched its LAHF (Round 2) grant allocation opportunity in July 2023 and officers expressed an interest and proposed a plan to obtain a further 6 properties. The council have been successful in receiving a total capital grant funding allocation of £1,239,600 representing up to 40% of the cost of the property plus an allowance of £20,000 for repairs per property. The council is expected to match fund to the value of £1,559,400 making the total scheme cost of £2,799,000. This equates to a maximum amount of up to £466,500 per property.
- 11.6 LAHF round 2 enables the Council to acquire 6 properties, 4 for Afghan resettlement (individuals and families who have previously resided in bridging hotels) and 2 for temporary accommodation. The temporary accommodation can be occupied by Afghan Citizen Resettlement Scheme (including Eligible British nationals under this scheme (ACRS), Afghan Relocations and Assistance Policy (ARAP), Ukraine Family Scheme (UFS), Homes for Ukraine (HFU) and the Ukraine Extension Scheme (UEs). Due to anticipated demand, it is expected the council's intended use for this property will be for Ukrainians.
- 11.7 Proposal to do the works will bring an empty property back in to use, it will enhance the portfolio of available good quality temporary accommodation initially for Ukrainians and then for households that would otherwise be homeless, after there is no longer a need for Ukrainians to reside there.
- 11.8 The refurbishment of the property will provide sustainable housing to those on the Ukraine resettlement schemes at risk of homelessness so that they can continue to build their life in the UK, find or continue with their employment and integrate further into communities.

- 11.9 It will reduce local housing pressures beyond those on Ukraine and Afghan resettlement schemes by providing better quality temporary accommodation to families owed homelessness duties by LAs.
- 11.10 It will reduce emergency, temporary, and bridging accommodation costs.
- 11.11 It will reduce impacts on the existing housing and homelessness systems and those waiting for social housing.
- 11.12 The development proposes to accommodate 6 persons at any one time, this could be a mixture of couples or single persons. The occupants will be supported by the Council's Ukraine Team.

## 12 OTHER OPTIONS CONSIDERED AND REJECTED

- 12.1 The council could choose not to proceed with the project. However, the property is in poor condition and will continue to deteriorate whilst unoccupied. Ongoing liability for Council Tax whilst unoccupied. Bringing back the property in to use will reduce the potential for further deterioration and Council Tax liability.
- 12.2 Alternative uses could be explored for the property, such as commercial lettings. Initial discussions with local agents advise there is limited market interest, and significant Capital investment would be required to attract interest.
- 12.3 Disposing of the property has been discounted as the neighbouring properties are within the Council's ownership. The council currently holds the property as an investment property (i.e., held for rental income and/or capital appreciation rather than a service objective).

### BACKGROUND DOCUMENTS:-

#### Previous Committee Reports:-

CAB3402 Local Authority Housing 23<sup>rd</sup> May 2023

CAB3420 Local Authority Housing Fund/Additional Funding

CAB3393 Preventing Homelessness Grant Spending Plan 2023/24

#### Other Background Documents:-

None

### APPENDICES:

Appendix 1 – Financial Appraisal

Appendix 2- Equality Impact Assessment

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## Financial Appraisal - 59 Colebrook St, conversion to HMO

Capital									
	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	To year 35	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Budget forecast</b>									
Refurbishment & conversion	0	610	0	0	0	0	0	0	610
<b>Total</b>	<b>0</b>	<b>610</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>610</b>
<b>Financed by:</b>									
Local Authority Housing Fund	0	206	0	0	0	0	0	0	206
Hampshir County Council contribution	0	250	0	0	0	0	0	0	250
Prudential borrowing	0	154	0	0	0	0	0	0	154
<b>Total</b>	<b>0</b>	<b>610</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>610</b>

Revenue Consequences									
	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	To year 35	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Income	0	10	20	20	21	21	22	856	970
Expenditure (including any savings)	0	0	0	0	0	0	0	(303)	(303)
<b>Net surplus/(deficit)</b>	<b>0</b>	<b>10</b>	<b>20</b>	<b>20</b>	<b>21</b>	<b>21</b>	<b>22</b>	<b>553</b>	<b>667</b>
<b>Financing costs</b>									
Interest payments	0	(7)	(9)	(9)	(9)	(9)	(9)	(172)	(225)
Minimum Revenue Provision (MRP)*	0	0	(1)	(1)	(2)	(2)	(2)	(146)	(154)
<b>Net impact on the General Fund balance</b>	<b>0</b>	<b>3</b>	<b>9</b>	<b>9</b>	<b>10</b>	<b>10</b>	<b>11</b>	<b>234</b>	<b>288</b>

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

### Sensitivity

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	To year 35	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<i>Borrowing rates less 1% (5.0%)</i>									
<b>Net impact on the General Fund balance</b>	<b>0</b>	<b>4</b>	<b>11</b>	<b>11</b>	<b>12</b>	<b>12</b>	<b>13</b>	<b>271</b>	<b>332</b>
<i>Borrowing rates plus 1% (7.0%)</i>									
<b>Net impact on the General Fund balance</b>	<b>0</b>	<b>2</b>	<b>8</b>	<b>8</b>	<b>9</b>	<b>9</b>	<b>10</b>	<b>196</b>	<b>243</b>

Incremental Impact of Capital Investment Decisions*	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
	£	£	£	£	£
General Fund - equivalent to increase/(decrease) in annual band D Council Tax	0.00	-0.06	-0.17	-0.17	-0.19

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

Assumptions		
<b>Appraisal period</b>	35 years	
<b>Discount Factor</b>	6.00%	Based on prevailing borrowing rates with margin for prudence
<b>Asset type</b>	Property Plant and Equipment - Land and Buildings	
<b>Income</b>	Based on 6 shared room at LHA rate	Void rate assumed to be 10%
<b>Expenditure</b>	Includes: Maintenance Contribution to major repairs Annual saving on council tax	Inflated annually by BOE target inflation rate of 2%
<b>Notional interest</b>	6.00%, 35 years, annuity basis	Council currently pays Band G council tax on property plus Empty Homes Premium
<b>Minimum Revenue Provision</b>	6.00%, 35 years, annuity basis	Rate based on long term borrowing rates available to WCC including small margin for prudence As above; applied in the year following completion

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## Winchester City Council

### Equality Impact Assessment Template (EqIA)

#### Section 1 - Data Checklist

When undertaking an EqIA for your policy or project, it is important that you take into consideration everything which is associated with the policy or project that is being assessed.

The checklist below is to help you sense check your policy or project before you move to Section 2.

		Yes/No	Please provide details
1	Have there been any complaints data related to the policy or project you are looking to implement?	No	
2	Have all officers who will be responsible for implementing the policy or project been consulted, and given the opportunity to raise concerns about the way the policy or function has or will be implemented?	Yes	Officers meet on a weekly basis to discuss the implementation of the project and where any concerns are raised, they are discussed, considered and resolved.
3	Have previous consultations highlighted any concerns about the policy or project from an equality impact perspective?	No	
4	Do you have any concerns regarding the implementation of this policy or project?  <i>(i.e. Have you completed a self-assessment and action plan for the implementation of your policy or project?)</i>	No	Not in reference to equalities other risks are covered in CAB3433 Report  There is a process and action plan for the project which is monitored weekly.
5	Does any accessible data regarding the area which your work will address identify any areas of concern or potential	No	

		Yes/No	Please provide details
	problems which may impact on your policy or project?		
6	Do you have any past experience delivering similar policies or projects which may inform the implementation of your scheme from an equality impact point of view?	Yes	<p>The scheme has been equality impact assessed by DLUHC.</p> <p>The project is being implemented by a cross section of officers who have vast experience in working with DLUHC, purchasing properties, working with refugees and allocations.</p>
7	Are there any other issues that you think will be relevant?	No	



## Section 2 - Your EqIA form

<b>Directorate:</b> Services	<b>Your Service Area:</b> Housing	<b>Team:</b> Cross section of teams from across the council.	<b>Officer responsible for this assessment:</b> Karen Thorburn	<b>Date of assessment:</b> 26/10/2023
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	<b>Question</b>	<b>Please provide details</b>
1	What is the name of the policy or project that is being assessed?	Bringing back into use and refurbishment of 59 Colebrook Street
2	Is this a new or existing policy?	New
3	Briefly describe the aim and purpose of this work.	The purpose is to refurbish an empty to provide 6 rooms in an HMO for individuals on the Afghan and Ukraine resettlement scheme who would otherwise be homeless.  The property will become part of the council's TA portfolio
4	What are the associated objectives of this work?	The project will bring an empty property back into use to provide homes for individual who would otherwise be homeless; saves the cost of the council house council tax exemption (£6k), generate an income from rent and improves the street scene.
5	Who is intended to benefit from this work and in what way?	Ukrainians and Afghanistan on the resettlement scheme outlined in the condition of the grant funding
6	What are the outcomes sought from this work?	The refurbishment of this property will provide homes for 6 individuals and avoid homelessness by ensuring there is availability of additional good quality temporary accommodation.  Brings an empty property back into to use that will provide a rental income.
7	What factors/forces could contribute or detract from the outcomes?	Delivering within the constraints of the timescales
8	Who are the key individuals and organisations responsible for the implementation of this work?	Simon Hendeby, Gillian Knight
9	Who implements the policy or project and who or what is responsible for it?	LAHF Project Team

		Please select your answer in <b>bold</b> . Please provide detail here.	
10a	Could the policy or project have the potential to affect individuals or communities on the basis of race differently in a negative way?		<b>N</b> The provision of additional temporary accommodation although enabling allocation to households of certain ethnic origin does not negatively impact on any group.
10b	What existing evidence (either presumed or otherwise) do you have for this?	Without the addition of extra temporary accommodation to meet emergency housing provision those households who are homeless would have their needs met but alternative less suitable emergency provision.	
11a	Could the policy or project have the potential to affect individuals or communities on the basis of sex differently in a negative way?		<b>N</b> The council's allocation policy and statutory requirements in relation to homelessness will ensure that there will not be a negative impact on basis of sex.
11b	What existing evidence (either presumed or otherwise) do you have for this?	Quarterly HCLIC data returns to the Govt.	
12a	<p>Could the policy or project have the potential to affect individuals or communities on the basis of disability differently in a negative way?</p> <p><i>you may wish to consider:</i></p> <ul style="list-style-type: none"> <li>• <i>Physical access</i></li> <li>• <i>Format of information</i></li> <li>• <i>Time of interview or consultation event</i></li> <li>• <i>Personal assistance</i></li> <li>• <i>Interpreter</i></li> <li>• <i>Induction loop system</i></li> <li>• <i>Independent living equipment</i></li> <li>• <i>Content of interview)</i></li> </ul>		<b>N</b> The specification has been based on achieving the accessible standard relevant to HMO's and includes wet room provision on the ground floor which is additional to the HMO standard – so achieves an enhanced accessible level
12b	What existing evidence (either presumed or otherwise) do you have for this?	Experience of allocations informed the provision of a wet room as a facility that is known to improve the accessibility of properties and reduce	

		barriers for households with disabilities.	
13a	Could the policy or project have the potential to affect individuals or communities on the basis of sexual orientation differently in a negative way?		N
13b	What existing evidence (either presumed or otherwise) do you have for this?	Quarterly HCLIC data returns to the Govt and Hampshire Home Choice Data	
14a	Could the policy or project have the potential to affect individuals on the basis of age differently in a negative way?		N Rooms will be offered to single persons households and increases the provision to anybody over the age of 18
14b	What existing evidence (either presumed or otherwise) do you have for this?	Single households are the highest cohort in housing need on the housing register	
15a	Could the policy or project have the potential to affect individuals or communities on the basis of religious belief differently in a negative way?		Y Potentially there may be as a consequence of shared facilities and the cultural differences of the cohort the project is aimed at
15b	What existing evidence (either presumed or otherwise) do you have for this?	Awareness that cultural difference need to be taken into consideration.	
16a	Could this policy or project have the potential to affect individuals on the basis of gender reassignment differently in a negative way?		N The allocation process includes completing a risk assessment for all individuals accessing temporary accommodation which takes into account the individual's needs alongside the needs of the existing residents.
16b	What existing evidence (either presumed or otherwise) do you have for this?	The Temporary Accommodation allocation process	
17a	Could this policy or project have the potential to affect individuals on the basis of marriage and civil partnership differently in a negative way?		N Although the scheme is for single households if they marry while living at the scheme the partner would be able to stay if still compliant with the HMO regulations and number of permitted occupants.
17b	What existing evidence (either presumed or otherwise) do you have for this?	HMO Regulations	

18a	Could this policy or project have the potential to affect individuals on the basis of pregnancy and maternity differently in a negative way?		N	
18b	What existing evidence (either presumed or otherwise) do you have for this?	Scheme doesn't exclude pregnancy or maternity		

19	Could any negative impacts that you identified in questions 10a to 15b create the potential for the policy to discriminate against certain groups on the basis of protected characteristics?		N	
20	Can this negative impact be justified on the grounds of promoting equality of opportunity for certain groups on the basis of protected characteristics? Please provide your answer opposite against the relevant protected characteristic.		N	Race: Sex: Disability: Sexual orientation: Age: Gender reassignment: Pregnancy and maternity: Marriage and civil partnership: Religious belief:
21	How will you mitigate any potential discrimination that may be brought about by your policy or project that you have identified above?	The allocation process includes completing a risk assessment for all individuals accessing temporary accommodation which takes into account the individual's needs alongside the needs of the existing residents.		
22	Do any negative impacts that you have identified above impact on your service plan?		N	Extends and enhances our response to refugee and asylum task in the service plan

Signed by completing officer	Karen Thorburn 26/10/2023 Janette Palmer 26/10/23
Signed by Service Lead or Corporate Head of Service	Gillian Knight 26/10/2023

CAB3430  
CABINET

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

21 NOVEMBER 2023

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

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

WARD(S): ALL

PURPOSE

The public sector faces the most significant financial challenges and demand pressures in living history. Stubbornly high inflation and soaring service, construction and energy costs are leading many other councils to be reporting overspends that are spiralling out of control.

It was clear from the previous Medium Term Financial Strategy (MTFS) produced in November 2022 (CAB3374) that Winchester also faces unprecedented financial pressures over the medium-term, with a recurring £3m annual deficit forecast by 2027/28.

Projections have now been updated and the new Medium-Term Financial Plan (MTFP) is set out in appendix 1. This shows that, although the council's immediate financial position through to 2026 is sound and stable, budget pressures (primarily from new responsibilities put onto District councils) have now worsened the budget gap to £3.4m by 2026/27. This gives us a window of opportunity to take radical action to tackle the looming crisis and give the council a financially sustainable future.

We are putting in place robust measures to address the challenge. Cabinet has initiated an organisation-wide transformation programme to seek out and to deliver transformational changes to the way we deliver services in order to save £3m a year within 3 years: '*Transformation Challenge 2025*'. This tier-one strategic project, whilst still in the early execution phase, is now rooted across the council, with all staff and councillors having had opportunities to be involved and put forward transformational ideas. Transformation 2025 (TC25) is essential to meeting the dynamic budget challenges in the medium term and details of this are set out in section 12 of this report.

This Medium Term Financial Strategy (MTFS) sets out the organisational approach for managing financial resources to protect our core council services and enable delivery of the Council Plan priorities going forward. It provides an overview of the existing financial position for the council and a forecast outlook over the medium term, four-to-five-year, planning period.

This report looks to explain the cost drivers, cost pressures, planning assumptions, risks and opportunities that may impact the council's financial position in future. It describes how we plan to respond to the major financial challenges ahead and the principles we will adopt in managing and using our financial resources to get the most out of the limited funds we have available.

The MTFS gives us clarity over what financial resources we have at our disposal to deliver the priorities from the Council Plan. In particular, balancing the delivery of core council services with the Council Plan's areas of enhanced focus around supporting local people with the cost of living; making the Winchester District go greener faster; investing in public spaces to deliver pride in place that is rightly deserved; and listening better to our community.

Projections used for the MTFP are subject to a high degree of uncertainty; particularly with the Government only confirming one year's settlement agreement figures at a time (with the 2024/25 one not due until late December 2023) and no certainty over the promised Fair Funding Review. As a result, this MTFS uses assumptions based on the best knowledge available at this time to set out proposals to address both the existing and emerging budget pressures set out in this report.

#### RECOMMENDATIONS:

That Cabinet:

1. Note the assumptions set out in section 13 of this report and the projections set out in Appendix A.
2. Approve the Medium-Term Financial Strategy as set out in sections 13 to 17 of the report.
3. Approve that a detailed budget be prepared for consideration by Council in February 2024 based on the assumptions set out in this MTFS; final spending review announcements; and including the following options:
  - a. That, in relation to Greener Faster and carbon reduction priorities:
    - i. £200,000 per annum be included for the carbon reduction measures on waste and recycling vehicles to enable the change to HVO fuel (as set out in paragraph 15.2).
    - ii. £1,400,000 per annum (less assumed 80% government funding) be included to expand recycling services to include food waste collections (as set out in paragraph 15.2).

- iii. £400,000 per annum be included to implement other changes to the collection of recyclables (as set out in paragraph 15.2).
    - iv. £500,000 be reduced in the annual waste income budget to reflect proposed changes to the Hampshire Inter Authority Agreement on waste (as set out in paragraph 15.2).
  - b. That, in relation to the council's TC25 digital transformation programme:
    - i. £100,000 per annum be included for the support and coordination of digital channel shift work across the council's services.
  - c. That, in relation to services:
    - i. An additional £100,000 per annum be included to fund the increased external audit fees.
    - ii. NNDR budgets be reduced by £177,000 per annum to reflect the reduced liability on corporate properties.
    - iii. An additional £20,000 per annum be included to fund the increased costs of temporary accommodation.
  - d. That, in relation to service income annual budgets, amendments be made as follows, in response to revised estimates (see also paragraph 15.3):
    - i. Building control fees reduced by £100,000
    - ii. Land charges income reduced by £100,000
    - iii. Legal services reduced by £50,000
    - iv. Pest control reduced by £50,000
    - v. Garden waste service income increased by £90,000
    - vi. Car parking income increased by £100,000
  - e. That Council Tax will increase in line with the Government referendum limits (currently a maximum of 2.99% for a Band D property).
  - f. That the annual contribution to the IT reserve be increased by £100k to support critical infrastructure and the digitalisation theme of the transformation programme.
  - g. That a Future of Waste and Recycling reserve of £1m is established (using funds from the Major Investment Reserve) to support the implementation of the new recycling offer for residents.
- 4. Due to the inflationary increase in the Waste Collection contract cost, approve a corresponding September 2023 CPI rate increase to Garden Waste subscriptions with effect from March 2024, resulting in charges increasing to £45 for small bins and £69 for large bins (but maintaining the concessionary price at £29).

## IMPLICATIONS:

### 1 COUNCIL PLAN OUTCOME

- 1.1 The budget approved in February 2023 (CAB3388 refers) directly supported the delivery of all outcomes set out in the Council Plan.
- 1.2 The Council Plan sets out five priority areas that the council wants to achieve over the five period to 31 March 2025. Underpinning the Your Services, Your Voice priority (focussed on providing high quality, good value, resilient services) the MTFS sets out the framework of guiding principles to enable the council to take financial decisions, to plan and manage budgets and use its financial resources to support delivery of all services and priorities in the Plan. During the next 12 months the council will commence preparation of a new Council Plan to be adopted from 1 April 2025.
- 1.3 This report sets out a clear focus on the Council Plan priorities centred on tackling climate change. The council declared a climate emergency in June of 2019 and all work in the council has to consider its carbon impacts.
- 1.4 Council in February adopted four areas of enhanced focus including Greener Faster, Cost of Living, Pride in Place and Listening Better. The MTFS directly supports delivery against these areas by allocating budgets to (amongst other things) reducing the carbon impact of vehicles; digitalisation of services to enable customers to go 'paperless'; funding to support and coordinate digital channel-shift work; and joint-working with partners to manage key facilities and infrastructure more effectively.
- 1.5 The MTFS also sets out how we will engage, communicate and consult on plans to bring financial sustainability to the council in the light of the enormous, sector-wide pressures on local government services and finances.

### 2 FINANCIAL IMPLICATIONS

- 2.1 These are set out throughout the report.
- 2.2 A Medium Term Financial Plan (MTFP) is kept under review throughout the year as potential pressures emerge and gives an updated future outlook for a rolling four year period. All base assumptions are revisited annually as part of the budget setting process and this informs detailed budgets and spending plans that come forward for approval by Council in February each year.

### 3 LEGAL AND PROCUREMENT IMPLICATIONS

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



- 3.2 The council is required under Chapter 3 of the Local Government and Finance Act 1992 to set a council tax for the forthcoming year along with its budget estimates. The decision must be made by 11 March of the preceding 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 This MTFs details the organisational approach for managing financial resources to protect our core council services and enable delivery of the Council Plan priorities going forward. Employees are critical to the delivery of these services and priorities and at 31 March 2023 the council had a workforce of 405 FTEs.
- 4.2 The report sets out the current challenges in local government finances and proposals for the council to deal with these locally with a major transformation programme. Whilst there are no proposals in this report to amend any employee budgets, it is recognised that successful transformation of services will involve significant staff resource.

#### 5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 The council's General Fund has a property portfolio valued at £170m as at 31 March 2023 of which £68.4m is classified as investment properties (held solely for rental income and/or capital appreciation). A key strand of the Council's financial strategies is to maximise income from its assets, where possible, and seek to manage risk by achieving a balanced portfolio of assets. Options considered during the budget planning process may therefore involve the refurbishment or disposal of assets.

#### 6 CONSULTATION AND COMMUNICATION

- 6.1 Stakeholder engagement is an important part of the council's budget planning process. Feedback from the regular Residents' Survey provides opinion on local priorities; views on emerging policy; and the relative perceived importance of council services. This insight helps the council to take financial decisions; to plan and manage budgets; and to use its financial resources to support delivery of priorities.

- 6.2 Consultation principles including those of consulting in good time; being inclusive but with clear and appropriate limits; consulting using clear, simple information; and using responses to inform decision making are specified in and underpin the TC25 programme.
- 6.3 An initial 2024/25 budget consultation exercise is planned for November/December 2023. Once the detail of service transformation options are formulated, these will form the basis of an in-depth stakeholder consultation during 2024.
- 6.4 Additionally, consultation specifically for this MTFs and the 2024/25 budget will include:
- a) A presentation to and discussion with parish council representatives at the November Parish Briefing meeting.
  - b) Discussion with local business representatives through the Chamber of Commerce and the Business Improvement District (BID) Winchester District Strategy Group business briefing in early 2024.
  - c) Scrutiny Committee consideration of proposals in this MTFs report and the Budget Report ahead of Cabinet decision making in November and February respectively. Scrutiny feedback will be summarised and presented to Cabinet for consideration with both reports.

## 7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 The 2023 edition of the Council Plan recognises the top main challenge facing the district as “the climate emergency and the pressing need to reduce the Winchester district’s carbon footprint.” In response, an enhanced focus has been given to going greener faster. The main areas of activity are reducing carbon emissions; ensuring environmental resilience; reducing energy demand; and increasing renewable energy.
- 7.2 It is recognised that significant investment will be required to achieve carbon neutrality targets and that this must be balanced against the challenging budget conditions being faced by all local authorities.
- 7.3 As a commitment to the carbon neutrality ambitions £800k was included within the revenue budget to support feasibility and programme delivery work. A further £250k ‘Greener Faster Reserve’ was set aside in February 2023 to support the council to expand renewable energy; explore the use of council assets for carbon and nutrient offsetting, reduce energy demand in council-owned buildings, lower the carbon footprint of council and contractor vehicles; as well as enhance active travel provision.
- 7.4 The MTFs includes a £200k per annum baseline revenue budget to fund carbon programme delivery work.

7.5 As well as these revenue resources, 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 PUBLIC SECTOR EQUALITY DUTY

8.1 The council, in the exercise of all its functions, must have due regard to the Public Sector Equality Duty in section 149 of the Equality Act 2010. The content of this report is part of the budget consultation process, and the requirements of the Public Sector Equality Duty are considered alongside any relevant budget options put forward.

8.2 The Medium-Term Financial Strategy is an overarching framework relating to financial resources and priorities at a very high level. A full Equality Impact Assessment will be undertaken for each proposed service change or proposal that aligns to the principles included in this MTFS to highlight the potential equality impacts.

8.3 An Equality Impact Assessment (EqIA) has been undertaken on the decisions recommended within this Medium-Term Financial Strategy report and has not identified any potential impacts to individuals or communities with protected characteristics.

## 9 DATA PROTECTION IMPACT ASSESSMENT

9.1 All data is securely stored in council systems and the council is certified with Public Sector Network (PSN) connection compliance. New project work set out in this report and the Capital Programme will be subject to individual data protection impact assessments.

## 10 RISK MANAGEMENT

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
<i>Property</i> Commercial tenants unable to pay rents or subject to business failure	Close monitoring of rent position by property team with support to tenants through effective working relationships.	Potential to increase commercial property income when rent reviews are carried out.
Slowdown in commercial property investment, meaning that the	The council's advisors are reviewing the property investment	

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
council's development schemes achieve less interest or less income than expected.	market and will provide advice as to timing of any marketing.	
<i>Legal</i> 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
<i>Timescales</i> Slower than projected economic recovery affecting income received by the council  TC25 does not deliver £3m of annual savings within three years.	The council has set aside an Exceptional Inflation reserve of £2.9m to mitigate slower than expected recovery. Other uncommitted revenue reserves are available to support further increases to the projected deficit.  The programme is governed by a Programme Board and progress (financially and in timescales) is being monitored through PAC Board as a tier-one corporate project.	
<i>Financial</i> 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 uncommitted revenue reserves available which can be utilised as a last resort as above	Streamlining of services and digitalisation provides opportunities to improve the customer experience as well as making savings.

## 11 SUPPORTING INFORMATION

### National and Local economic and financial overview

- 11.1 The medium-term outlook for the council's finances is dominated by two key factors; firstly the macro-economic volatility the UK is experiencing (with high inflation and rising interest rates); secondly, the unknown impact of the long awaited fair funding review and proposed further business rates retention proposals for 2024-25 and beyond.

#### Economic outlook – inflation and interest rates

- 11.2 The CPI inflation rate, which peaked at 11% in mid-2022, has gradually reduced through 2023, with the rate in September being 6.7%. The Bank of England are forecasting (in their Monetary Policy Report, November 2023) that inflation will continue to fall towards 4.5% by the end of 2023. However, the reduction has been much slower than economists had predicted, meaning prices for many of the council's service inputs (e.g. construction materials and electricity and gas supplies) remain high.
- 11.3 The Bank of England has said they "*will keep interest rates high enough for long enough to get inflation back to the 2% target*". The higher interest rates have significantly increased returns on the council's investments during the current year. This provides a short-term benefit given current cash balances, however it does mean that when, as projected, the council moves to a net borrowing position, costs of borrowing are likely to be much higher than they would have been over the last decade. In addition, the increased cost of borrowing available to the council has a detrimental impact on the financial viability and affordability of capital schemes reliant on borrowing to fund them.

#### Local government financial landscape.

- 11.4 The landscape for local authority finances in England is bleaker than ever. The combination of stubbornly high inflation (baking-in high prices in contracts); rising demand for services; and lack of freedom and certainty in funding (with council tax caps and no sign of the Fair Funding Review) are leading many councils to report overspends spiralling out of control.
- 11.5 Council chief financial officers (CFOs) must set a balanced budget for the financial year ahead. If the council's forecast income is insufficient to meet its forecast expenditure for the next year the CFO must issue a 'section 114 notice' to publicly indicate that it cannot meet its spending commitments. For many CFOs, despite managing to balance the budget 12 months ago, many councils are now 'running out of road' to prevent this financial insolvency.
- 11.6 Seen as a rarity until 2020, 2023 has seen multiple s114 notices issued by councils across the country; with the treat of many more to come over the next two years. Although the majority of these are from upper tier or unitary authorities, a survey published in October by the District Councils' Network

(DCN) revealed that 52% of respondents did not expect to balance their budget in 2024/25 without needing to draw on reserves.

- 11.7 Winchester is no exception to feeling the same financial pressures as other councils. The MTFP (appendix 1) is showing a projected annual budget shortfall of £3.42m per annum in 2026/27, rising to a shortfall of £5.66m by 2028/29. This is an increased deficit since the £3m gap reported in the November 2022 MTFS and further detail on the reasons is set out in section 15 of this report.

General Fund Revenue (£m)	Forecast 2024/25	Forecast 2025/26	Forecast 2026/27	Forecast 2027/28	Forecast 2028/29
<b>Budget Surplus / (Shortfall)</b>	<b>0.000</b>	<b>-0.000</b>	<b>-3.421</b>	<b>-4.447</b>	<b>-5.660</b>

Table 1 – extract of the 2024/25 – 2027/28 MTFP showing the forecast budget shortfalls over the medium-term planning period.

- 11.8 The MTFP is showing a sound and stable position for Winchester for the next two financial years through to April 2026. This gives us a limited window of opportunity to tackle the looming crisis forecast from 2026 onwards.

### **The council's approach to tackling the financial challenge.**

#### **Transformation Challenge 2025**

- 11.9 The first signs of the extraordinary financial pressure faced by the General Fund and the unsustainable position were set out in the MTFS in November 2022 (CAB3374). With the council's gross expenditure in the region of £35m per year, the £3m annual savings represent a very considerable 8.5% of all our spend.
- 11.10 It was clear this financial challenge for the council was like no other and of a completely different magnitude to previous rounds of savings since the mid-2000s. Drastic action is needed to ensure a sustainable financial future, or the council faces the same s114 fate as others in the sector.
- 11.11 In response, Cabinet took action and initiated a bold, organisation-wide transformation programme to seek out and to deliver transformational changes to the way we deliver services in order to save £3m a year within 3 years: 'Transformation Challenge 2025' (TC25). A comprehensive and detailed review of the operating model for the delivery of all our services is required if the transformation is to deliver the necessary savings and protect our core services for those residents and customers in the greatest need.
- 11.12 An initial strategic budget review identified 12 themes for consideration. Work has continued over the year and selection of these twelve themes has provided essential learning for the next phase of this work but not significant savings. The progress of each of those reviews is summarised in appendix 4.

11.13 Recognising the limited success and/or progress of the 12 pilot projects, TC25 has been elevated to a tier one strategic project, sponsored by a new Transformation Board. The Board has clear terms of reference, setting out the transformation, financial, workforce and consultation principles of the programme. A Programme Lead and Programme Manager have also recently been appointed to drive the programme and ensure success can be achieved and measured.

#### TC25 Star Chambers

11.14 In the next phase of TC25, Corporate Heads of service have been working with all staff in their teams to generate ideas for service transformation. From small efficiencies to completely changing the operating model of a service, no stone has been left unturned when seeking out the transformational changes needed to save £3m a year within 3 years.

11.15 These ideas are being collated into the following five streams:

- a) Digital redesign
- b) Structural cost reduction through service change
- c) Contract management change
- d) External funding and partnerships
- e) Income generation

11.16 The long list of transformation ideas are to be presented to 'Star Chambers' by each Corporate Head and the responsible Cabinet member. Challenge in the star chamber will come from the Executive Leadership Board, the CFO, the other Cabinet members, and the Programme Lead for TC25. This challenge process in November 2023 will short list and prioritise options which will then go forward to feasibility and then consultation stages in 2024.

## 12 2023/24 Budget Update

12.1 The latest forecast for the 2023/24 general fund budget is a surplus of £0.410m and is due to be reported in the Quarter 2 Performance Report (CAB3424 refers). Out of the forecast surplus, £0.210m is expected to be a net baseline saving and is therefore included within this paper and the projections shown in appendix 1. The forecast surplus is the net of a number of forecast favourable and adverse income and expenditure variances, relating to both services and investments.

12.2 Adverse service income variances relate to; Planning Fees, Building Control Fees, Land Charge Fees, Pest Control Fees, and Market Income. Favourable service income variances relate to; General Fund Rents, Car Parking Income, Recycling Income and Garden Waste Fees.

12.3 The forecast surplus for 2023/24 is assumed in the MTFP (appendix 1) as being transferred to the transitional reserve to support the transformation programme.

### 13 **Preparing the budget - assumptions used in the MTFS**

#### Government Funding

- 13.1 A local government finance policy regarding funding was set out in December 2022 and covers the two year period including 2023/24 and 2024/25. Whilst this gives some assurance for 2024/25 it does not specifically confirm all funding streams such as the New Homes Bonus.
- 13.2 In line with advice from our advisors, a number of key assumptions have been made in the MTFS (shown in Appendix 1):
- a) New Homes Bonus will continue in 2024/25 and will be at the same level as in 2023/24.
  - b) A reset of business rates and changes to the current funding distribution system will not take place until 2026/27 (a further year on than in the previous MTFP).
  - c) Damping funding will be available to compensate for lost grant from 2026/27 and this will be phased out over a 3-year period.
- 13.3 The ongoing uncertainty around future government funding makes it very difficult to forecast and plan for the medium term. However, given that Winchester has benefited significantly from the current, mainly rewards-based system (New Homes Bonus and Retained Business Rates) then it is necessary to plan for future funding which is more based around 'need'. Both the New Homes Bonus and Retained Business Rates rewards systems are both long overdue fundamental review and were only laid out in their current form for a fixed time period.

#### Council Tax

- 13.4 Council tax referendum limits for districts are expected to remain at up to 3% (the £5 limit will likely remain but is now lower than 3%).
- 13.5 The MTFS assumes a general annual tax base increase of 1.2%, which has been temporarily uplifted to 2.2% for 2024/25. An increase of 1.2% is generating approximately an additional £0.1m p.a. of district 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).
- 13.6 The MTFS currently assumes a council tax increase of 2.5% in 2024/25.
- 13.7 Any increase in council tax will need to bear in mind the interrelationship between the town and district precepts, which are subject to the same combined referendum limit.



- 13.8 It is likely that any increase in council tax will remain below inflation, even if raised by the maximum allowable.

#### Inflation rates

- 13.9 The revised forecast indicated in the table below takes account of increased inflation (assumes 6.7% increase on contracts and 4% on pay). The forecast assumes inflation will fall in future years but not reach the Bank of England 2% target until 2026/27.

#### Fees and charges

- 13.10 Following previous approval of the fees and charges policy framework (whereby fees and charges will be increased by the September CPI to address contractual increases, to achieve cost recovery or to bring a fee in line with the market norm) the MTFP in appendix 1 assumes this continues to be the case. Additionally, that it continues to be the case that the Section 151 officer is authorised, in consultation with the Cabinet Member for Finance and the Cabinet Member responsible for the service, to approve a different fee where appropriate. Prices will remain frozen in Winchester Park & Walk and Park & Ride car parks.

### 14 **Budget pressures and unavoidable growth**

- 14.1 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 core services and key priorities.

#### Environmental Services

- 14.2 Along with the other 10 districts / boroughs and the Portsmouth and Southampton unitaries, Winchester is part of a Hampshire partnership arrangement to provide an integrated approach to collection and disposal of household waste in the county. The council's environmental services contract pays for the collection of household waste and recycling (mixed recyclables, garden waste and kerbside glass) from over 57,000 households across the district. This waste is then taken to County Council operated facilities for recycling and disposal. Hampshire County Council put forward proposals to partners over changes to the current arrangements and these could have significant operational and financial implications for all Hampshire councils. Recent Government announcements on simpler recycling opens up the opportunity for collections of recycled material on a co-mingled basis subject to the waste disposal authority ability to receive material on that basis. There is also confirmation of new burdens funding for the required weekly food waste collection. Following the Government's recent announcement, modelling of the potential costs for the Council are taking place and the confirmation of new burdens funding is awaited.

Budget implications of changes for Greener Faster and carbon reduction measures; for legislative reasons; and for the inter-authority waste partnership are:

- a) The council can save 25% of its carbon output by changing the fuel used in the fleet of waste and recycling vehicles. The cost of switching the vehicles from diesel to Hydrotreated Vegetable Oil fuel (HVO) is estimated to cost up to £0.2m per annum. The arrangement would be a rolling 12 month contract with the final cost fixed at the end of February. As this is after the final budget setting in February, any additional costs would need to be found from existing budgets, should the switch proceed as planned.
- b) As part of Greener Faster ambitions, the council wants to increase the recycling offer for residents. The introduction of a separate food waste recycling service could cost up to £1.4m per annum. Government have confirmed that the initial capital costs and ongoing running costs will be funded initially through new burdens grants for those councils that have not already committed to this service. However, they have also confirmed that this funding will be calculated using standard methodology and that it may well not cover the full costs incurred. Given the likelihood there will be some costs to the council from the introduction of this service it has been assumed that food waste will be 80% government funded from its introduction at an estimated date of October 2025 (noting that food waste must be introduced by March 2026).
- c) Hampshire Inter-Authority Agreement (IAA) – consultation is ongoing with Hampshire County Council but the current proposed changes to the IAA could result in a net cost/loss of income of around £0.5m per annum based on penalty and incentive payments. The response from HCC as to their ability to meet the opportunities offered by the Government announcement are awaited.
- d) It is estimated that changes to the collection of recyclables could cost up to £0.4m per annum in addition to the introduction of food waste collection. It should be noted that this is a high-level estimate and possible options have been changing rapidly, particularly with the Government's announcement that additional collection receptacles are not required. It is likely there would be one-off costs in addition to this ongoing estimate.
- e) The one-off costs (excluding vehicles and containers) associated with the change of services/rounds and introduction of food waste are estimated to cost up to £1.5m. The costs of this are not currently reflected in appendix 1 on the assumption that earmarked reserves would be allocated to cover these costs.

### 14.3 Service Income

- a) Building Control Fees (existing budget £520k per annum) – following a reduction in income in 2022/23 and this trend continuing in 2023/24, a reduction in the income budget of £100k is proposed.
- b) Land Charges Income (existing budget £440k per annum) – following a reduction in income in 2022/23 and this trend continuing in 2023/24, a reduction in the income budget of £100k is proposed.
- c) Legal Income (existing budget £130k per annum) – following a review of the existing budget it has determined that the current budgeted level of income is not achievable and therefore a reduction of £50k is proposed.
- d) Pest Control Income (existing budget £93k per annum) – following a review of the existing budget it has determined that the current budgeted level of income is not achievable and therefore a reduction of £50k is proposed. This means the service is not achieving full cost recovery.
- e) Car Parking income – a baseline reduction of £1m was approved in February 2023 which reflected the reduction in usage levels post covid. Usage levels are gradually increasing and based on 2023/24 forecasts a budget increase of £100k is proposed.
- f) Garden Waste Income (existing budget £1.1m per annum) – based on increased subscriptions in 2023 a budget increase of £90k is proposed. Whilst not achieving full cost recovery this does further close the current deficit.
- g) Waste income - Hampshire IAA – budget pressure of £0.5m reflecting the changes explained in 15.2 c) above.

### 14.4 Service Expenditure

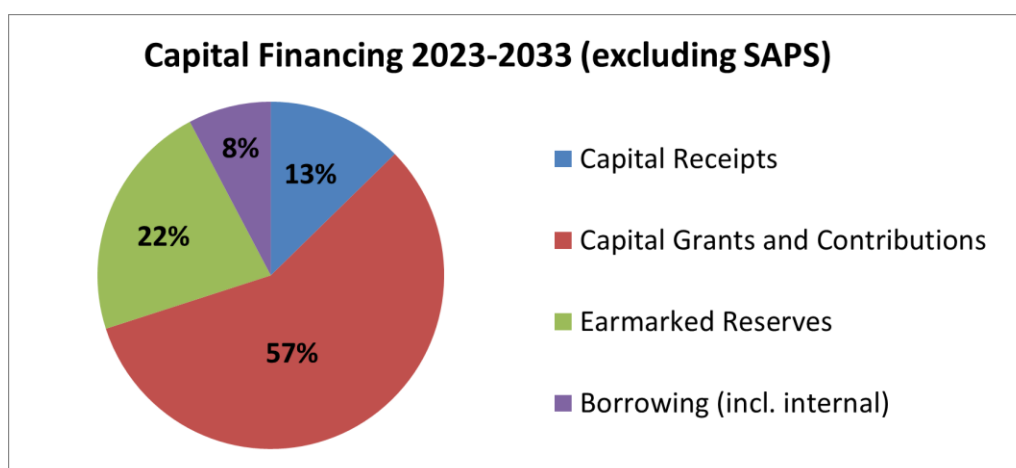
- a) Digital Transformation - a core part of the TC25 transformation programme is the use of digital solutions to reduce carbon emissions (for example, by reducing printing and postage) and to encourage digital interactions for customers whilst improving that experience (for example, enabling 24/7 access to information via online self service). An ongoing budget of £100k per annum is included in the MTFP to support and coordinate this essential channel shift work.
- b) External Audit Fees – Public Sector Audit Appointments (PSAA) has notified the council that following its procurement exercise, core audit fees will increase 151% for all audit clients. For Winchester this is an increase of £100k.
- c) NNDR savings on de-listed corporate property – following a successful business rate appeal to the Government's Valuation Office Agency (VOA) existing budget of £177k can now be removed as a permanent saving.

- d) Carbon reduction measures on waste and recycling vehicles changing to HVO fuel – budget growth of £0.2m reflecting the changes explained in 15.2 a) above.
  - e) Food Waste Collections – budget growth of up to £1.4m as detailed in 15.2 b) above (less assumed 80% government funding).
  - f) Other Recycling changes – budget growth of up to £0.4m as detailed in 15.2 d) above.
- 14.5 As well as service budget pressure risks around changes to the waste and recycling regime, there is a further budget pressure risk associated with the provision of temporary accommodation in the general fund’s homelessness prevention service. It is too early to predict how costs for this service will be affected by potential demand increases (affected by both national policy announcements from the Government and changes in services provided by Hampshire County Council). However, service provision and policy changes are kept under close scrutiny to ensure risks are identified as early as possible.
- 15 Reserves
- 15.1 A summary of reserves is included as appendix 3.
- 15.2 Due to the significant risks related to both inflation and borrowing rates the Exceptional Inflation Reserve has an uncommitted balance of £2.9m. This would be enough to cover any additional costs in the short term whilst the medium term plan is developed to deal with any additional ongoing costs.
- 15.3 In addition, the “Transitional Reserve” established 4 years ago, has an uncommitted balance of £6.5m. This reserve has the dual purpose of supporting the critical transformation and digitalisation investment required in order to deliver the required future baseline budget savings; and also acting as a temporary buffer should savings take longer to deliver than had originally been planned.
- 15.4 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.
- 15.5 Additional reserves totalling £2m were approved in February 2023 in order to support a number of high priority projects: Greener Faster; Future of Waste; Pride in Place; Digital Transformation; Regeneration; Cost of Living and Transitional Reserves. Expenditure and commitments are being regularly monitored and any changes in requirements or timing will be presented to February Cabinet.

- 15.6 IT Reserve – based on the latest 10 year IMT plan the annual contribution to reserves is proposed to increase from £280k per annum to £380k per annum from 2024/25. The reasons for this increase are a number of factors such as taking into account latest inflation estimates, replacement of current updated equipment (such as laptops) and increases in some forecast project expenditure such as the telephone system replacement.
- 15.7 Future of Waste – the waste and recycling collections are a major frontline service provided by the council to over 57,000 households across the district. Any changes to routes, bins and timetables etc. needs detailed planning; active communication to all residents; and methodical change management to ensure effective implementation. The cost of this depends on the scale of change required and this is not yet known. It has been assumed that approx. £1m of the Major Investment Reserve be ringfenced to fund these mobilisation costs which are likely to be incurred during 2025.
- 16 General Fund Capital
- 16.1 The council has a general fund capital programme totalling £38.7m over the next 10 years. Of this, £4m 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 £22m has been approved for expenditure, with the remaining projects, including SAPS, subject to appraisal.
- 16.2 The current macroeconomic conditions present significant challenges to the capital programme. Both inflation and borrowing costs have increased significantly over the last 18 months. This led to a number of refurbishment/regeneration projects being paused in last year's capital strategy as they became unviable. However, the council still has an ambitious programme of works such as investing in a new pavilion at the King George V playing fields, a significant Disabled Facilities Grant programme, CIL funded community grants, refurbishments to play areas, investments in the council's car parks, and the creation of a Housing Company.
- 16.3 In the coming years, it is anticipated that, in addition to the existing programme, capital budgets may be required in order to: create ongoing savings in respect of the TC25 programme; implement digitalisation to enhance the customer experience and deliver savings; and meet the council's carbon reduction objective such as investment in solar PV.
- 16.4 Ongoing 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.

### Capital Financing

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



- 16.6 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”).

- 16.7 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.

- 16.8 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.

- 16.9 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.

<b>Capital Financing Requirement</b>	<b>General Fund £000</b>	<b>Housing Revenue Account £000</b>	<b>Total £000</b>
<b>Capital Financing Requirement at 1 April 2022</b>	<b>72,812</b>	<b>186,005</b>	<b>258,817</b>
Unfinanced capital expenditure - in year	558	13,772	14,330
Minimum revenue provision (MRP)	(1,517)	0	(1,517)
Voluntary provision for the financing of capital	(200)	0	(200)
<b>Capital Financing Requirement at 31 March 2023</b>	<b>71,653</b>	<b>199,777</b>	<b>271,430</b>
<b>Made up of:</b>			
External borrowing	0	161,722	161,722
Internal borrowing	71,653	38,055	109,708

### Challenges and opportunities

- 16.10 The Prudential Code requires that the council’s capital programme must be “affordable, sustainable, and prudent”; in addition, it must be proportionate both relative to the size of the council and in respect of the risks being proportionate to the overall capacity of the council to absorb them, i.e. “plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services and the level of resources available to the organisation”. Both inflation and the cost of borrowing have increased significantly over the last 18 months. This impacted negatively on the commercial viability of some refurbishment and regeneration schemes where a surplus after the cost of borrowing had previously been anticipated, and these were removed, for the time being, from the programme in February 2023.

#### *Inflation*

- 16.11 The September Consumer Prices Index (CPI) was 6.7% (compared to 10.1% a year earlier) and while remaining “sticky” is expected to continue to fall. However, inflation differs between products and sectors. For example, construction materials costs fell between July 2022 and July 2023: repairs and maintenance (-4.3%), new housing (-1.5%), and other new work (-5.0%). However, prices are still significantly higher than July 2021 with the overall increase to July 2023 being 18.5%, 21.3%, and 20.9% respectively (source: Monthly Statistics of Building Materials and Components - data.gov.uk).

#### *Borrowing*

- 16.12 Local authorities can borrow from the Public Works 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%. Following the “mini-budget” in September 2022 gilt yields increased significantly. They subsequently fell back (though not to previous levels) but have in recent months increased again. The council’s treasury advisors expect longer term gilt yields to fall slightly in the medium term but do not expect a return to the historically low rates that were available for several years. The 40-year annuity rate as at 25 October this year was 5.76% compared to 2.3% in February 2022.
- 16.13 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 more than the total MRP and interest cost.

#### *Asset sales*

- 16.14 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.
- 16.15 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

### *Emerging projects*

- 16.16 New “invest to save” capital budgets may be required to support the council’s **TC25 programme** in order to generate ongoing revenue savings. Further investments are likely to be required as part of the council’s strategy for **digitalisation**. Digitalisation presents an opportunity to improve customer experiences as well contribute to ongoing savings.
- 16.17 Following legislative changes, the council will be required to provide a **food waste** service by March 2026. Although government funding is expected in order to implement this change, it is possible the council may need to partly fund investment in, for example, new collection vehicles.
- 16.18 The council’s ambitious **Greener Faster** carbon reduction goals will require further capital investment in the future. Whilst inflation and a higher cost of borrowing presents challenges, the council has successfully applied for grants to ensure projects are affordable and will continue to identify potential grant funding for future projects. Some interventions also present opportunities: for example, investment in solar has the potential to generate additional income over and above the cost of borrowing which would allow the council to make further interventions.
- 17 Adequacy of Reserves and Robustness of Estimates
- 17.1 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.
- 17.2 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.
- 17.3 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.
- 17.4 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.

## 18 OTHER OPTIONS CONSIDERED AND REJECTED

- 18.1 Scope for additional savings in 24/25 to reduce the use of reserves does exist but would have a 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.
- 18.2 However, it is essential that work to identify longer term savings through the Transformation Challenge 2025 programme as set out in this report is critical to ensure the Council can meet its obligation to set a balanced budget in 2026/27.

### BACKGROUND DOCUMENTS:-

#### Previous Committee Reports:-

CAB3374 - General Fund Budget Options and Medium-Term Financial Strategy dated 15 November 2022

CAB3388 - General Fund Budget 2023/24 dated 9 February 2023

CAB3389 - Capital Investment Strategy 2023-2033 dated 9 February 2023

CAB3416 - General Fund Outturn 2022/23 dated 13 September 2023

#### Other Background Documents:-

### APPENDICES:

1. Medium Term Financial Projections
2. Summary of all Revenue Proposals
3. Summary of Reserves
4. Strategic Budget Review update as at November 2023

Council Tax Base	2.4%	2.2%	1.2%	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%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Contractual Inflation	10.0%	6.7%	4.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Pay Inflation	5.5%	4.0%	4.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
<b>Reduction in Income</b>	<b>3.5%</b>	<b>0.0%</b>									
<b>General Fund Revenue (£m)</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	
<b>Funding</b>											
Council Tax (excluding Parish Precepts)	9.360	9.799	10.171	10.512	10.823	11.145	11.476	11.818	12.170	12.534	
Retained Business Rates	6.680	7.628	8.034	4.198	4.525	4.874	5.239	4.563	4.746	4.935	
Revenue Support Grant	0.156	0.165	0.161	-0.760	-0.806	-0.857	-0.908	-0.959	-0.997	-1.037	
New Homes Bonus	1.629	1.629									
Services Grant	0.087	0.090	0.090								
3% Guarantee	0.894	1.006	2.374								
Damping Forecast	0.000	0.000	0.000	3.053	1.752	0.416	0.000				
Other Grants	0.349	0.349	0.349	0.349	0.349	0.349	0.349	0.349	0.349	0.349	
	<b>19.154</b>	<b>20.666</b>	<b>21.179</b>	<b>17.352</b>	<b>16.643</b>	<b>15.927</b>	<b>16.156</b>	<b>15.771</b>	<b>16.267</b>	<b>16.781</b>	
<b>Investment Activity</b>	2.745	1.883	1.885	2.080	2.119	2.088	2.061	2.031	1.999	1.967	
<b>Resources available</b>	<b>21.900</b>	<b>22.549</b>	<b>23.063</b>	<b>19.432</b>	<b>18.762</b>	<b>18.015</b>	<b>18.217</b>	<b>17.802</b>	<b>18.266</b>	<b>18.748</b>	
<b>Baseline Net Expenditure</b>											
<b>Gross Income</b>	<b>16.005</b>	<b>16.465</b>	<b>16.756</b>	<b>16.755</b>	<b>16.804</b>	<b>16.803</b>	<b>16.802</b>	<b>16.801</b>	<b>16.800</b>	<b>16.799</b>	
<b>Gross Expenditure</b>	<b>-34.294</b>	<b>-36.104</b>	<b>-37.273</b>	<b>-37.860</b>	<b>-38.101</b>	<b>-38.709</b>	<b>-39.330</b>	<b>-39.962</b>	<b>-40.607</b>	<b>-41.250</b>	
<b>Baseline resource requirements</b>	<b>-18.289</b>	<b>-19.640</b>	<b>-20.517</b>	<b>-20.906</b>	<b>-21.298</b>	<b>-21.907</b>	<b>-22.528</b>	<b>-23.161</b>	<b>-23.808</b>	<b>-24.452</b>	
<b>One-off budgets &amp; Reserve Related Movements</b>	<b>-3.612</b>	<b>-2.356</b>	<b>-1.653</b>	<b>-0.714</b>	<b>-0.678</b>	<b>-0.536</b>	<b>-0.533</b>	<b>-0.430</b>	<b>-0.428</b>	<b>-0.625</b>	
<b>Total net resource requirements</b>	<b>-21.901</b>	<b>-21.996</b>	<b>-22.170</b>	<b>-21.620</b>	<b>-21.976</b>	<b>-22.442</b>	<b>-23.061</b>	<b>-23.592</b>	<b>-24.236</b>	<b>-25.077</b>	
<b>Budget Surplus / (Shortfall)</b>	<b>-0.000</b>	<b>0.553</b>	<b>0.893</b>	<b>-2.188</b>	<b>-3.214</b>	<b>-4.427</b>	<b>-4.844</b>	<b>-5.790</b>	<b>-5.969</b>	<b>-6.329</b>	
<i>% of Gross Expenditure</i>	0.0%	-1.5%	-2.4%	5.8%	8.4%	11.4%	12.3%	14.5%	14.7%	15.3%	
<b>Budget Updates from Appendix 2:</b>											
Unavoidable Growth		-0.920	-1.260	-1.600	-1.600	-1.600	-1.600	-1.600	-1.600	-1.600	
Growth Proposals		-0.300	-0.300	-0.300	-0.300	-0.300	-0.300	-0.300	-0.300	-0.300	
Budget Savings		0.667	0.667	0.667	0.667	0.667	0.667	0.667	0.667	0.667	
<b>NET GROWTH</b>		<b>-0.553</b>	<b>-0.893</b>	<b>-1.233</b>	<b>-1.233</b>	<b>-1.233</b>	<b>-1.233</b>	<b>-1.233</b>	<b>-1.233</b>	<b>-1.233</b>	
<b>Budget Surplus / (Shortfall)</b>		<b>0.000</b>	<b>-0.000</b>	<b>-3.421</b>	<b>-4.447</b>	<b>-5.660</b>	<b>-6.077</b>	<b>-7.023</b>	<b>-7.202</b>	<b>-7.562</b>	

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**Baseline Revenue Proposals**

General Fund Revenue (£m)	Forecasts			
	2024/25	2025/26	2026/27	2027/28
<b>Unavoidable Growth</b>				
Building Control Fees	-0.100	-0.100	-0.100	-0.100
Land Charges Income	-0.100	-0.100	-0.100	-0.100
Legal Income	-0.050	-0.050	-0.050	-0.050
Pest Control Income	-0.050	-0.050	-0.050	-0.050
Temporary Accommodation	-0.020	-0.020	-0.020	-0.020
External Audit Fees	-0.100	-0.100	-0.100	-0.100
Hampshire Inter-Authority Waste & Recycling Agreement	-0.500	-0.500	-0.500	-0.500
	<b>-0.920</b>	<b>-0.920</b>	<b>-0.920</b>	<b>-0.920</b>
<b>Other Growth Proposals</b>				
Switch Waste & Recycling Vehicles to HVO	-0.200	-0.200	-0.200	-0.200
Food Waste Service - funded by government grant	0.000	-0.700	-1.400	-1.400
- 80% funded by government grant	0.000	0.560	1.120	1.120
Waste & Recycling Collection changes		-0.200	-0.400	-0.400
Digital Transformation Programme	-0.100	-0.100	-0.100	-0.100
	<b>-0.300</b>	<b>-0.640</b>	<b>-0.980</b>	<b>-0.980</b>
<b>Budget Options</b>				
Rents Review	0.300	0.300	0.300	0.300
Garden Waste Charges - volume	0.090	0.090	0.090	0.090
NNDR appeals on Council properties	0.177	0.177	0.177	0.177
	<b>0.567</b>	<b>0.567</b>	<b>0.567</b>	<b>0.567</b>
<b>Other Budget Updates</b>				
Parking Income - volume	0.100	0.100	0.100	0.100
<b>Baseline Budget Proposals</b>	<b>-0.553</b>	<b>-0.893</b>	<b>-1.233</b>	<b>-1.233</b>

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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	2032/33
	Cl. Bal.	Forecast Closing Balances										
<b>OPERATIONAL RESERVES</b>												
Major Investment Reserve	(9,031)	(7,687)	(3,297)	(3,146)	(3,146)	(3,146)	(3,146)	(3,146)	(3,146)	(3,146)	(3,146)	(3,146)
Community Grants & Commissions	(558)	(588)	(260)	(138)	(73)	(73)	(73)	(73)	(73)	(73)	(73)	(73)
Cost of Living / Living Well (Supporting People)			(170)	(170)	(170)	(170)	(170)	(170)	(170)	(170)	(170)	(170)
Digital Transformation			(400)	(400)	(400)	(400)	(400)	(400)	(400)	(400)	(400)	(400)
Greener Faster			(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)
Flood Support Schemes	(66)	(66)										
Future of Waste			(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)
Landscape Mitigation	(12)	(10)	(8)	(6)	(4)	(2)						
Local Development Framework (LDF)	(290)	(911)	(904)	(844)	(844)	(844)	(844)	(844)	(844)	(844)	(844)	(844)
New Burdens - Ukraine		(462)										
New Burdens	(837)	(879)	(747)	(747)	(747)	(747)	(747)	(747)	(747)	(747)	(747)	(747)
Pride in Place			(150)	(150)	(150)	(150)	(150)	(150)	(150)	(150)	(150)	(150)
Regeneration			(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)
	<b>(10,794)</b>	<b>(10,603)</b>	<b>(6,986)</b>	<b>(6,651)</b>	<b>(6,584)</b>	<b>(6,582)</b>	<b>(6,580)</b>	<b>(6,580)</b>	<b>(6,580)</b>	<b>(6,580)</b>	<b>(6,580)</b>	<b>(6,580)</b>
<b>ASSET RESERVES</b>												
Property - Asset Management Reserve	(3,761)	(3,818)	(3,650)	(1,940)	(1,890)	(1,840)	(1,790)	(1,740)	(1,690)	(1,390)	(1,340)	(1,290)
Car Parks Property	(1,899)	(2,044)	(1,289)	(1,109)	(1,029)	(999)	(969)	(939)	(909)	(879)	(849)	(819)
Information Management and Technology	(208)	(468)	(294)	(474)	(427)	(48)	(101)	(37)	(235)	(290)	(54)	(289)
	<b>(5,868)</b>	<b>(6,331)</b>	<b>(5,234)</b>	<b>(3,524)</b>	<b>(3,347)</b>	<b>(2,888)</b>	<b>(2,861)</b>	<b>(2,717)</b>	<b>(2,835)</b>	<b>(2,560)</b>	<b>(2,244)</b>	<b>(2,399)</b>
<b>RESTRICTED RESERVES</b>												
S106 (Interest)	(290)	(386)	(386)	(386)	(386)	(386)	(386)	(386)	(386)	(386)	(386)	(386)
Community Infrastructure Levy - General Fund	(12,245)	(11,585)	(9,328)	(8,261)	(8,261)	(8,261)	(8,261)	(8,261)	(8,261)	(8,261)	(8,261)	(8,261)
Community Infrastructure Levy - Winchester Town	(1,209)	(1,142)	(384)	(347)	(347)	(347)	(347)	(347)	(347)	(347)	(347)	(347)
Winchester Town Reserve	(456)	(408)	(185)	(63)	(51)	20	140	140	140	140	140	140
	<b>(14,199)</b>	<b>(13,520)</b>	<b>(10,282)</b>	<b>(9,056)</b>	<b>(9,044)</b>	<b>(8,973)</b>	<b>(8,853)</b>	<b>(8,853)</b>	<b>(8,853)</b>	<b>(8,853)</b>	<b>(8,853)</b>	<b>(8,853)</b>
<b>RISK RESERVES</b>												
Municipal Mutual Insurance	(139)	(139)	(139)	(139)	(139)	(139)	(139)	(139)	(139)	(139)	(139)	(139)
Transitional Reserve	(3,090)	(3,752)	(4,410)	(6,199)	(7,104)	(7,104)	(7,104)	(7,104)	(7,104)	(7,104)	(7,104)	(7,104)
Exceptional Inflation Pressures	(2,000)	(2,902)	(2,902)	(2,902)	(2,902)	(2,902)	(2,902)	(2,902)	(2,902)	(2,902)	(2,902)	(2,902)
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)	(1,000)
	<b>(7,129)</b>	<b>(7,793)</b>	<b>(8,451)</b>	<b>(10,240)</b>	<b>(11,145)</b>	<b>(11,145)</b>	<b>(11,145)</b>	<b>(11,145)</b>	<b>(11,145)</b>	<b>(11,145)</b>	<b>(11,145)</b>	<b>(11,145)</b>
<b>Total General Fund Earmarked Reserves</b>	<b>(37,990)</b>	<b>(38,247)</b>	<b>(30,953)</b>	<b>(29,472)</b>	<b>(30,121)</b>	<b>(29,589)</b>	<b>(29,440)</b>	<b>(29,295)</b>	<b>(29,413)</b>	<b>(29,139)</b>	<b>(28,823)</b>	<b>(28,978)</b>
General Fund Balance	(2,789)	(2,789)	(2,789)	(2,789)	(2,789)	(2,789)	(2,789)	(2,789)	(2,789)	(2,789)	(2,789)	(2,789)
Usable Capital Receipts Reserve - General Fund	(4,163)	(4,083)	(2,503)	(2,653)	(2,991)	(3,333)	(3,678)	(4,027)	(4,379)	(4,735)	(5,094)	

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## **Appendix 4**

### **Strategic Budget Review update as at November 2023**

The first signs of the extraordinary financial pressure faced by the General Fund and the unsustainable financial position were set out in the MTFS in November 2022 (CAB3374).

An initial strategic budget review identified 12 themes for consideration. Work has continued over the year and selection of these twelve themes has provided essential learning for the next phase of this work but not significant savings. An update on each of those reviews is summarised below.

#### **1. Future operation/management of Park and Ride services**

The Park & Ride service is a key part of the parking strategy to support the council's carbon reduction aims by encouraging cars to stay out of the city centre.

Recognising this, the option for WCC to not provide this service was therefore discounted (CAB3397).

Tender returns for the park and ride contract have been received and are based on operating the service on hydrogenated vegetable oil (HVO). If the tender return is agreed when considered by cabinet at its December meeting, the new service will have considerably reduced carbon emissions.

#### **2. Tourism/Marketing (Visit Winchester)**

This review has now been scoped to include various delivery model options and these will be presented as part of the Corporate Head of Economy and Communities TC25 Star Chamber proposals.

#### **3. Visitor Info Centre Provision**

This review has now been scoped to include various delivery model options and these will be presented as part of the Corporate Head of Economy and Communities TC25 Star Chamber proposals.

#### **4. Digitisation and streamlining of Planning services**

The planning service is wide reaching with stakeholders and users ranging from householders and Parish Councils to major developers. There is scope to transform the way the service is delivered and to digitalise elements to make them more accessible to customers and stakeholders while reducing costs. £20k has been used from the TC25 reserve to fund an external review of the service incl. process review and digitisation options. The external report and recommendations are due end of November '23.

#### **5. Management of Public Conveniences**

Provision of clean, safe and accessible public conveniences is an important part of the council's Pride in Place priority. A review of how they are used, cleaned and maintained is underway and a Public Toilets Improvement Strategy report (CAB3411) was considered by Cabinet in September 2023, with a detailed action plan to fully deliver the strategy to follow later this year following further discussion and data gathering.

Discussions are underway with Parish Councils with a view to seeing how joint working can improve the fabric and management of our district toilets ongoing.

The public conveniences contract has been extended and performance will be reviewed as part of any re-procurement.

## **6. Management/operation of off-street parking provision/enforcement**

An external review by carried out by City Science is complete with recommendations to be progressed (Stage 2) in the New Year.

Stage 2 – Reducing costs and increasing income. A service operation review including rationalisation of multiple back-office systems and frontline payment systems into a single solution is to be progressed.

## **7. CCTV Provision and monitoring**

Options were considered by Cabinet in December '22 (CAB3368) and a recommendation to re-tender was approved. A new 5-year contract was let in 2023 which does include some flexibility to vary the service and contract.

## **8. Customer Services – Investment in Online/app reporting (and reduced postage)**

Digital Strategy to be developed to inform the future direction. Additional expertise is required to formulate and deliver a digital strategy for the Council. A £100k budget growth item is included in the MTFs to support digital transformation across the organisation. This resource will ensure work collaboratively to ensure the digital ambitions of services mesh with the IT Strategy.

A 'Digital by Default' policy was adopted in Apr 2023 so wherever possible, new customers interact 'paper-free' with the council. Work is underway to convert as many existing customers to 'paper-free' as soon as possible. For example,

- Revenues: work to assess mass-switch to e-billing is underway (e.g. data available already / campaign to switch).

- Waste: new bin calendar produced and distributed in September '23 and was paid for by Biffa with longer term digital options to be reviewed.

Improvements are being made to the on-line fly-tip reporting functionality (GIS / map location upgrade coming; 'save' button now removed) and other forms on the Your Winchester App streamlined to improve user experience.

The Customer Portal was updated in July so that it is Government Digital Service (GDS) compliant.

Data is being collected to inform recommendations for the future operation of the Reception in City Offices.

### **9. Management of Grounds Contracts/Highway Grounds subsidy**

Work to clarify the IDV bill of quantities completed & subsidies are being calculated. On completion of this work, discussions are likely to be needed with HCC and Highways England.

A discussion with IDV is underway to review the services provided under the current contract to revise the current specification and release savings.

Contract Monitoring Officer (CMO) team structure and processes between CMOs, CSC and contractors are being reviewed for improvements.

### **10. Grants - Review of programme**

This review has now been scoped to include various options and these will be presented as part of the Corporate Head of Economy and Communities TC25 Star Chamber proposals.

**11. Management of key corporate assets** A target of £530k p/a rental income growth by 2027/28 (excl. CWR assets) has been agreed by and will be monitored by Property Board.

**12. Commercial operation and use of the Guildhall and Abbey House** Work is underway to investigate the corporate event letting market for both the Guildhall and Abbey House. This market would seem to offer best opportunities without need for significant investment that would be a requirement of an events management company arrangement. New officer resource with experience in this market have been recruited.

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CAB3432  
CABINET

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

21 NOVEMBER 2023

REPORT OF CABINET MEMBER: CLLR CHRIS WESTWOOD – CABINET MEMBER FOR HOUSING

Contact Officer: Liz Keys Tel No: 01962 848226 Email [Lkeys@Winchester.gov.uk](mailto:Lkeys@Winchester.gov.uk)

WARD(S): ALL

PURPOSE

Despite the unprecedented budget challenges and interest rate rises faced by the council's housing service this report offers budget options to achieve the council's policy objectives to go greener faster, address the cost-of-living crisis and maintain the commitment to deliver 1000 new homes.

Continuing inflationary building supply and construction pressures, volatile and increasing underlying Public Works Loan Board (PWLB) interest rates are increasing new homes build costs. To address this significant rise in building costs and maintain the commitment to delivering 1000 new homes, the business plan has been rebalanced with a new homes acquisition strategy to prioritise purchase of new homes from developers, where costs are currently significantly lower, and continue to develop schemes where the business case is proven to be viable.

In addition to high building costs, significantly increased energy costs are impacting many of the most vulnerable residents in our homes. To mitigate the additional energy costs for residents and to drive de-carbonisation of our council homes, an additional investment of £30m is proposed to be allocated into the Retrofit programme to meet regulatory decent homes energy standards.

The budget options contained in this report support the council's commitment to increase investment in customers' homes to go greener faster and to deliver the 1000 new homes programme by 2032/33.

To achieve these policy objectives and set a viable and sustainable HRA business plan, several budget options have been identified for consideration, development and consultation with customers. Subject to the development and consultation those

options will be considered by Cabinet when the Housing Revenue Account budget is considered in February 2024.

### RECOMMENDATIONS:

1. Note the draft HRA Business 30-year Plan for 2023-24 to 2052-53 metrics shown in Appendix 1
2. To approve the budget options outlined within this report.
3. Note the proposed additional investment in the council housing stock of £30m over the next eight years to 2030-31 to retrofit properties on a fabric first basis to help improve their energy efficiency and reduce energy costs for tenants. This additional annual investment brings the total annual investment here to £5.625m a year and £45m in total.
4. Note the proposed strategic change in direction moving from a plan based upon direct delivery of new homes to one based upon a mixture of actively acquiring s106 affordable housing directly from developers alongside future development with grant funding and using Right to Buy resources.
5. Note the current financial viability assessment for new build and that at present all potential development sites based on current assumptions evaluated this year have not been assessed as being financially viable within the existing viability model (see para 12.3 -12.6).
6. Note the proposed move to 80% market rent to help improve the viability of new homes development and to mitigate the increasing cost of delivery.
7. Note that a revenue savings target of £400k over two years has been set to assist with bridging the forecast gap in financing future capital expenditure.
8. Approve the disposal in principle of Barnes house in 2024-25, and in addition two strips of land with one surplus HRA property per year over the next eight years to generate additional capital receipts to help fund the increased investment requirement over these years.
9. Approve the move to full cost recovery for private connections of the council's sewage treatment works and note that this will include transitional protection and be achieved within a five-year timeframe.

10. Note that based on the September 2023 CPI figure of 6.7% that the average formula rent increase for 2024-25 for all affordable and social housing will now be 7.7%, subject to any government intervention.
11. Approve the proposed move from RPI+0.5% to CPI+1% for existing council shared owners in the HRA as well as in all future shared ownership leases. Note that the impact of this in 2024-25 will be a reduction in rent rises this year from 9.4% to 7.7%.
12. To approve full cost recovery in tenant service charges in 2024-25 (see paragraph 14.6).
13. Note that officers are currently beginning a review of the current Housing management system with a view to evaluating whether it is still fit for purpose or needs to be replaced, as well as beginning work on the re-procurement of the repairs and maintenance contract. The Business plan provides for this to happen over the following two years at a provisional one-off cost of up to £2m.
14. Note that the draft HRA Business 30-year Plan is viable and sustainable and has the capacity to support the council's ambitious delivery of 1,000 new affordable homes over the next 10 years. The proposed plan provides sufficient funds over the life of the plan to still deliver over 1,500 new affordable homes in total.

## 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 ensuring tenant satisfaction in relation to their home and community.
- 1.2. Tackling the Climate Emergency and Creating a Greener District
  - 1.2.1. Carbon reduction measures will be accelerated across the existing housing stock and included within the design and construction of new properties and included within the feasibility assessment when considering the purchase of properties. This includes the council's 10 year retrofit programme for existing properties where additional new funding of £30m has been allocated within this year's plan.
- 1.3. Homes for all
  - 1.3.1. Assist with the increase of affordable housing property stock across the Winchester district and meet the council's objective to provide a range of tenures to meet demand.
- 1.4. Vibrant Local Economy
  - 1.4.1. Deliver affordable accommodation which allows people to live and work in the district and contribute to the local economy.
- 1.5. Living Well
  - 1.5.1. The wellbeing of residents is considered within the design of new properties and new homes are designed to be both energy efficient and to meet tenants' needs. Any substitute properties are assessed according to these criteria.
- 1.6. Your Services, Your Voice
  - 1.6.1. Housing tenants are directly involved in decisions regarding service provision, both through the work of Tenants and Council Together (TACT), the council's tenant involvement group and through regular tenant and leaseholder digital surveys, capturing wider tenant views. The service continues to review options to provide an improved customer experience, increase opportunities for engagement, and to ensure satisfaction with services provided by the council.



## 2. FINANCIAL IMPLICATIONS

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

## 3. LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1. Under Part VI of the Local Government and Housing Act 1989 any local authority that owns housing stock is obliged to maintain a Housing Revenue Account. The HRA is a record of revenue expenditure and income in relation to an authority's own housing stock. The items to be credited and debited to the HRA are prescribed by statute. It is a ring-fenced account within the authority's General Fund, which means that local authorities have no general discretion to transfer sums into or out of the HRA.
- 3.2. The council is required to prepare proposals each year relating to the income of the authority from rents and other charges, expenditure in respect of repair, maintenance, supervision and management of HRA property and other prescribed matters. The proposals should be made on the best assumptions and estimates available and designed to secure that the housing revenue account for the coming year does not show a debit balance. The report sets out information relevant to these considerations.
- 3.3. Section 76 Local Government and Housing Act 1989 places a duty on local housing authorities: (a) to produce, and make available for public inspection, an annual budget for their HRA which avoids a deficit; (b) to review and if necessary, revise that budget from time to time and (c) to take all reasonably practicable steps to avoid an end-of-year deficit.

## 4. WORKFORCE IMPLICATIONS

- 4.1. Consultation is currently taking place with staff and Unions on a new structure for the service. It is proposed to delete a number of vacant posts, change reporting lines to give focus to service delivery and also allocate additional resources to support the increased retrofit programme.

## 5. PROPERTY AND ASSET IMPLICATIONS

- 5.1. To meet one of the key principles of the council plan, the HRA is required to provide sufficient financial resources to both maintain existing stock to decent homes standard and to enable new affordable housing to be obtained to help meet local demands.

## 6. CONSULTATION AND COMMUNICATION

- 6.1 To date two meetings have taken place with TACT to explain the challenges the HRA is facing. TACT members provided ideas of areas to review at the second meeting and they will need to be considered in the light of the financial challenges, policy options and potential rent increase. There is a meeting scheduled on the 29<sup>th</sup> November at which time it is hoped there will

be clarity on the Government's direction on rent setting. The intention at that meeting is to share with TACT the policy options to address the challenges so that ideas can be built into the forthcoming report to set rent and the HRA in February 2024.

## 7. ENVIRONMENTAL CONSIDERATIONS

- 7.1 This year's proposed 30 year business plan sees a significant increase in the provision of resources to fund the proposed fabric-first retrofit programme of works with increased funding of £30m over the next 8 years. Delivery of the planned investment could lead to a reduction of 1666.22tCO<sub>2</sub> from customers' homes by 2030.
- 7.1. The Business Plan also funds the provision of a further two dedicated retrofit officers responsible for the delivery of the retrofit programme to drive this increased programme.
- 7.2. The Housing Service considers environmental factors when preparing and developing major projects e.g., working closely with Planning and Landscape Officers when considering new build developments to meet the required codes for sustainable housing.

## 8. PUBLIC SECTOR EQUALITY DUTY

- 8.1. This document is part of the budget consultation process, and the public sector equality duty is considered alongside any relevant budget options. The housing service holds data in respect of its tenants' protected characteristics. Whilst there is no evidence to suggest the budget proposals and services within it would adversely affect those with protected characteristics, it is recognised that some tenant households will be impacted differently by the same budget objectives and associated services.
- 8.2. The 2023/24 budget's operational decisions being presented in this paper include investment in maintaining decent homes and increasing the supply of affordable housing designed to have a positive impact on customers. Other options designed to have a positive impact on customers include additional investment in energy efficiency that will benefit those tenants with high energy costs thus addressing the cost-of-living crisis and are fully adaptable to meet tenants long term mobility and health needs

## 9. DATA PROTECTION IMPACT ASSESSMENT

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

10. RISK MANAGEMENT

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
<p><i>Property</i></p> <p>That Council owned dwellings fail to meet decent home standards</p>	<p>An effective programme of future works and sound financial planning ensures that these standards are met and then maintained.</p>	<p>Self-Financing provides certainty around future resource allocations and facilitates better supply chain management</p>
<p><i>Community Support</i></p> <p>Lack of consultation will affect tenant satisfaction and cause objections to planning applications for new build developments.</p>	<p>Regular communication and consultation is maintained with tenants and leaseholders on a variety of housing issues.</p> <p>The Council consults with local residents and stakeholders on proposed new build schemes.</p>	<p>Positive consultation brings forward alternative options that may otherwise not have been considered.</p>
<p><i>Timescales</i></p> <p>Delays to new build contracts may result in increased costs and lost revenue.</p>	<p>New build contracts contain clauses to allow the Council to recover damages if the project is delayed due to contractor actions.</p>	
<p><i>Project capacity</i></p> <p>The HRA can borrow funds in addition to utilising external receipts and reserves, but it must be able to service the loan interest arising.</p>	<p>Regular monitoring of budgets and business plans, together with the use of financial assessment tools enables the Council to manage resources effectively.</p>	<p>The Council monitor's government announcements on the use of RTB receipts and potential capital grant funding.</p>
<p><i>Deliverables</i></p> <p>Risk that the council cannot deliver the programme of new build and meet the objective of 1000 homes in 10 years because of the lack of sites, the cost of development or the cost of financing this development.</p>	<p>The new homes is monitored on a regular basis and if appropriate could be delayed or re-profiled in light of the availability of these resources</p>	<p>Review the deliverable shape of the programme and its profiled delivery considering available resources and risk appetite</p>

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
<i>Staffing resources (not always in Housing) reduce the ability to push forward new schemes at the required pace.</i>	Staffing resources have been reviewed to support the delivery of the 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
<p><i>Financial / VFM</i></p> <p>Risks, mitigation, and opportunities are managed through regular project monitoring meetings.</p> <p>Insufficient new build sites are identified to assign RTB 1-4-1 receipts financing to and RTB receipts are required to be repaid to Central Government with up to an estimated compounded 55% interest penalty based on current rates.</p>	<p>New build Schemes are financially evaluated and must pass financial hurdles and demonstrate VFM. Total Scheme Costs contain provision for contingency on build costs and on fees for new build developments that take account of potential residual development and sales risk.</p> <p>RTB 1-4-1 are closely monitored so in-year targets for new builds are known.</p>	<p>In addition, the HRA holds annual minimum levels of reserves based upon 5% of operating turnover and 10% new build costs.</p>
<p><i>Financial Assessment</i></p> <p>Risk that the cost of developing new homes projects will fail to meet the financial hurdles required to be financially viable to develop/acquire within the HRA</p>	<p>The measures identified within this paper will help to mitigate against the increased costs of new homes by increasing the income available to fund increased borrowing costs and reducing the overall cost of delivery.</p>	
<p><i>Interest rate volatility</i></p> <p>The economic and fiscal environment for borrowing is both volatile and uncertain making external borrowing decisions difficult to take at present</p>	<p>The HRA has cash reserves that allow it in the short term to effectively borrow from internal resources giving a period for interest rates to stabilise and reset and the fiscal environment to be more benign.</p>	<p>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</p>

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
<p><i>Future Social Rent Policy</i></p> <p>Uncertainty about long term rental income streams because of the end of the current agreement on rent setting in April 2025.</p>	<p>Rental income accounts for 93% of all the HRA annual income, and future potential uncertainty, government intervention or constraint has a significant impact on the future capacity of the HRA and deliverability of the plan</p>	<p>Sectorial lobbying of Government to seek future certainty will help to support better decision making</p>
<p><i>Legal</i></p> <p>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.</p>	<p>Government statutory requirements and policy changes are being monitored to identify any new risks or opportunities that they may bring.</p>	<p>To create new housing developments within new guidelines and drawing on innovative thinking.</p>
<p><i>Reputation</i></p> <p>Failure to complete major housing projects due to lack of resources would have a direct impact on both customer satisfaction and the Council's reputation.</p>	<p>Business planning tools with regular updates are utilised to make sure resources are available to complete projects.</p>	
<p><i>Other</i></p> <p>– Environmental regulation such as that by Natural England on mitigating Phosphates</p>	<p>This delays the ability to bring forth schemes with planning permission and delays increase the cost and viability of schemes.</p>	

## 11. Economic Outlook and cost pressures:

- 11.1. The Budget for 2023-24 was set against a background of unprecedented inflationary pressures affecting key cost drivers to the HRA such as energy, construction labour, and building materials as well as the impact of a series of interest rate rises to address this by the Bank of England. Although annual inflation increases are now predicted to be on a downward trend within many of these sectors, the real terms increase in prices remains embedded at present levels, even if the rate of increase due to inflation is falling. This has contributed to this year's MTFS being even more difficult and challenging than last year's and has required several mitigating budget options to be

considered in order to continue to deliver the council's key housing objectives in this area.

- 11.2. The HRA Business planning process is done annually and all assumptions are revisited and undertaken a fresh every year. To set a viable and sustainable business plan for the next 30 years has been extremely challenging this year. The cost of building new homes (needed to replace those homes purchased privately by tenants using their Right To Buy and to provide financial sustainability in the long term) continues to increase faster than the general rate of inflation. There is also a legislative need to invest in the existing stock to bring it up to new energy efficient standards, requiring an additional £30m of investment requirement over the next eight years.

#### Cost of construction

- 11.3. The investment required for new homes has once again increased significantly, with anticipated rises in construction costs of a further 23% to £4,600 per square metre; making the cost of construction (excluding land) for an average 3-bedroom property now £427,800. The budgeted cost of construction over the last two years, following covid, Brexit and the invasion of the Ukraine, has increased by over 58% from £2,800 per square metre. At the same time the cost of borrowing that the council can access has more than doubled from 2.5% to 5.87%; and new affordable rents have increased only in line with inflation plus 1%.

#### Rent Increases

- 11.4. The council must set its rents in line with the Rent Standard and central Government's Regulator of Social Housing's rent setting guidelines. The current basis of rent setting is CPI+1% for 2024-25, there has been no announcement from the Government yet of what will happen in future years. The business plan assumes that the current level of CPI+1% will continue for a further 5 years (making the estimated rent increase for 2023/24 7.7%). In 2023-24, given the very high inflation rates, the rent increase at CPI+1% would have meant an increase of 11.1%, however the Government intervened and capped increases at 7% for existing tenants. This was only announced on 17 November in the Chancellor's Autumn Statement. Therefore, there remains a possibility that the rent increase will once again be capped, although the formula increase is much closer to the previously capped level and indications from DLUHC are that at present no capping is being considered.

#### Repairs and maintenance

- 11.5. Annually the council looks at the capital costs of maintaining the existing housing stock at decent homes standard and its investment here is based upon an asset management plan. This identifies the investment requirement profiled over the thirty-year plan based upon the lifecycle replacement costs of key components. To bring the housing stock up to the required energy efficiency standard of EPC C identified by 2030-31, there is now a need to invest an additional £30m on capital works. This brings the total investment

in retrofitting over the next eight years to £45m. In addition, the council has increased annual spend by £2m over the last two years on the revenue repairs budget reflecting inflation, increased service demand, the improved voids standard, and in resourcing the staffing capacity of the existing team to manage and deliver decent homes.

#### Interest on borrowing

- 11.6. Interest rates are a key cost driver in the HRA business plan and as at 31 March 2023 the HRA had £199.8m of Capital Financing Required (unfinanced prior capital spend) of which £161.7m is external debt (fixed at PWLB interest rates averaging 3.2%) and the balance of £38.1m is internally borrowed (offset against reserve balances and working capital). PWLB rates are not directly linked to the Bank of England base rate but are set at a margin over government gilt yields, which analysts believe are likely to fall slightly in the medium term but remain higher than the period of historically low rates following the 2008 financial crisis. The current cost of financing this external debt is £5.5m per annum.
- 11.7. This debt largely came about through self-financing and was originally taken out in 2012. A proportion of this existing external debt (£85m) will need to be refinanced over the next 15 years, with a need to refinance £35m of it within the next five years. The HRA, unlike the General Fund, has no requirement to set aside funding for debt repayment and the HRA business plan assumes all underlying debt is refinanced.
- 11.8. In addition, the proposed plan will see HRA funding the building of an additional 1,500 affordable homes largely through a mixture of Right to Buy (RTB) 1-4-1 capital receipts; shared ownership sales; other discretionary asset disposals; grants; and borrowing. This will require additional prudential borrowing of £103m to finance this delivery. In 2023/24 the budget assumed that interest rates for long term borrowing would be at 5% for a 3–4-year period and then return to a more modest 4%. At present the cost of long-term government borrowing remains elevated and stands at circa 5.6% for 50 year borrowing at the time of writing. In the decade before 2006/07 the PWLB long term interest rate peaked at 9.42% but averaged 5%. It is therefore prudent to assume that the cost of borrowing in the plan will be 5% for the duration of the planning period.

#### Management of the HRA

- 11.9. There is a need to modernise the provision of services to customers through the introduction of better digital access. A feasibility study has commenced to review whether the existing housing management system is still fit for purpose and to assess how well it will be able to facilitate the council's aspiration of improving digital services for customers. In addition, work on the re-procurement of the repairs and maintenance contract should begin now as the current contract expires in two years. The HRA business plan

has earmarked provisional revenue sums of up to £2m over the next two years to facilitate the replacement of the current system if this is required.

- 11.10. Against these considerable challenges of increasing investment requirements over the next eight years; increasing costs; and uncertain rent regulation; the council needs to review the options available to it to set a sustainable and viable 30-year business plan and a balanced budget in 2024-25.
12. Rising Costs of New Build Housing
- 12.1. In delivering an ambitious programme of 1,000 new homes, the HRA business plan was previously operating with materially lower average build costs as well as having the advantage of borrowing at historically low interest rates under self-financing from the government. The cost of building new homes has increased significantly over the last two years whilst at the same time the cost of borrowing has more than doubled.
- 12.2. Under the self-financing regime, the HRA is a purpose made vehicle for delivering new affordable homes and when both interest rates were low and stable and construction costs more affordable it was able to build, construct and acquire properties; financing this with rents at 70% of market rent or the Local Housing Allowance, whichever was the lower.
- 12.3. The primary financial assessment in the evaluation of new homes is a Net Present Value (NPV) calculation of all future income and expenditure over a typical 35-year period discounted to current prices. This calculation uses the current cost of capital and a risk margin as the discount factor. In addition, the council's standard model includes the residual social value of the housing at year 35 on the basis that the asset has been well maintained and has a future use and value. There are other criteria such as gross income covering the cost of borrowing, but the NPV calculation is the key criteria. If it is positive then the scheme or development is worth undertaking as it adds value, if negative then it requires additional subsidy from within the HRA over and above external grant funding or available capital receipts.
- 12.4. The impact of higher borrowing costs, coupled with volatile mortgage supply and costs on market demand for new housing has adversely impacted all developers. The council has subsequently had several potential private developments offered to it. However, to date, of those evaluated none have been financially viable within existing parameters. Obviously, if a developer struggles to make a development work at market price it's much more difficult to make it work at affordable rent even with RTB subsidy. This is especially the case when construction costs are so much higher and the cost of borrowing is approaching 6% This is compounded when the rental income achievable is restricted to below the maximum allowable of 80% of market rent.
- 12.5. It is therefore proposed that, subject to the development or acquisition meeting the council's energy efficiency requirements, the rent levels for new



homes be set at 80% of market rent. This is the maximum level of affordable rent that can be charged and would include all relevant service charges. At present the rent criteria is 70% of market rent or LHA, whichever is lower. LHA rates are based on the lower 30% quartile of private market rents being paid by tenants in a Broad Rental Market Area (BRMA), with the LHA rate being fixed now at the 2020-21 price base for the last 3 years.

- 12.6. As an example, based on the rent for a three bedroom property at Whiteley, where 70% of market rent would be £161.54 a week and 80% rent would be £184.62, there would be additional rent to pay of £23.08 per week based on the proposed policy change. However, the properties achieve an EPC B rating which will reduce average running costs by around 75% so for a three-bedroom property with medium energy costs that would equate to a reduction of around £29 a week (an overall net saving of £6.80 a week compared to a less energy efficient home). Therefore, although there is additional rent to pay if set at 80% of market rent the increase is more than offset by reduced running costs.
- 12.7. To also help mitigate the rising costs of development for the council identified above, it is proposed that a change in the focus of the councils' development strategy is required that would help reduce the cost of new build to the HRA. This would see a greater emphasis upon acquiring s106 affordable housing, which officers believe can be acquired below market value. In addition, the plan assumes that WCC will be successful in attaining Homes England funding for 70 new homes at an average grant rate of £135k where the council undertakes development itself.
- 12.8. There will still be a need to identify and develop or to acquire housing at market prices to successfully apply the retained RTB 1-4-1 receipts that will be generated in the future. There are restrictions on how RTB 1-4-1 receipts can be applied when combined with certain other funding sources such as s106 contributions, and they cannot be applied in conjunction with Homes England grants, or non-scheduled receipts. There is also a requirement to repay any unapplied RTB capital receipts not used within a five-year period with compound interest of 4% above the Bank of England Base rate i.e., currently 9.25% (compounding to a total of 55% interest penalty after 5 years). The council therefore needs to actively manage this risk, and if it is apparent that it cannot spend the receipts it needs to notify DLUHC and repay them in advance to minimise the interest payable.
- 12.9. At present the council's delivery funded by RTB 1-4-1 receipts is ahead of the need to spend and if it delivers the current named schemes, it will have three years grace until 2027/28 before it needs to start spending on any new, as yet unidentified, schemes.
- 12.10. Subject to these proposed changes, the HRA business plan has capacity to fund delivery of 1,000 homes by 2032/33 including the 306 homes that are programmed to be delivered by the end of this financial year. The HRA business plan is refreshed each year and subject to the prevailing economic

circumstances, assumptions and performance the capacity to deliver could increase.

### 13. Creating Financial Capacity to fund future borrowing.

#### Revenue savings

- 13.1. As the key constraint is the HRA's ability to finance borrowing in the first eight years over which increased investment is required, several further mitigations have been identified to help increase financial headroom in this period.
- 13.2. A annual savings target of £318k has been set by officers for 2024/25 and a further £100k for 2025/26 and some savings are currently being explored through a minor reorganisation within the housing team. Further budgets totalling £112k annually have been identified to be saved through routine budget housekeeping. Further revenue savings could increase capacity in the HRA. An illustration of the amount of new borrowing that this could support annually depending on interest rates is shown below: -

Annual saving	interest rate	Annual borrowing financed
£400,000		
	4%	£10,000,000
	5%	£8,000,000
	6%	£6,666,667
	7%	£5,714,286

#### Asset disposals

- 13.3. Barnes House is vacant and has been used previously to provide temporary accommodation in the HRA. Following assessment of costs to refurbish and convert to achieve required standards it has been established that there is not a viable scheme to take forward. As a result, the property is now surplus to requirement and has an estimated sale price of £800k.
- 13.4. The business plan also assumes two further strips of development land per year for the next eight years will be disposed. These sites, that are considered too small and uneconomic to develop within the HRA, have already been identified. As well as providing valuable capital receipts to support the HRA it will enable small development to come forward.
- 13.5. Lastly, the business plan assumes that the HRA will identify and dispose of one further surplus social housing asset every year for the next eight years. These assets will be identified by looking at their long-term fit in terms of demand/cost to maintain and suitability to retro fit to required standards. This is estimated that it will create additional capital receipts of £500k per year.

#### Sewage treatment works

- 13.6. The HRA is responsible for the operation of a number of small sewage treatment works, septic tanks, and cesspools, which provide private sewage treatment connections for 394 council tenants and 367 private homes. The Sewage Treatment Works encompass 36 small sewage treatment works (including septic tanks), 19 pumping stations (9 are isolated and 10 within curtilage of treatment works) and 21 cesspools. The sewage treatment works range in size from small works serving 4 properties to larger works serving 85 properties. The septic tanks and cesspools serve between 1 and 8 properties.
- 13.7. There is currently an under-recovery by the HRA of the annual cost of operating these treatment plants. Approximately £268k of the under-recovered cost relates to the providing the services to private residents, which works out at an implicit subsidy per private connection of an average of £457 per year.
- 13.8. The council should be seeking to fully-recover the total cost of providing sewage treatment services to private residents, so that these services are not subsidised by council tenants. Subject to further consultation, the terms of individual leases and a review of costs, it is proposed that WCC move to full cost recovery for these services to private residents over a transitional five-year period, this may mean annual increases for some of up to 22%.
14. Rent increases and charges in 2024-25 and beyond.
- 14.1. The current rent setting regime is based on annual rent increases of CPI+1% and this applies to 2024-25. The Government has yet to launch the call for evidence that was announced in its response to last year's consultation on rent capping, so there remains uncertainty about future social rent policy from 2025. However, the Government's response to the consultation in November 2022 strongly suggested that capping was a temporary intervention in response to an exceptional cost of living crisis. The Government also restated its continued support for the principle that social housing rents should be index-linked over the long term to support investment in both new and existing social homes. Restating its commitment to increasing the supply of social housing and improving the quality of the homes that social housing residents live in. The response also floated the suggestion that registered providers might be allowed in future years to catch up on the income gap created by the 2023/24 rent capping.
- 14.2. The business plan assumes that the current rent policy will continue for a further five years.
- 14.3. A 7.7% rent increase would mean the average weekly social rent for existing tenants will be £123.39 a week, an increase of £8.82 per week. The average weekly affordable rent for existing tenants will be £199.45 a week, an increase by £14.26 a week. The impact of the increases is shown in table 1 over.

**Table 1- indicative weekly rents in 2024-25 compared to 2023-24 for existing tenants.**

**Social Rents**

size	Bedsit	Bedroom 1	Bedroom 2	Bedroom 3	Bedroom 4	Bedroom 5	Bedroom 6	Total
Avg Wkly Rent 2023-24	84.05	99.92	114.94	130.22	140.08	161.98	159.21	114.57
Avg Wkly Rent 2024-25	90.52	107.61	123.79	140.25	150.87	174.45	171.47	123.39
increase per week @ 7.7%	6.47	7.69	8.85	10.03	10.79	12.47	12.26	8.82

**Affordable Rents**

size	Bedsit	Bedroom 1	Bedroom 2	Bedroom 3	Bedroom 4	Bedroom 5	Bedroom 6	Total
Avg Wkly Rent 2023-24		156.36	185.08	217.37	239.58	234.23	230.19	185.19
Avg Wkly Rent 2024-25		168.4	199.33	234.11	258.03	252.27	247.91	199.45
increase per week @ 7.7%		12.04	14.25	16.74	18.45	18.04	17.72	14.26

note :- extract from Orchard social Rents as at September 2023

note :- Affordable Rents are shown gross and include all applicable service charges

Social rents exclude service charges

- 14.4. The average HRA social rent for new tenants from April 2024 will be different and this reflects the fact that new tenants pay the formulae rent and that this wasn't capped in 2023-24. Indicative average weekly rents for new social tenants are shown below in table 2. It is proposed that the rents for new affordable rent tenants will be let provisionally at 80% of market rent if the property meets the required minimum energy efficiency requirements.

**Table 2 – Average Weekly rents for new social lets**

size	Bedsit	Bedroom 1	Bedroom 2	Bedroom 3	Bedroom 4	Bedroom 5	Bedroom 6	Total
Avg Wkly Formulae Rent 2023-24	89.93	103.97	120.67	135.51	147.79	169.35	165.13	119.63
Avg Wkly Formulae Rent 2024-25	96.85	111.98	129.96	145.94	159.17	182.39	177.85	128.84
increase per week @ 7.7%	6.92	8.01	9.29	10.43	11.38	13.04	12.72	9.21

**Service charges**

- 14.5. In 2023/24, alongside the capped rent increase, the council approved a one-off discretionary limit on tenant service charge increases of 7%. Considering the budget pressures that the HRA investment programme faces and to align it with the general fund and the outcome of ongoing savings programmes, it is proposed to revert to full cost recovery from 2024-25, where this is possible.

**Shared ownership rents**

- 14.6. The HRA business plan assumes that 30% of all future new homes development will be delivered as shared ownership. The Government have

now prescribed that any new shared ownership development that is either s106 or Homes England grant funded should have leases that base annual rent reviews on CPI+1% (where previously these were upward-only based on RPI+0.5%). The proposed changes will have a floor of 0% if the CPI is minus 1% or lower.

- 14.7. Currently the council has around 68 leases for shared ownership that specify an upward increase of RPI+0.5%. It would be administratively easier and fairer to move all existing HRA shared ownership leases to this new CPI basis of rent increase and floor. The change to the lower CPI+1% rate would cost the HRA £6,500 in lost income in 2024/25. There are additional issues on how current shared owners' rents could be capped without the need and cost of changing each individual lease that are being explored.
- 14.8. There are in addition 10 Partnered Home Purchase (PHP) leases in the general fund (open market shared ownership properties) and it is not at present proposed that these should be changed as well, but if they were the lost rent cost to the general fund would be £700 in 2024/25.

15. OTHER OPTIONS CONSIDERED AND REJECTED

The council could consider investing less in customers' homes than is required to achieve the regulatory requirement of EPC C by 2030. This is not recommended as it would breach the regulatory requirements and in addition would not support the council's policy objective of being greener faster.

The council could also seek increased revenue savings than those identified in this report so as to provide investment capacity in the HRA. At this time the level of revenue savings identified are achievable and will not lead to a reduction in the quality of service delivered. Investment in improving the digital access to services may generate efficiencies in the future that can be realised without detriment to services. Therefore, increased revenue savings are not recommended at this time.

16. BACKGROUND DOCUMENTS: -

Previous Committee Reports: -

CAB 3387 HRA Budget – February 2023

CAB3365 HRA Business Plan and Budget Options – November 2022

CAB 3334 HRA Budget – February 2022

CAB3264 – HRA Asset Management Plan - 8 Dec 2021

CAB3325- HRA Budget Options - 23 Nov 2021

**Appendix 1 – KEY HRA Business Plan Metrics**

	debt	Net Income	Capital charges	debt to Turnover ratio	Capex	Working balance
2023.24	210,722	33,048	7,077	0.21	42,317	14,879
2024.25	210,722	36,432	8,186	0.22	31,910	14,310
2025.26	210,722	37,875	8,072	0.21	41,973	14,352
2026.27	218,381	39,733	8,369	0.21	42,983	14,865
2027.28	249,265	41,616	9,533	0.23	56,580	15,120
2028.29	279,808	43,575	11,258	0.26	56,479	14,713
2029.30	302,342	46,059	12,587	0.27	46,314	14,433
2030.31	325,192	48,726	13,725	0.28	43,287	14,876
2031.32	332,554	49,435	14,657	0.30	27,785	14,283
2032.33	344,820	50,884	15,398	0.30	31,009	13,666
2033.34	349,780	52,484	15,829	0.30	23,453	13,432
2034.35	353,128	53,974	16,042	0.30	22,115	13,667
2035.36	355,725	56,199	16,426	0.29	21,575	14,997
2036.37	359,603	56,356	16,591	0.29	23,062	15,570
2037.38	363,553	57,559	16,940	0.29	23,341	16,225
2038.39	364,976	58,789	17,074	0.29	21,025	17,184
2039.40	372,838	60,047	17,307	0.29	27,678	18,358
2040.41	375,418	61,333	17,568	0.29	22,613	19,725
2041.42	382,479	63,813	17,812	0.28	27,313	22,481
2042.43	391,195	64,025	18,354	0.29	29,191	24,037
2043.44	399,176	65,474	18,772	0.29	28,693	25,707
2044.45	409,304	66,987	19,225	0.29	31,078	27,495
2045.46	418,681	68,564	19,713	0.29	30,577	29,394
2046.47	430,222	70,185	20,239	0.29	32,994	31,380
2047.48	446,815	73,183	20,913	0.29	33,301	34,662
2048.49	455,555	73,522	21,368	0.29	30,730	36,771
2049.50	469,199	75,208	21,693	0.29	35,930	39,161
2050.51	481,618	76,929	22,355	0.29	35,008	41,500
2051.52	494,021	78,691	22,979	0.29	35,298	43,834
2052.53	508,057	81,993	23,787	0.29	37,244	47,493



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## Forward Plan of Key Decisions

December 2023

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

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

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

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

The Plan has been set out in the following sections:

**Section A** – Cabinet

**Section B** - Individual Cabinet Members

**Section C** - Officer Decisions

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



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

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

**Cllr Martin Tod**

Leader of the Council

1 November 2023

<b>Cabinet Members:</b>	<b>Title</b>
• Cllr Martin Tod	Leader & Cabinet Member for Asset Management
• Cllr Neil Cutler	Deputy Leader & Cabinet Member for Finance & Performance
• Cllr Kathleen Becker	Community & Engagement
• Cllr Kelsie Learney	Climate Emergency
• Cllr Jackie Porter	Place & the Local Plan
• Cllr Lucille Thompson	Business & Culture
• Cllr Chris Westwood	Housing



	Item	Cabinet Member	Key Decision	Wards Affected	Lead Officer	Documents submitted to decision taker	Decision taker (Cabinet, Cabinet Member or Officer)	Date/period decision to be taken	Committee Date (if applicable)	Open/private meeting or document? If private meeting, include relevant exempt paragraph number
<b>Section A</b> Decisions made by Cabinet										
1	Park and Ride Bus contract renewal	Cabinet Member for Climate Emergency	Expenditure > £250,000	Town Wards	Andy Hickman	Cabinet report	Cabinet	Dec-23	13-Dec-23	Part exempt 3
2	Q2 Finance & Performance monitoring	Cabinet Member for Finance and Performance	Expenditure > £250,000	All Wards	Simon Howson	Cabinet report	Cabinet	Dec-23	13-Dec-23	Open
3	Fire safety work – Winchester Guildhall	Cabinet Member for Asset Management	Expenditure > £250,000	St Michael	Geoff Coe	Cabinet report	Cabinet	Dec-23	13-Dec-23	Open
4	Winchester City Football Club artificial pitch	Cabinet Member for Asset Management	Expenditure > £250,000	St Bartholomew	Steve Lincoln	Cabinet report	Cabinet	Dec-23	13-Dec-23	Open

	Item	Cabinet Member	Key Decision	Wards Affected	Lead Officer	Documents submitted to decision taker	Decision taker (Cabinet, Cabinet Member or Officer)	Date/period decision to be taken	Committee Date (if applicable)	Open/private meeting or document? If private meeting, include relevant exempt paragraph number
5	Land transaction	Cabinet Member for Asset Management	Expenditure > £250,000	All Wards	Geoff Coe	Cabinet report	Cabinet	Dec-23	13-Dec-23	Part exempt 3

**Section B**

**Decisions made by individual Cabinet Members**

Page 82	Extension of Insurance Contract (DD73)	Cabinet Member for Finance and Performance	Expenditure > £250,000	All Wards	Liz Keys	Cabinet Member decision report	Deputy Leader and Cabinet Member for Finance & Performance Decision Day	Dec-23	4-Dec-23	Open
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	Item	Cabinet Member	Key Decision	Wards Affected	Lead Officer	Documents submitted to decision taker	Decision taker (Cabinet, Cabinet Member or Officer)	Date/period decision to be taken	Committee Date (if applicable)	Open/private meeting or document? If private meeting, include relevant exempt paragraph number
<b>Section C</b> Decisions made by Officers										
7	Treasury Management - decisions in accordance with the Council's approved strategy and policy	Cabinet Member for Finance and Performance	Expenditure > £250,000	All Wards	Designated HCC Finance staff, daily	Designated working papers	Designated HCC Finance staff, daily	Dec-23	Dec-23	Open

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### Notification of addition to the December 2023 Forward Plan

On 13 November 2023, the following additional item was notified for inclusion for the December 2023 Forward Plan

Page 85	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
1	Property disposals, 27 Eastgate street, Winchester	Cabinet Member for Asset Management	Expenditure > £250,000	St Michael	Geoff Coe	Cabinet report	Cabinet	Dec-23	13-Dec-23	Open

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