



Meeting	The Scrutiny Committee
Date and Time	Tuesday, 4th February, 2025 at 6.30 pm.
Venue	Walton Suite, Guildhall, Winchester and streamed live on YouTube at www.youtube.com/winchestercc

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

A limited number of seats will be made available at the above named location however attendance must be notified to the council at least 3 working days before the meeting (5pm Wednesday, 29 January 2025). Please see below for details on how to register to attend. Please note that priority will be given to those wishing to attend and address the meeting over those wishing to attend and observe.

AGENDA

1. **Apologies and Deputy Members**

To note the names of apologies given and deputy members who are attending the meeting in place of appointed members.

2. **Declarations of Interests**

To receive any disclosure of interests from Councillors and Officers in matters to be discussed.

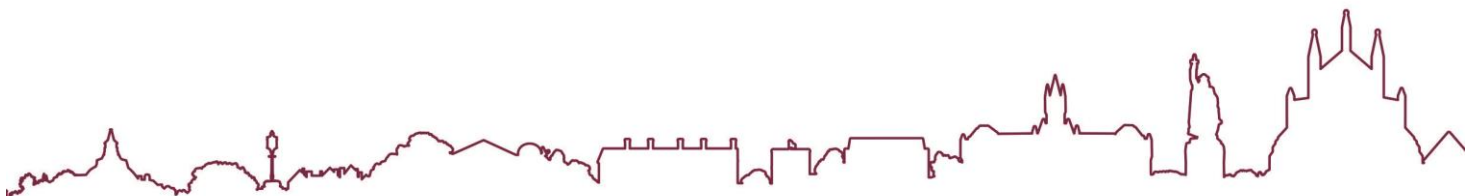
Note: Councillors are reminded of their obligations to declare disclosable pecuniary interests (DPIs), other registerable interests (ORIs) and non-registerable interests (NRIs) in accordance with the Council's Code of Conduct.

If you require advice, please contact the appropriate Democratic Services Officer, prior to the meeting.

3. **Chairperson's Announcements**

4. **Minutes of the meeting of the 12 November 2024** (Pages 5 - 16)

That the minutes of the meeting be signed as a correct record.



5. **Public Participation**

To receive and note questions asked and statements made from members of the public on matters which fall within the remit of the Committee.

Members of the public and visiting councillors may speak at the committee, provided they have registered to speak three working days in advance.

Please complete [this form](https://forms.office.com/r/Y87tufaV6G) (<https://forms.office.com/r/Y87tufaV6G>) by 5pm on 29 January 2025 or call (01962) 848 264 to register to speak and for further details.

6. **Housing Revenue Account budget 2025 - 2026** (Pages 17 - 54)

RECOMMENDATION:

It is recommended that scrutiny committee comment on the proposals within the attached cabinet report, ref CAB3490 which is to be considered by Cabinet on the 12 February 2025.

7. **General Fund budget 2025- 2026** (Pages 55 - 92)

RECOMMENDATION:

It is recommended that scrutiny committee comment on the proposals within the attached cabinet report, ref CAB3494 which is to be considered by cabinet at its meeting on the 12 February 2025.

8. **Capital investment Strategy 2025 - 2035** (Pages 93 - 138)

RECOMMENDATION:

It is recommended that scrutiny committee comment on the proposals within the attached cabinet report, ref CAB3495 which is to be considered by cabinet at its meeting on the 12 February 2025.

9. **Treasury Management Strategy 2025 - 2026** (Pages 139 - 172)

RECOMMENDATION:

It is recommended that scrutiny committee comment on the proposals within the attached cabinet report, ref CAB3496 which is to be considered by cabinet at its meeting on the 12 February 2025.

10. **To note the latest Work Programme.** (Pages 173 - 174)

The latest version of the committee work programme can be found here:

<https://democracy.winchester.gov.uk/mgPlansHome.aspx?bcr=1>

11. **To note the latest Forward Plan of Key Decisions** (Pages 175 - 182)

The current forward plan of key decisions for the period February 2025 – April 2025 is attached to this agenda.

The forward plan of key decisions for the period March 2025 to May 2025 is due to be published before the Scrutiny Committee meeting and will be circulated separately.

Laura Taylor
Chief Executive

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



27 January 2025

Agenda Contact: Matthew Watson, Democratic Services Officer
Tel: 01962 848 317 Email: mwatson@winchester.gov.uk

**With the exception of exempt items, agendas, reports and previous minutes are available on the Council's Website <https://www.winchester.gov.uk/councillors-committees>*

THE SCRUTINY COMMITTEE – Membership

Chairperson: Councillor: Brook **Vice Chairperson:** Councillor Wallace

Committee Members.

Councillors:

Achwal V
Batho
Clear
Laming
Pett
Reach
Bolton

Quorum = 3 Members

Relevant Cabinet Members

Having regard to the content of the agenda, the Chairperson requests that The Leader and all relevant Cabinet Members attend meetings of the committee

Public Participation

A public question and comment session is available at 6.30pm for a 15 minute period. There are few limitations on the questions you can ask. These relate to current applications, personal cases and confidential matters. Please contact Democratic Services on 01962 848 264 at least three days in advance of the meeting (5pm Wednesday, 29 January 2025) for further details. If there are no members of the public present at 6.30pm who wish to ask questions or make statements, then the meeting will commence.

Filming And Broadcast Notification

This meeting will be recorded and broadcast live on the Council's YouTube site.and 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).

Voting

1. Apart from the Chairperson, every member has one vote when a matter before the meeting requires a decision.
2. In the event of an equality of votes, the Chairperson may exercise a casting vote and that vote may be exercised in any way seen fit.
3. A member may abstain from voting or vote differently from how they may have indicated during the debate, without further explanation.
4. The way each member voted will not be recorded in the minutes, unless a motion to have a recorded vote has been passed.

Terms Of Reference

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

THE SCRUTINY COMMITTEE

Tuesday, 12 November 2024

Attendance:

Councillors
Brook (Chairperson)

Wallace
Achwal V
Batho
Laming

Pett
Reach
Bolton

Apologies for Absence:

Councillor Clear

Deputy Members:

Councillor Cramoysan in place of Cllr Clear

Other members in attendance:

Councillors Horrill, Godfrey, Lee, Cutler, Learney, Porter, Thompson, Tod and Westwood

[Video recording of this meeting](#)

1. **APOLOGIES AND DEPUTY MEMBERS**

Apologies for the meeting were noted as above.

2. **DECLARATIONS OF INTERESTS**

Councillor Malcolm Wallace declared a non-pecuniary interest concerning items on the agenda that may be related to his role as a County Councillor.

Councillor Steve Cramoysan declared a non-pecuniary interest concerning agenda items 9 and 9a relating to Kings Barton as he was the Chairperson of the Kings Barton Forum.

3. **CHAIRPERSON'S ANNOUNCEMENTS**

The Chairperson advised that the agenda contained a substantial amount of business and whilst it was planned that all items would be addressed, in the unlikely event the committee could not conclude all of this business, the committee may decide to adjourn to another suitable date. The Chairperson sought the committee's views on its priorities for this meeting's agenda.

4. **MINUTES OF THE MEETING OF 14 OCTOBER 2024**

RESOLVED:

That the minutes of the previous meeting held on 14 October 2024 be approved and adopted.

5. **PUBLIC PARTICIPATION**

Councillor Danny Lee, Councillor Caroline Horrill and Councillor Stephen Godfrey addressed the committee regarding several agenda items and a summary of their contributions were captured within the agenda item below.

6. **GENERAL FUND BUDGET OPTIONS & MEDIUM-TERM FINANCIAL STRATEGY**

Councillor Neil Cutler, Cabinet Member for Finance and Performance introduced the report, ref CAB3483 which set out proposals for the General Fund Budget Options & Medium Term Financial Strategy, ([available here](#)). The introduction included the following points.

1. Local government continued to face a funding crisis. Since 2020, the government had indicated a fair funding review, including resetting business rates, ending new homes bonus, and remaining revenue support, but had only provided a one-year settlement each year. This year was no different, with another one-year settlement, expected before the end of the year, and assurances of a longer-term settlement next year.
2. The government had committed to better funding for local government but indicated that increased funding would be based on need.
3. It was prudent to assume that any longer-term settlement would result in reduced core funding for the council, with a reset in business rates, negative revenue support grant, and the end of the new homes bonus in 2026/27, mitigated by forecasts of damping these reductions over four years.
4. Core assumptions for council tax and inflation showed a reduction in revenue resources from £23.36 million in 2025/26 to £19.62 million in 2029/30.
5. The report outlined the council's approach to this financial challenge through the TC 25 project (Section 11), current financial year forecast (Section 12), government funding, council tax, inflation assumptions, fees and charges (Section 13), and budget pressures (Section 14).
6. Detailed descriptions of reserves and the General Fund Capital programme were provided, feeding into the Medium Term Financial Strategy table in Appendix One.
7. Recommendations within the report included adjustments to the base budget for ongoing work on the food waste collection service, additional support for homelessness, contract inflationary increases for the garden waste service, and creating a capital budget to transfer Section 106 funds to Wickham Parish Council.

Liz Keys, Director (Finance) provided the committee with an update which included the following:

1. That the council continued to face pressures due to increased service usage and the cost of delivering services.
2. That uncertainty around long-term funding made forward planning difficult and that the council awaited the December funding settlement information.
3. The paper sought approval to develop the detailed budget to be presented in February 2025, marking a step in the ongoing budget preparation journey.

Councillor Danny Lee addressed the committee and highlighted the following points. Councillor Lee questioned the correlation of the MTFS with the 2025 Council Plan and expressed concerns about the balance between climate mitigation and adaptation resilience. He inquired about the risk and confidence in delivering efficiency savings and sought clarification on the business rates pool and additional funds for homelessness. He also raised concerns about the costs of waste food collection, council contract renewals, and the digital transformation programme.

Councillor Stephen Godfrey addressed the committee and highlighted the following points. Councillor Godfrey emphasised the importance of the MTFS and highlighted the continued uncertainty in government announcements affecting future financial planning. He stressed the need to achieve the £3 million per annum savings target of the TC-25 programme and questioned the genuineness of reported savings. He urged the scrutiny committee to ensure the report accurately reflected both positive and negative financial impacts and addressed the larger financial gap due to decreased planning and building control incomes.

The committee was recommended to scrutinise and comment on the proposals within the attached draft cabinet report, ref CAB3483 which was to be considered by the cabinet at its meeting on 20 November 2024.

The committee proceeded to ask questions and debate the report. In summary, the following matters were raised.

1. A question was asked about the additional cost per annum for providing the food waste service and why it was not covered by the new burdens funding.
2. Further clarification was sought regarding the cost-benefit analysis for the early implementation of the food waste service.
3. Clarification was requested for the additional uptake of service and the increase in fees relating to the garden waste service.
4. A question was asked about the impact of the council's property assets on the budget and suggested a briefing or further meeting regarding asset management.

5. Further clarification was sought on the process of releasing reserves, particularly the £1.9 million reserve to mitigate slower than expected recovery. A further question was asked on the review of reserves and the adequacy of the council's reserves.
6. A question was raised about the progress of the TC-25 programme in achieving its £3 million savings target and the ongoing review process. Further clarification was requested on the inclusion of certain aspects of the TC-25 process, such as the increase in garden waste service uptake.
7. A question was asked about the reduction in building control fees and the cyclical nature of planning applications and building control.

These points were responded to by Councillor Neil Cutler, Cabinet Member for Finance and Performance and Liz Keys, Director (Finance) accordingly.

RESOLVED:

1. The committee scrutinised and commented upon the report.
2. The committee agreed that 5 committee members (Councillors Brook, Bolton, Batho, Laming, and Wallace) would meet with the relevant officers and cabinet member to be briefed and to discuss relevant matters concerning the council's asset management strategy.

7. HOUSING REVENUE ACCOUNT BUSINESS PLAN & BUDGET OPTIONS

Councillor Chris Westwood Councillor, Cabinet Member for Housing introduced the report, ref CAB3478 which set out proposals for the HRA Business Plan and Budget Options, ([available here](#)). The introduction included the following points.

1. The budget for the previous financial year was set against a background of high interest rates and designed to tackle inflationary pressures.
2. CPI inflation had since fallen to 1.7% in September 2024, below the Bank of England's target of 2%. However, costs had not fallen; the pace of increase had slowed, but key cost drivers such as energy and building materials remained significantly high.
3. The main cost pressures came from five areas:
 - a. Continuing inflationary pressures on building supplies and construction.
 - b. The capital costs of maintaining the existing housing stock at the decent homes standard.
 - c. Increased costs of repairs and maintenance.
 - d. High capital financing interest rates.
 - e. New homes viability challenges due to high Public Works Loan Board interest rates.
4. The Council must set its rents in line with the rent standard and Central Government's Social Housing rent-setting guidelines, currently CPI plus 1% for 2025/26.
5. The budget options supported the council's commitment to increase investment in homes, accelerate green initiatives, deliver the 1,000 New Homes programme by 2032/33, and improve customer service and experience for repairs and maintenance.

6. A savings target of £2 million per annum had been established to mitigate these pressures, with officers meeting regularly to identify and quantify potential opportunities.
7. The approach to service charges would ensure that those who use the services pay for them, but the council would seek to ensure that any increase in service charges would be dampened.
8. The budget options would be further developed and subject to consultation to achieve a viable and sustainable HRA Business Plan.
9. The Tenants and Council Together (TACT) Board had reviewed the budget options and was broadly supportive. Their feedback would be considered as part of the ongoing budget process.

Councillor Danny Lee addressed the committee and highlighted the following points. Councillor Lee raised concerns about the financial stress on the HRA and the need for clear sustainability goals. He emphasised the importance of adopting digital ways of working to improve efficiency and future-proof housing. He also questioned the shift from in-house construction to purchasing homes and the plan to address the energy performance gap.

Councillor Caroline Horrill addressed the committee and highlighted the following points. Councillor Horrill raised concerns about the lack of a rural housing programme and sought clarification on budget allocations and service charges. She also highlighted the risk of insufficient condition data on HRA assets and was concerned about any potential cuts to the tenant involvement budget as referenced in Appendix 2 of the report.

The committee was recommended to scrutinise and comment on the proposals within the attached draft cabinet report, ref CAB3478 which was to be considered by the cabinet at its meeting on 20 November 2024.

The committee proceeded to ask questions and debate the report. In summary, the following matters were raised.

1. Further information was requested about the potential reduction in the tenant involvement budget.
2. Clarification was sought on the confidence in achieving the £2,000,000 savings target.
3. A question was raised regarding the ongoing revenue pressures related to historic RPI adjustments relating to an existing repair and maintenance contract.
4. Clarification was requested on the approach to sewage treatment works, particularly the cost recovery for services provided to private houses versus council tenants.
5. Further information was sought on the strategy for delivering new homes in rural areas, especially through rural exception sites.
6. A question was asked about the move towards full cost recovery for service charges and the implications for tenants.
7. Clarification was requested on the significant increase in the number of repairs reported and whether this was a cause for concern.
8. Further questions were raised about sewerage charges and separately the change in "One-off investments" in 2026/27.

These points were responded to by Councillor Chris Westwood Councillor, Cabinet Member for Housing, Liz Keys, Director (Finance), Simon Hendey, Strategic Director, and Kevin Harlow, Finance Manager: Housing accordingly.

RESOLVED:

1. The committee scrutinised and commented upon the report.
2. The committee requested that the tenant service charge information and data, as referred to within the report be made available to committee members.

8. **PROCUREMENT OF HRA REPAIRS AND MAINTENANCE TERM CONTRACT**

Councillor Chris Westwood Councillor, Cabinet Member for Housing introduced the report, ref CAB3463 which set out proposals for the Housing Procurement of HRA Repairs and Maintenance Term Contract, ([available here](#)). The introduction included the following points.

1. The current repairs and maintenance service carried out approximately 19,000 jobs to 5,500 homes and refurbished around 300 void properties annually, alongside day-to-day repairs.
2. The council invested around £14 million annually into refurbishment and maintenance, renewing key building components and retrofitting various energy-efficient measures.
3. The current contract with Cardo had run for around 13 years, necessitating a review to understand how best to meet current requirements.
4. A recent survey showed that 80% of tenants were satisfied with the repairs and maintenance service, and 78% were happy with the timeliness of the service.
5. The council aimed to improve the ease of doing business with the housing team.
6. Consultations were conducted with tenants, staff, members, major service providers, and other local authorities to gather insights and best practices.
7. Key outcomes included seeking a partner, to represent the council and its tenants, improve customer service and experience, and ensure continuous customer feedback.
8. The focus was on delivering value for money, not just the lowest cost, and fostering continuous innovation to improve services.
9. The council planned to expand services beyond repairs and maintenance to include planned upgrades, retrofit activities, decarbonisation of housing stock, voids refresh, and other potential services.
10. A procurement process was to be conducted over the next 18 to 24 months, with the new contract expected to start on 1 August 2026.
11. The evaluation model would reward the highest quality bid at the right price.
12. In summary, the contract aimed to drive change, improve the standard of council-owned housing, enhance residents' lives, regenerate communities, and tackle climate change.

Councillor Danny Lee addressed the committee and highlighted the following points. Councillor Lee questioned the risks of consolidating multiple budgets into a single 10-year contract and the lack of nature and whole-life considerations in the recommendations. He stressed the need for balanced environmental key performance indicators (KPIs) and found the 10% minimum for environmental social value criteria too low. He also raised concerns about the accuracy of data for estimating repair costs and the difficulty of annual budgeting predictions.

Councillor Caroline Horrill addressed the committee and highlighted the following points. Councillor Horrill noted the consultation process and the proposed 60/40 split of quality and cost in the contract. She sought clarification on the flexibility of subcontracting, the setting and use of KPIs, and the definition of a term alliance contractor. She also raised concerns about the lack of detailed data on the number and types of repairs currently performed on the council's housing stock.

The committee was recommended to scrutinise and comment on the proposals within the attached draft cabinet report, ref CAB3463 which was to be considered by the Cabinet at its meeting on 20 November 2024.

The committee proceeded to ask questions and debate the report. In summary, the following matters were raised.

1. A question was asked about the accuracy of the 19,000 repairs figure, given that last year's total was 23,793, including planned work.
2. Clarification was sought on the council's confidence in using a competitive dialogue procedure for procurement.
3. Further clarification was requested on the rationale behind the 60/40 quality-to-price ratio in the evaluation criteria.
4. A question was raised about the scope for small and medium-sized enterprises (SMEs) and local businesses to contribute within the process.
5. It was asked whether the council had considered running with two contractors for a period before moving to a single contractor.
6. A question was raised about how the council would identify and maintain high levels of quality in the contractor's work over the contract's duration.
7. Clarification was sought on the existence of a break clause in the contract for terminating it if quality standards were not met and the performance management measures, specifically if there was a midpoint review.
8. A question was raised about the specific environmental aspects included in the contract and how these would be enforced.
9. It was asked whether the contract would come back to the committee for review after a year to assess its performance.

These points were responded to by Councillor Chris Westwood Councillor, Cabinet Member for Housing, Gilly Knight, Corporate Head of Housing, Liz Keys, Director (Finance), Simon Hendey, Strategic Director and Laura Taylor, Chief Executive accordingly.

RESOLVED:

1. The committee scrutinised and commented upon the report.
2. The committee requested that a breakdown (by number and type) of repairs currently undertaken on the council's housing stock be provided to committee members.

9. **ACQUISITION OF AFFORDABLE HOMES AT KINGS BARTON**

Councillor Chris Westwood Councillor, Cabinet Member for Housing introduced the report, ref CAB3485 which set out proposals for the Acquisition of Affordable Homes at Kings Barton, Winchester, ([available here](#)). The introduction included the following points.

1. The paper sought approval for the allocation and expenditure of the new build unallocated capital budget, to purchase land and 146 new affordable properties at Kings Barton, Winchester. The council had secured these homes in a competitive process against other interested registered providers.
2. Outline planning consent for the scheme was granted on appeal by the Council as the Local Planning Authority in 2011.
3. The Section 106 agreement for the outline planning consent required a proportion of new homes to be provided as affordable, and integrated throughout the scheme and phases.
4. Acquiring Section 106 allocations in this manner was currently a more cost-effective method for the council to deliver new homes compared to direct build.
5. This approach to housing delivery was a more efficient use of in-house resources and allowed for delivery at scale compared to the direct development of small council-owned sites.
6. External expert advice was taken on the agreed price and the structure of the deal.
7. The development included a range of affordable property types and sizes for a mixture of affordable rent and shared ownership.
8. New homes would be built to building regulation energy-efficient standards with the addition of air source heat pumps, supporting the Greener Faster Council plan priority.
9. The proposed purchase met the council's approved viability tests, based on 51 shared ownership properties and 95 affordable rent units set at 70% market rent.
10. There was a strong demand for new affordable housing in this location.
11. Housing register numbers had grown in recent years across all property types, highlighting a continued need for accommodation delivery.
12. The delivery of these units at Kings Barton, intended for rented accommodation and allocated via Hampshire Home Choice, would assist the council in satisfying demand on the Housing Register.
13. Current anticipated timescales showed practical completion dates over three phases, delivering in financial years 2025/26 through to 2027/28.
14. TACT had been consulted on the allocation of funds from the New Homes Capital Programme and supported the council in providing new affordable homes throughout the Winchester district, including this specific proposal.

Councillor Danny Lee addressed the committee and highlighted the following points. Councillor Lee raised concerns about the energy gap and poor build quality in new acquisitions, emphasising the need to avoid high running costs and carbon emissions. He questioned how the council could ensure compliance with optimal building regulations and planning regimes.

Councillor Caroline Horrill addressed the committee and highlighted the following points. Councillor Horrill supported the addition of new homes and stressed the need for consistent build quality and integration of affordable homes across the development. She raised concerns about financial protection through stage payments and inquired about legal considerations in the procurement process.

The committee was recommended to scrutinise and comment on the proposals within the attached draft cabinet report, ref CAB3485 which was to be considered by the cabinet at its meeting on 20 November 2024.

The committee proceeded to ask questions and debate the report. In summary, the following matters were raised.

1. Further clarification was sought on the staged payments and the protection measures in place.
2. A question was raised about the opportunity to use the council's buying power to secure additional benefits beyond the housing units.
3. Clarification was sought on whether the houses would be built to level 5 energy efficiency standards or the level 4 standards as per the original planning permission.
4. A question was asked about the financial stability of Cala Homes.
5. A question was raised about the potential shortage of affordable homes for first-time buyers if the council purchased all the properties for social housing.
6. Clarification was sought on whether the council homes would be liable to pay management fees similar to private and shared ownership homes in the development.
7. A question was asked about the speed of delivery of the homes at King's Barton and whether there were mechanisms in place to ensure timely completion.

These points were responded to by Councillor Chris Westwood Councillor, Cabinet Member for Housing, Liz Keys, Director (Finance), Simon Hendey, Strategic Director and Caroline Egan, Service Lead - New Homes accordingly.

RESOLVED:

1. The committee scrutinised and commented upon the report.

9A **ACQUISITION OF AFFORDABLE HOMES AT KINGS BARTON
(EXEMPT APPENDIX)**

Members did not require to move into an exempt session.

10. **FUTURE OF WASTE AND RECYCLING; NEW FOOD WASTE
COLLECTIONS AND RECYCLING SERVICE.**

Councillor Kelsie Learney, Cabinet Member for Climate Emergency introduced the report, ref CAB3475 which set out proposals for the Future of Waste and Recycling; New Food Waste Collections and Recycling Service, (available here). The introduction included the following points.

1. The report set out proposals for the introduction of food waste collection, covering the budget and proposed phasing, commencing October 2025.
2. Vehicle procurement was already underway, but there was a need to acquire appropriate bins and caddies and find space for the new food waste vehicles.
3. The introduction of food waste collection would significantly reduce residual waste, leading to considerable carbon savings.
4. The aim was to move forward pragmatically to avoid excessive costs.
5. An options appraisal had been conducted on different delivery methods, with a phased rollout proposed from October to the end of March 2026.
6. Phasing the rollout would facilitate carbon reduction, make it easier to train and recruit staff, and allow for the sensible distribution of bins.
7. A recent visit to Cornwall had highlighted the importance of timing in bin delivery to avoid confusion and clutter and ensuring resident support from the beginning.

Councillor Danny Lee addressed the committee and highlighted the following points. Councillor Lee expressed concern over the cost and carbon benefits of the new waste and recycling service compared to other projects. He emphasised the need to prioritise higher pressing decarbonisation needs and reduce wider environmental harm. Additionally, he requested the scrutiny committee to consider the potential premature decisions regarding the local area energy plan and the electrification programme for the waste collection fleet.

The committee was recommended to scrutinise and comment on the proposals within the attached draft cabinet report, ref CAB3475 which was to be considered by the Cabinet at its meeting on 20 November 2024.

The committee proceeded to ask questions and debate the report. In summary, the following matters were raised.

1. A question was asked regarding the increase in costs since February 2024.
2. Further clarification was sought on the additional £70,000 attributed to Hydrotreated Vegetable Oil (HVO) costs.
3. Clarification was requested regarding the assumption that the government would fund 80% of the service costs and whether this continued to be the situation.

4. Clarification was sought regarding the use of the depot at Barfield Close by Biffa, specifically whether the additional space was needed for vehicle and staff management or for processing food waste.
5. A question was asked about the facilities anticipated at the Winnall site for the fulfilment of the food waste contract and further clarification was requested on why costs associated with the Winnall site were included in the food waste contract.
6. A question was raised about the communication strategy for informing residents of waste and recycling initiatives and whether this responsibility lay with the County Council, Winchester City Council, or individual councillors.

These points were responded to by Councillor Kelsie Learney, Cabinet Member for Climate Emergency, Liz Keys, Director (Finance) and Campbell Williams, Service Lead - Environmental Services accordingly.

RESOLVED:

1. The committee scrutinised and commented upon the report.

11. **Q2 FINANCE & PERFORMANCE MONITORING**

The Chairperson advised that this item would not be discussed at this meeting but that the Q3 report would be available shortly.

12. **TO NOTE THE LATEST WORK PROGRAMME FOR THIS COMMITTEE**

RESOLVED:

That the latest version of the work programme (which can be found here <https://democracy.winchester.gov.uk/mgPlansHome.aspx?bcr=1>) be noted.

13. **TO NOTE THE LATEST FORWARD PLAN OF KEY DECISIONS**

RESOLVED

That the latest Forward Plan of Key Decisions be noted.

The meeting commenced at 6.30 pm and concluded at 9.45 pm

Chairperson

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SCRUTINY COMMITTEE

REPORT TITLE: HOUSING REVENUE ACCOUNT BUDGET 2025/26

4 FEBRUARY 2025

REPORT OF CABINET MEMBER: Councillor Chris Westwood, Cabinet Member for Housing

Contact Officer: Liz Keys, Director (Finance) Tel No: 01962 848226 Email lkeys@winchester.gov.uk

WARD(S): ALL

RECOMMENDATIONS:

It is recommended that scrutiny committee comment on the proposals within the attached cabinet report, ref CAB3490 which is to be considered by Cabinet on the 12 February 2025.

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REPORT TITLE: HRA BUDGET 2025/26

12 FEBRUARY 2025

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

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

WARD(S): ALL

PURPOSE

This report requests approval for the proposed HRA revenue and capital budgets for 2025/26, and the 10 year indicative capital programme to 2034/35, as detailed in Appendices 1 to 4 and taking account of the funding shown in Appendix 5.

Despite the continuing budget challenges outlined in the Budget Options report in November 2024, and further pressures arising since the November report, this report proposes a budget for 2025/26 and business plan to achieve the Council's policy objectives to go greener faster, to support healthy communities and maintain the commitment to deliver 1000 new homes. Funding to go greener faster has been maintained and the changed new homes strategy to move towards buying as well as building is already seeing increased numbers of new homes for the council. The balanced budget has been achieved by identifying approximately £2m of savings in 2025/26 with minimal impact on service delivery.

Energy costs remain significantly higher than historic levels and continue to impact on many of the most vulnerable residents in our homes. To mitigate the additional energy costs for residents; to improve energy efficiency ratings; and to promote de-carbonisation of our council homes, the business plan retains the significant investment in retrofitting the stock, and, subject to award of grant funding, proposes introducing technology-based measures for properties that cannot achieve EPC-C ratings by economic fabric measures.

The report proposes a 2.7% increase in rents, based on September CPI of 1.7% plus 1%, and the application of CPI+1% for the 5 years between 2026/27 and 2030/31, in line with government policy. This aims to ensure that the HRA Budget remains sustainable and viable over the 30-year period whilst the Council adds to the housing stock through new build or acquisition, and continues to invest in the existing stock.

RECOMMENDATIONS:**That Cabinet recommend that Council:-**

1. Note the HRA Financial Plan operating account, including annual working balances, as detailed in Appendix 6.
2. Approve the 2025/26 Housing Revenue Account budget as detailed in Appendices 1 and 2 to this report.
3. Approve the proposed capital programme for maintenance, improvements and renewals totalling £167.868m
4. Approve capital expenditure and delegate to the Strategic Director with responsibility for housing authority to enter into necessary contracts for the 2025/26 capital programme of £21.134m, as detailed in Appendix 3 of the report in accordance with Financial Procedure Rule 7.4.
5. To approve the award of a contract, by direct award, for technology-based retrofit works of £4.3m per year in 2025/26, 2026/27 and 2027/28 (totalling £12.8m), contingent on funding secured from the Department of Energy Security and NetZero Social Housing Fund Wave 3 Grant, equivalent to 190 properties over 3 years. (See Para 11.62 to 11.65).
6. Approve the proposed 10 year capital programme for new homes totalling £237.7m, and expenditure of £5.255m in 2025/26, as detailed in appendix 4 of the report in accordance with Financial Procedure Rule 7.4,
7. Approve the financing of the HRA Capital Programme as detailed in Appendix 5, (noting the planned repayment of borrowing following the 1000 homes programme).
8. Approve the revenue savings target of £2m outlined to Cabinet in the November options paper and subsequently consulted upon and summarised at appendix 7.
9. Authorise the Section 151 Officer, in consultation with the Strategic Director with responsibility for Housing to approve the buy-back, during 2025/26, of individual former HRA properties sold under the Right to Buy, following positive financial appraisal, utilising the unallocated New Homes budget (see para 11.26).

10. Subject to the acceptance of the expression of interest to the Local Authority Housing Fund (LAHF) round 3:
 - a. Authorise the Strategic Director with responsibility for Housing to enter into a revised Memorandum of Understanding with Ministry of Housing, Communities & Local Government to secure additional LAHF funding estimated at £2.841m
 - b. Delegate authority to the Section 151 Officer to approve capital expenditure (subject to financial appraisal, in accordance with Financial Procedure Rule 7.4) of up to £6.0m to purchase up to 12 properties using the approved HRA unallocated new build budget, to be part-financed by LAHF grant with any balance via prudential borrowing.
 - c. Authorise the Corporate Head – Asset Management and the Strategic Director with responsibility for Housing to purchase up to 12 properties. (Para 11.70-11.72)
11. Approve the average rent increase for 2025/26 for all affordable, Shared Ownership and social housing of 2.7% based on the September 2024 CPI figure of 1.7% +1% (see para 11.6-11.7).
12. Approve amendments to HRA tenant service charges in 2025/26 to reflect cost recovery based on 2023/24 actual costs, subject to capping at 5% or £5, whichever is greater, and noting that capped charges will be subject to gradual increases in future years (see para 11.41 to 11.45).
13. Note that the previously approved consultation on the move to full cost recovery for both private and tenant connections of the council's sewage treatment works will now take place in 2025/26 (see para 11.46-11.51).
14. Note that the draft HRA Business 30-year Plan is viable and sustainable and has the capacity to support the delivery of 1,000 new affordable homes.

IMPLICATIONS:1 COUNCIL PLAN OUTCOMES

- 1.1 Greener Faster - The proposed budget will contribute to the council's ambition to reduce carbon emissions through continuing provision for significant investment in Carbon reduction measures across the existing housing stock, and by incorporating energy efficiency measures within the design and construction of new properties constructed or purchased. This includes the council's 10 year retrofit programme for existing properties.
- 1.2 Good Homes for all - Providing good quality housing and new affordable homes in the district is a strategic priority for the council. Effective management of the resources available ensures this priority is met and means that opportunities to improve the existing housing stock, increase tenant satisfaction, and add to the existing stock through a range of tenure types are identified and achieved.
- 1.3 Thriving Places - Delivery of affordable accommodation allows people to live and work in the district, contributing to the local economy.
- 1.4 Efficient and Effective - One of the key objectives of the Housing Strategy is to modernise the customer service offer through the development of a digital first customer journey, improving communication and self-service options for tenants/residents, and efficiency of services.
- 1.5 Healthy Communities - 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. Maintaining the existing stock to a high standard contributes to the well-being of residents. The Housing stock also includes provision for supported living and tenant welfare.
- 1.6 Listening & Learning - Housing tenants are directly involved in decisions regarding service provision, both through the work of the Tenants and Council Together (TACT) Board (the council's formal district-wide group who represent tenants' and leaseholders' interest in the provision and development of Housing Services) 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 accompanying appendices.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 Under Part VI of the Local Government and Housing Act 1989, any local authority that owns housing stock is obliged to maintain a Housing Revenue Account (HRA). 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 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 demonstrate that the housing revenue account is sustainable. The report sets out information relevant to these considerations.
- 3.3 Section 76 of the 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 As part of the savings proposals agreed in November 2024, a small number of vacant posts will be deleted. Interim additional resource may also be required to support existing housing services while regulatory compliance action plan is progressed in 2025/26. Other than this, there are no proposed changes to the staffing establishment proposed within this report.

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 members to explain the challenges the HRA is facing, and a further meeting planned for 27th January to discuss the budget report in more detail. TACT members were consulted on options to address these pressures which assisted with the formulation of the savings plan. The TACT Board meeting in December also covered the proposed rent increase of 2.7%.
- 6.2 In addition, a consultation paper was circulated to over 4,000 tenants to seek views on how the HRA should prioritise expenditure, and the proposed measures to address cost pressures. A reminder was sent prior to the

deadline, and a total of 13 responses were received. Consideration will be given to how the response rate can be improved, particularly as this is the first time a survey of this type has been undertaken.

- 6.3 The results of the survey demonstrated that, of those who responded, tenants ranked maintenance and improving repairs as the number 1 priority for the HRA, followed by regulatory compliance, retrofitting and major works and finally new build. Respondents to the survey were generally supportive of the priorities within the business plan and the proposed savings.

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 This year's 30-year business plan maintains significant resources to fund the retrofit programme of works. Delivery of the planned investment could lead to a reduction of 1666.22 tCO₂ from customers' homes by 2030.
- 7.2 The Business Plan also funds the provision of retrofit officers responsible for the delivery of the retrofit programme to drive this increased programme.
- 7.3 The Housing Service considers environmental factors when preparing and developing major projects e.g., working closely with Planning and Landscape Officers when considering new build developments to meet the required codes for sustainable housing.

8 EQUALITY IMPACT ASSESSMENT

- 8.1 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 2025/26 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 investment in energy efficiency that will benefit those tenants with high energy costs, and fire safety improvements which will improve the safety of residents in blocks in the event of a fire.

9 DATA PROTECTION IMPACT ASSESSMENT

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

10 RISK MANAGEMENT

Risk	Mitigation	Opportunities
<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 inputs and monitors government consultation on the use of RTB receipts and potential capital grant funding.</p>
<p><i>Financial / VFM</i></p> <p>Risks, mitigation, and opportunities are managed through regular project monitoring meetings.</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>In addition, the HRA holds annual minimum levels of reserves based upon 5% of operating turnover and 10% new build costs.</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 a compounded interest penalty based on current rates.	RTB 1-4-1 are closely monitored so in-year targets for new builds are known.	Government has introduced measures to improve flexibility in the use of RTB receipts, and proposed changes to the scheme which will likely reduce this risk.
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.	The new homes programme is monitored on a regular basis and if appropriate could be delayed or re-profiled in light of the availability of these resources	Acquisition strategy allows the Council to continue to add to its stock where building cannot be made viable. Changes to the RTB scheme may improve viability of some projects.
<i>Staffing resources (not always in Housing) reduce the ability to deliver key objectives within the Capital and New Build programmes, as well as the wider HRA.</i>	Staffing resources have been reviewed to support the delivery of the new build programme. Interim resources to support compliance works where appropriate.	Given the challenging nature of the HRA, it may be necessary to review the resourcing requirements needed.
<i>Interest rate volatility</i> There is a risk of volatility or continuing higher borrowing costs, impacting on the viability of existing and forthcoming capital schemes.	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.	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. At the point internal borrowing is no longer feasible, a cautious assumption has been made for future borrowing costs in the business plan.
<i>Legal</i> The provision of social housing is a statutory requirement. Changing Government priorities place a greater emphasis on social housing which must be monitored and considered within planning of future new build projects.	Government statutory requirements and policy changes are being monitored to identify any new risks or opportunities that they may bring.	To create new housing developments within new guidelines and drawing on innovative thinking.
<i>Reputation</i>		

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.	Business planning tools with regular updates are utilised to make sure resources are available to complete projects.	
<i>Other</i> – Environmental regulation such as that by Natural England on mitigating Phosphates	This delays the ability to bring forth schemes with planning permission and delays increase the cost and viability of schemes.	

11 SUPPORTING INFORMATION:

- 11.1 The HRA Business Plan and budget options report 2025/26 provides the background to the 2025/26 HRA budget. This report was reviewed by Scrutiny on 12 November 2024, and subsequently approved by the Cabinet at its meeting on 20 November 2024. TACT representatives were briefed and invited to comment at both committees. The paragraphs below summarise the content of that report, progress and other issues to raise since that date.

Economic Outlook and cost pressures:

- 11.2 The Budget for 2024/25 was set against a background of increasing interest rates, designed to tackle significant inflationary pressures. CPI inflation has since fallen, dropping to 1.7% in September 2024, but bouncing back to 2.3% in October, 2.6% in November and then reducing slightly back to 2.5% in December. This does not mean that costs have fallen, it means that the pace of increase has slowed down and demonstrates that the risk of inflation is still present. Key cost drivers to the HRA such as energy and building materials will remain significantly higher than in previous years.
- 11.3 Bank of England base rate rises continued into the early part of 2024/25 and stabilised through the spring, prior to reductions in base rate in August and December to 4.75%. Although further base rate reductions are likely, it is unlikely that interest rates will be as low as they were prior to 2021. Borrowing costs are not determined by the base rate, but by the yield on gilts, which are influenced by government policy decisions and other economic factors. Despite the base rate reductions, the cost of PWLB borrowing has remained well above 5% since the Summer.
- 11.4 The investment required for new homes continued to increase in 2024/25. Construction cost inflation during 2024 has been in line with RPI inflation, and costs identified through the development of business cases for new build have varied from £4,800 to £5,100 per square metre (including 15% allowance for oncosts); making the cost of construction (excluding land) for an average

90sqm 3-bedroom property in excess of £430,000. At the same time the cost of borrowing that the council can access remains high, whilst new affordable rents have increased only in line with inflation plus 1% in recent years.

- 11.5 These continuing cost pressures, alongside increasing regulatory requirements arising from (Insert legislation), means that the annual HRA Business planning process remains challenging.

Rent Increases

- 11.6 The council sets its rents in line with the Rent Standard and the Regulator of Social Housing's rent setting guidelines. The basis of rent setting is September CPI+1% for 2025/26, a 2.7% rent increase for all tenants. Rent setting policy for future years was consulted by government during November 2024, proposing a continuation of CPI+1 from 2026/27 to 2030/31. The outcome of the consultation had not been published at the time of writing this report. Cabinet agreed to apply this principle as part of the budget options paper in November 2024.

Table 1- indicative weekly rents in 2025/26 compared to 2024/25 for existing tenants.

Social Rents

Size	Bedsit	Bedroom 1	Bedroom 2	Bedroom 3	Bedroom 4	Bedroom 5	Bedroom 6	Total
Avg Wkly Rent 2024-25	90.52	107.61	123.79	140.25	150.87	174.45	171.47	123.39
Avg Wkly Rent 2025-26	91.31	110.75	127.53	144.08	155.13	179.16	176.1	126.87
increase per week @ 2.7%	0.87%	2.92%	3.02%	2.73%	2.82%	2.70%	2.70%	2.82%

Affordable Rents

Size	Bedsit	Bedroom 1	Bedroom 2	Bedroom 3	Bedroom 4	Bedroom 5	Bedroom 6	Total
Avg Wkly Rent 2024-25		168.4	199.33	234.11	258.03	252.27	247.91	199.45
Avg Wkly Rent 2025-26		160.32	198.43	233.37	266.86	259.08	254.6	197.63
increase per week @ 2.7%		-4.80%	-0.45%	-0.32%	3.42%	2.70%	2.70%	-0.91%

- 11.7 The average HRA social rent for new tenancies from April 2025 will be different, and this reflects the fact that new rents will converge to the current formula rent, which is calculated without any cap applied for 2023/24 as was the case for existing tenants. The current policy for new affordable rent tenants will be let provisionally at 80% of market rent only if the property meets the required minimum energy efficiency requirements.

Table 2 – Average Weekly rents for new social lets

Formula Rents

Size	Bedsit	Bedroom 1	Bedroom 2	Bedroom 3	Bedroom 4	Bedroom 5	Bedroom 6	Total
Avg Wkly Rent 2024-25	96.85	111.98	129.96	145.94	159.17	182.39	177.85	128.84
Avg Wkly Rent 2025-26	97.97	116.23	133.94	151.53	165.11	187.32	182.65	133.37
increase per week @ 2.7%	1.16%	3.80%	3.06%	3.83%	3.73%	2.70%	2.70%	3.52%

Repairs and maintenance

- 11.8 The capital programme makes provision for major repairs and refurbishment of the existing housing stock to decent homes standard. Investment is based on an asset management plan and the information recorded in the council's property management database. The database records the expected lifecycle replacement costs of key components and expected works to meet energy efficiency standards. This informs the detailed Capital Programme for 2025/26; the likely investment requirements for the following 5 years; and ultimately over the thirty-year plan.
- 11.9 To bring the housing stock up to the required energy efficiency standard of EPC C identified by 2030-31, investment of £45m was previously built into the business plan, of which £38.36m is expected to remain as of 1st April 2025. Further information on the capital programme at paras 11.60 to 11.67

Interest on borrowing

- 11.10 Interest rates are a key cost driver in the HRA business plan and, as at 31 March 2024, the HRA's Capital Financing Requirement (unfinanced prior spend) was £215.3m, of which £159.5m is external debt, fixed at PWLB interest rates averaging 3.27%, and the balance of £55.8m 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 remain higher than the period of historically low rates following the 2008 financial crisis. The current cost of financing external debt is £5.23m per annum.
- 11.11 This debt came about through self-financing arrangements for the HRA introduced in 2012. A proportion of this existing debt, £133m, will need to be refinanced over the next 15 years, £82m within the next five years. The HRA, unlike the General Fund, has no requirement to set aside funding for debt repayment. However, the HRA contributes to the Capital programme each year through the Major Repairs Allowance, and the HRA business plan assumes contribution to the repayment of debt following the completion of the 1000 homes programme in 2032.
- 11.12 In addition, the proposed plan includes provision to meet the Council's objective of delivering 1000 homes by 2031/32, to be funded through a combination 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 to finance this delivery.
- 11.13 At present the cost of long-term government borrowing remains elevated and stands at circa 5.8% for 50 year borrowing at the time of writing. Since the Options paper was presented, the outcome of the government's October budget and US elections have created an expectation that base rates will fall more slowly than previously expected. However, the October Budget extended the current discount of 0.2% on HRA borrowing until 31st March

2026. The current assumption for the average cost of borrowing over the life of the business plan at 5% is therefore still considered prudent.

Modernisation of the HRA

- 11.14 One of the key objectives of the Housing Strategy is to modernise the customer service offer through the development of a digital first customer journey, improving communication and self-service options for tenants/residents and efficiency of services.
- 11.15 The Housing management team have carried out a review of our repairs module in our core housing management system. Recommendations from this review will be considered in early 2025, including exploring potential additional modules for community safety and customer cases within the existing system. Work will take place alongside the corporate digitalisation team in the new year to begin some customer experience discovery work for longer term modernisation, beginning with repairs, and are exploring options to move colleagues onto digital ways of working to replace paper based inspections.
- 11.16 The HRA business plan for 2024/25 included £2m to support investment in the R&M procurement and IT systems. To date, spend of £0.3m in 2024/25 is anticipated on the repairs procurement, of which £0.06m relates to IT, and if unspent will be carried forward. The options report reduced the investment budget by £0.4m; leaving a remaining balance of £1.3m.
- 11.17 Of the remaining balance, it is anticipated that a further £0.3m will be required in 2025/26 to support the R&M procurement and £0.2m for investment in the modules outlined in paragraph 11.15. An ongoing £50k has been allowed for to cover future licensing costs associated with additional modules. The remaining balance of investment budget is then profiled to future years pending decision on utilisation.

October Budget measures

- 11.18 The Government's October budget included a number of measures that will impact on the HRA business plan. It was not possible to assess the impacts of these fully for the Options paper in November, however, these have been explored more fully for budget setting.
- 11.19 The most significant changes made by the government have been to the Right to Buy scheme. The proposals have been to:
 - 1) Reduce the discounts on sales of right to buy from November 21st 2024
 - 2) Extend the cost floor of new build
 - 3) Allow local authorities to retain the share previously paid to government

The initial impact of this measure has been to significantly increase the number of applications received in November 2024 before the new discounts applied. Applications received during November 2024 were equivalent to two

years of demand in one month. Some of these are likely to be speculative applications, and for the business plan, the existing conversion rate of applications to sales of has been applied.

Following the initial spike in applications, the expected impact of these measures will be to significantly reduce the number of applications received. It is not yet clear how demand will settle, however the level of applications prior to 2011 was used to inform the business plan. The possible scenarios are that demand will fall substantially and remain low, or that there will be an initial fall in recovery and a return to more usual rates seen prior to 2011 over time.

The financial impacts of this will be as follows:

- An initial increase in sales capital receipt for each sale, and that the share retained by the Council will be 100%, increasing the share restricted to provision of new homes.
- The number of sales after 2024/25 is expected to fall significantly and this will mean fewer capital receipts will be received. However, longer term net rental income to the HRA will be higher as a result of fewer sales, increasing capacity to borrow.
- This does not address the actual cost of building or acquiring homes, and so will still require wider tenants rent to subsidise construction costs. The capacity to do so within the business plan will increase.

Although the loss of capital receipt will likely mean an increased borrowing requirement in the short term, the additional capacity from property retention is sufficient to cover this borrowing requirement.

Increasing the cost floor for RTB sales of new properties will also reduce sales of new build properties, and therefore reduce the pressure associated with repaying borrowing costs for assets no longer owned by the HRA.

Further consultation on the Right to Buy scheme was undertaken by the government during December 2024 and January 2025. The consultation closed on 15th January and the response to the consultation has not yet been published.

Rising Costs of New Build Housing

- 11.20 The cost of building new homes has increased significantly over recent years and, while the pace of inflation has now slowed, this doesn't mean that costs have gone down; merely that the pace of increases has slowed. At the same time, the cost of borrowing remains high.
- 11.21 Under the self-financing regime, the HRA is a purpose made vehicle for delivering new affordable homes and when 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 (LHA), whichever was the lower, or up to the maximum of 80% market rents for new properties that meet energy efficiency criteria.

- 11.22 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 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.
- 11.23 Given the expected long term reduction in Right to Buy sales, it is likely that the level of borrowing will need to increase in the medium term. The changes to RTB and retention of more stock, combined with the extension of CPI+1% rent policy will give more capacity within the business plan to borrow.
- 11.24 However, this change will not be reflected in the existing viability modelling for new build and acquisitions. The following principles will therefore need to be considered for future viability modelling, and further work to explore this will take place alongside the existing modelling in 2025/26 while more experience of the new regime is gained and understood:
- 1) Application of RTB or other subsidy to the point where viability is achieved, and prioritisation of the use of potentially fewer RTB receipts,
 - 2) That the output of the appraisals are modelled within an updated business plan prior to approval, and that where borrowing is required, the project can contribute to the future repayment of debt as well as the interest cost
 - 3) Confirmation that the HRA can support the level of subsidy from the HRA required by specific projects after all other available sources of finance are applied, and where the repayment of debt cannot be financed from additional rent alone.
- 11.25 To mitigate the high costs of development for the council outlined above, the Council agreed in the 2024/25 business plan to change the focus of the councils' development strategy to a greater emphasis upon acquiring s106 affordable housing. This has proved successful, with a number of acquisitions agreed in 2024/25. The indicative capital programme includes developments for which business cases are currently being developed, and in addition, assumed costs for potential acquisitions and new build properties for which business cases have not yet commenced.
- 11.26 As part of the acquisition strategy, the Council has the option to buy back former Council Houses previously disposed of through Right to Buy. An internal process has been developed to assess the relative housing need,

strategic fit and financial viability of potential buybacks. During 2024, two identified buybacks were agreed with a further two as yet unidentified purchases in principle delegated to the Strategic Director with responsibility for Housing. The process for acquiring buybacks is time constrained, with decisions required within a set timescale. The process for seeking approval for individual buybacks is not conducive to meeting this timescale, and therefore it is proposed to delegate authority to agree to the purchase of properties in 2025/26 to the Section 151 Officer, in consultation with the Strategic Director with responsibility for Housing, subject to meeting criteria for strategic fit, housing need and financial viability, and funded from the unallocated New Homes budget.

- 11.27 There will still be a need 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; for example, they cannot be applied in conjunction with Homes England grants. 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 over the period the receipt has been held; currently 8.75%. The caps that applied prior to 2024/25 have been lifted temporarily, allowing the Council to more proactively manage this risk; but if it is apparent that receipts cannot be applied, MHCLG will need to be notified and repaid in advance to minimise the interest payable.
- 11.28 At present the council's delivery funded by RTB 1-4-1 receipts is ahead of the need to spend. With no restriction on the level of RTB applied to eligible expenditure, the HRA business plan model demonstrates that, with the application of RTB maximised against existing and potential schemes, the risk of repayment to government is minimised. However, in practise, RTB will be applied carefully to maximise the return on investment.
- 11.29 The HRA business plan has capacity to fund delivery of 1,000 homes by 2032/33 including the 156 homes that are programmed to be delivered in the approved capital programme. The HRA business plan is refreshed each year and subject to the prevailing economic circumstances, assumptions and performance, the capacity to deliver could increase.
- 11.30 The model currently demonstrates that all new borrowing associated with the 1000 homes programme is affordable, and that debt repayment associated with new build and the proposed capital programme can be made over the life of the plan.

HRA Savings requirement - cost pressures and savings targets

- 11.31 The budget options report presented to Cabinet in November 2024 (CAB 3478) detailed significant cost pressures within the HRA, particularly for repairs and maintenance.

- 11.32 In addition to the cost pressures identified in the Options report, additional investment requirements in fire safety and asbestos have been identified as part of the recent regulatory self-assessment. Additional funding has been built into the Capital Programme and HRA revenue budgets to reflect this requirement.
- 11.33 The report to Cabinet Committee: Housing, CAB3479 (H), outlines an action plan to deliver changes and improvements required to deliver changes and improvements to meet requirements of regulatory consumer standards. The Revenue budget includes provision for key programmes of work including annual fire risk assessment and asbestos surveys, stock condition survey work and allows for additional revenue and capital repairs budgets for likely reactive repairs following the completion of surveys.
- 11.34 The Capital budget makes provision of £6m over 3 years to support potential compartmentation works to low and medium rise blocks. This was not included in the November options report as, at the time, self-assessment work was still ongoing, and the likely cost had not been identified or quantified at that point in time. The Capital programme also makes explicit budget for planned fire door replacement programme, fire safety works at Winnall and a provision for reactive capital works for asbestos and fire safety that may arise from future survey work.
- 11.35 Although the extension of the rent setting principle of CPI+1 for 5 years, and government changes to the Right to Buy scheme increases the capacity to borrow in the HRA, these measures are primarily designed to encourage housebuilding, and do not negate the need to address cost pressures. However, in the short term it has allowed the additional investment requirement to be addressed in the business plan without the need for further savings over and above the £2m already identified, and without impacting on the capacity to build new homes.
- 11.36 Previous savings targets set in the 2023/24 business plan have been fully achieved. However, Cabinet agreed savings proposals of £2m in the Budget Options report CAB3478 to mitigate cost pressures and maintain capacity to invest in the HRA. Of these savings, £1.05m have currently been achieved, and actions are ongoing to ensure the remaining savings can be delivered by the end of the year. Of the achieved savings, £0.4m is one-off and further work will be undertaken in 2025/26 to identify ongoing savings. The proposed savings are summarised in the table below and detailed in appendix 7:

	2024/25	2025/26
General cost reduction measures	370	370
Improved cost control on repairs and maintenance	250	300
Increases in rent, service charge, sewage and other income	380	425
Efficiency improvements	270	420
One-off savings (work ongoing to identify ongoing savings in 25/26)	400	400
	1,670	1,915

- 11.37 The identified savings were consulted on more widely, through a tenant survey and TACT board, and are now in the process of being implemented for 2025/26. It is critical that these savings are achieved, as failure to do so will reduce borrowing headroom and would result in significant cuts to the capital programme. Progress against achieving savings will be monitored through the course of 2025/26, and further proposals explored if the current proposals are not delivered.

Asset disposals

- 11.38 The business plan includes proceeds of disposals to date in 2024/25. These disposals relate to strips of development land. These sites, that are considered uneconomic to develop within the HRA, have already been identified and one strip sold as at December 2024. As well as providing valuable capital receipts to support the HRA this will enable small development to come forward.
- 11.39 The business plan assumes that the HRA will identify and dispose of £3.95m of surplus social housing assets over 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.
- 11.40 The previous business plan assumed the disposal of Barnes House. This site is currently being reviewed for use as temporary accommodation, which reduces longer term anticipated pressure on the General Fund. This potential use is subject to submission of an expression of interest being submitted for Wave 3 LAHF to support the refurbishment of Barnes house, which otherwise would not be viable. Subject to financial appraisal, a decision on the future use of Barnes House for temporary accommodation in the general fund or disposal by the HRA will be finalised during 2025/26.

Service charges

- 11.41 The 2024/25 budget setting process proposed a move towards cost recovery, and that work would be undertaken in 2024/25 to establish current costs and determine the impact on charges of moving to cost recovery. This review was undertaken in the summer of 2024, using 2023/24 actual costs data as the latest, reliable cost base.

- 11.42 It is proposed that cost recovery take place on an arrears basis, where the charges in the current year will be based on the prior year cost, unless there are exceptional circumstances. The table below summarises the current costs of providing services, compared with the current income recovery through service charges.

Cost category	Number of properties	Current average charges PW	Proposed average charge PW	Average Inc/red'n	actual cost incurred 23/24	Forecast recovery 2024/25	Income estimate 2025/26
Alarm charge	808	1.02	1.01	-0.01	42,395	42,864	42,460
Grounds Maintenance	1589	0.82	0.81	-0.01	68,325	67,730	67,310
Water charges	308	2.58	3.18	0.59	51,132	41,356	50,884
Cleaning	1545	1.68	1.85	0.17	171,098	135,115	149,023
Utilities	1630	2.81	3.34	0.54	284,694	237,807	283,336
Estate Visits	1539	1.65	1.96	0.31	158,480	131,769	156,570
Sheltered Charge	458	9.90	9.95	0.06	271,463	235,733	237,069
Furniture, fixings etc.	536	0.90	0.89	-0.01	27,084	25,051	24,745
Contracts	1061	2.46	2.44	-0.03	159,495	135,987	134,547
Heating	115	8.50	5.29	-3.21	38,130	50,844	31,628
Fire Safety	408	1.02	1.64	0.62	106,714	21,623	34,806
TA Charges	66	23.42	22.27	-1.15	79,661	80,377	76,434
Walpole Road service charges	2	8.94	8.67	-0.27	901	930	901
WHT charges for pump	4	15.59	14.85	-0.74	3,088	3,243	3,088
Affordable service charges	81	3.79	5.98	2.19	24,219	15,982	25,198
Affordable pump charges	14	4.09	12.04	7.95	8,765	2,981	8,765
Council Tax	27	3.81	3.52	-0.29	2,944	5,348	4,939
Average Insurance	101	2.95	2.95	0.00	8,758	15,498	15,506
Management Fee	55	2.24	2.08	-0.16	6,321	6,394	5,945
Pump	69	1.22	1.23	0.01	4,248	4,371	4,402
Catering Costs	8	31.67	35.28	3.61	14,676	13,174	14,676
Kitchen Equipment	8	3.71	2.31	-1.40	960	1,543	960
Evinox	8	1.83	1.83	-0.00	767	761	760

- 11.43 The table demonstrates that, for many areas, the service charge was broadly at cost recovery; that there were some areas where overall over recovery was occurring, and some areas where increases are required to move to cost recovery. Some areas, particularly utilities, showed a mix of over and under recovery between properties, which will be adjusted in final charges, however the table above gives an overall average across all properties.

- 11.44 It is recognised that a move to full cost recovery may result in an excessive increase in charge if applied straight away; it is therefore proposed to cap increases at 5% or £5, whichever is the greater, and to phase towards full recovery over a period of years, and the income projections above reflect this.

- 11.45 The average existing and proposed average charges for each cost category tabulated at 11.41 above will overall result in a reduction in expected income for certain charges, however, this is more than offset by reductions in associated rechargeable cost budgets, particularly for cleaning and energy, which haven't increased as significantly as was assumed in previous business plans.

Sewage Treatment Works

- 11.46 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.
- 11.47 There is currently an under-recovery by the HRA of the annual cost of operating these treatment plants forecast at £256k in 2024/25.
- 11.48 The Council agreed to the principle of moving to cost recovery of the total cost of providing sewage treatment services to all residents in February 2024, so that these services are not subsidised by other council tenants. In the meantime, it is proposed to increase sewage service charges in line with Ofwat proposals to be announced in February 2025.
- 11.49 To facilitate this and mitigate some of the larger increases that would otherwise be required, new investment was included in the capital programme in 2024/25 to reduce the specific costs of the four most expensive sites. Progress is being made against these sites, with completions expected in 2025/26. Further provision has been made in the capital programme, subject to business cases, for further investment.
- 11.50 In addition, the capital programme also includes investment in sewage sites funded via Partnership for Urban South Hampshire, and further investment in sites intended to generate nutrient credits. The sale of nutrient credits will generate receipts which can be reinvested in additional sites, for which provision is made subject to approval of business case.
- 11.51 Costs will be reassessed following investment in sites and a consultation plan agreed in 2025/26, after which it is proposed that WCC move to full cost recovery for these services to all residents over a transitional period.

Housing Revenue Account Budget 2025/26

- 11.52 Details of the proposed budgets are shown in Appendices 1 and 2 and the larger item adjustments highlighted in the subjective summary in Appendix 2 are shown below:
- 11.53 Employees – The 2025/26 budget is £6.047m, a slight decrease of £0.027m on the 2024/25 revised budget. The employee budget includes the full year effect of the 2024/25 pay award, a provision of 4% for the 25-26 pay award, and allowance for a 1% increase in employers NI contribution. It also takes into account an anticipated reduction in staff capitalisation within the New Homes team, which arises as a result of a move towards acquisitions rather than new build in the short term. Savings of £0.11m have been achieved through the deletion of vacant posts as agreed in the HRA options paper, and

other adjustments relate to the transfer of finance staff from direct staff costs to a recharged cost. The one-off budget in 2024/25 relates to repairs contract procurement which has been reversed and revised in 2025/26 within Supplies and Services.

- 11.54 Premises – The 2025/26 budget is £10.217m, an increase of £1.264m on the 2024/25 original budget. The main changes relate to repairs and voids of £1.585m, which includes the impact of historic cumulative inflation and anticipated RPI inflation in 2025/26; continuing growth in workloads; and regulatory pressures outlined in paragraph 11.33. An anticipated increase in insurance costs of £0.118m, and increase in business rates, and council tax on void properties of £0.070m is also factored in. This is partially offset by proposed cost reduction savings on maintenance costs of £0.3m. The remainder of the saving relates to readjustment of energy and cleaning budgets consistent with 2023/24 outturn and 2024/25 forecasts.
- 11.55 Supplies & Services and Third Party Payments – The Supplies and Services line includes growth items that were outlined in the November options report of £0.34m. The majority of the saving relates to a one-off saving agreed within the options paper of £0.4m to reduce the overall £2m investment included in the HRA in 2024/25. Further work will be undertaken in 2025/26 to identify further savings to ensure the £0.4m is ongoing. Further savings of £0.18m relate to reductions in consultancy budget, white goods, and Voicescape contract agreed within the November Options report.
- 11.56 Support Services – The Options report anticipated a £0.15m growth in support services over and above anticipated inflation. However, during the budget setting process it was clear that, particularly for IT costs, budget had not kept pace with actual costs. Increases in costs over the last few years has related to the rollout of laptops to facilitate flexible working post Covid, and the associated replacement cycle; and inflation on software costs in excess of headline CPI inflation. This has been resolved as part of the budget setting. The Budget options paper included a saving of £0.15m following a review of support staff chargeable to the HRA, and this has been accounted for in the wider staffing recharge calculation.
- 11.57 Net Interest – The 2025/26 budget reflects the external interest cost of anticipated HRA borrowing. It assumes gross interest costs of £7.152m, a decrease of £0.564m on the 2024/25 original budget. The basis of borrowing assumption is that the increase in borrowing requirement stemming from the current approved new build projects, and projects for which business cases are still being developed, will mean that borrowing currently being financed internally will need to be externalised during 2025/26, and further external borrowing undertaken from 2026/27. However, this is dependent on projects being agreed and, depending on the timing of spend and approval, internal borrowing will be applied for as long as the Council's overall cashflow will allow. Anticipated Interest rates on HRA balances are currently assumed at 5%. The reduction in borrowing costs between 2024/25 and 2025/26 is largely

attributable to the reprofiling of the capital programme in 2024/25 and 2025/26.

- 11.58 Depreciation – Is an estimate based on the prior year and anticipated increase in the current year. The budget for 2025/26 is £10.562m, an increase of £0.589m on the £9.973m original budget for 2024/25. The actual cost of depreciation will reflect the value of the HRA operational assets, the anticipated capital spend and the changes in the number and value of HRA dwellings and non-HRA dwellings at year end.
- 11.59 External Income – The 2025/26 budget is £38.004m, an increase of £1.123m on the original budget for 2024/25. This largely reflects the proposed rent increase of 2.7% from April 2025, together with associated changes in service charges and other income. For comparison the HRA will be spending £1.327m more on services than in 2024/25. Right to Buy admin fees are anticipated to reduce significantly following the changes to the scheme in November 2024 and the budget has been adjusted accordingly.

HOUSING SERVICES CAPITAL PROGRAMME

- 11.60 The 10-year forward financial projection for major repairs is based on data held on the replacement cycle of key components, held within the Council's asset management database. It also includes provision for works to meet energy efficiency standards.
- 11.61 HRA properties are maintained to decent homes standards, with the property services team managing the upkeep of properties taking into consideration current stock condition information. In order to manage the maintenance, improvement and renewal programme effectively, the property services team need to have the flexibility to substitute projects and re-balance expenditure between repair budgets. The 10-year housing services capital programme allocates £90.9m towards major repairs to HRA dwellings based on the investment requirements of the asset management plan.
- 11.62 A key element of the council's Climate Neutrality Action Plan includes additional investment in the council's housing stock to improve energy efficiency and help tenants reduce their carbon emissions. The updated housing services capital programme includes funding towards climate change of £42.373m, including provision for inflation.
- 11.63 The delivery of fabric improvements in year 2023/24, to over 200 homes with an EPC rating of D proved that renewable energy technologies are required in addition to the essential fabric upgrades to achieve the desired energy performance ratings. It is therefore proposed to combine the fabric upgrades with renewable energy technologies such as Solar PV and battery storage. The fabric and renewable technology measures proposed are compatible with the Standard Assessment Procedure Calculations for Domestic Energy Consumption. The combination of these measures will lower bills for residents, decrease the reliance on fossil fuel and uplift EPC ratings to C,

providing our residents with warmer more comfortable homes. It is proposed that £8m of the proposed budget is utilised on alternative technologies to ensure compliance for those properties. This is supported by, and subject to, an application for funding from the Department of Energy Security and NetZero under the current SHF Wave 3 Grant, the outcome of which is expected in February 2025.

- 11.64 Procurement of a suitable contractor to undertake the above will require the Council to procure in an expedient manner to, a) meet the conditions of the grant and b) minimise risk of failing to meet regulatory deadline. Procurement via the Communities and Housing investment Consortium Framework has begun and has included consultation with the relevant legal and procurement officers to confirm this is competitive and meets relevant procurement.

- 11.65 The nature and range of the projects requires a specialist contractor(s) with Retrofit Certification, to ensure value for money and quality assurance. Due to the high demand for these specialist contractors utilising a suitable Framework, where contractors have already undertaken a robust selection process to be appointed, was identified to be the most suitable procurement route. The Framework utilised is CHIC- Communities and Housing Investment Consortium. Utilising a suitable Framework agreement is in accordance with the Public Contract Regulations 2015 and the council's Contract Procedure Rules. The identified contractor holds the relevant certification to carry out specialist retrofit work. The PAS 2030 and 2035 certification is governed by Trustmark an accreditation scheme that is a Central Government pre-requisite for all Central Government funded retrofit work. The identified contractor submitted a fee breakdown together with rates provided by the Framework which was benchmarked with other contractors and proved to be competitively priced. The Contractor conducting the work will be appointed using a suitable JCT Contract. The contractual payments being linked to successful performance of the works, whether in whole or in stages. The contract will offer the flexibility and procedures required to deliver 5 programmes that are vary in nature and time scales. The JCT contract will be managed in accordance with the council's contract management framework.

- 11.66 The latest financial projection also includes an annual provision for Estate Improvements sufficient to cover known commitments and a similar level of capital expenditure beyond 2025/26.

- 11.67 Investment in the first wave of sewage treatment plants designed to reduce the high running costs of specific plants was included in the 2024/25 budget and are currently being progressed. Further provision for improvement works, funded through both the generation of nutrient credits and funding from Push South Hampshire (PSH), was agreed in September 2024. The proposed budget includes additional investment of £0.6 for a second wave of proposed sites, in addition to the ongoing investment requirements of the HRA sewage treatment works, to reduce the running costs of more of the high-cost sewage treatment works sites prior to moving towards cost recovery. Business cases for these projects are currently being developed.

New Build Capital Programme

- 11.68 The new “Good Homes for All” council plan priority continues the council’s commitment to new homes and the HRA New Build Programme is key to delivering this objective. The HRA Capital programme includes provision for existing and emerging opportunities, sufficient to finance the achievement of the council’s target to deliver 1000 new council homes by 2032. The 10-year forward financial projection has identified a capital expenditure requirement of £237.7m. The projection includes approved schemes totalling £42m and an unapproved provision of £195m to cover schemes for which business cases are currently being developed, or schemes as yet unidentified. A breakdown of the schemes is shown at Appendix 4. Application for additional housing grant will be considered for all future developments where appropriate.
- 11.69 Delivery of new homes is dependent on the identification and acquisition of suitable s106 sites, as well as land and appropriate sites to develop. The new build programme assumes steady delivery of unallocated schemes and small sites to optimise available funding and cashflow within the HRA. There is an unallocated budget of £6m for 2025/26, but if required additional funding may be brought forward from future years subject to robust business case.
- 11.70 In December 2024, the Council was offered the opportunity to submit an expression of interest to secure funding from the Local Authority Housing Fund (LAHF) for additional homes for Afghan resettlement and temporary accommodation.
- 11.71 An expression was submitted on 17th January, but as at the time of writing this report, was still awaiting the outcome. The expression of interest would support the acquisition of up to 12 properties, of which 9 intended for temporary accommodation and 3 for resettlement. The Expression of interest would also support the refurbishment of Barnes House, a long term void property, for temporary accommodation.
- 11.72 At the time of writing, the exact award is not yet known and will be confirmed in the finalised Memorandum of Understanding. Proposed spend is based on estimates of property purchases.
- 11.73 The council are encouraged to deliver 50% of these properties as new homes (new build). There is a 10% uplift to the base grant for any new homes purchased. The base grant is calculated on 40% of median purchase prices in Winchester, which according to O&S Statistics is £494,475. A further £21,000 is also awarded and is intended for conveyancing, refurbishment but may also be contributed to purchase cost.
- 11.74 Expenditure would be subject to meeting criteria, including financial viability, and suitability of the property in terms of location, level of refurbishment required and suitability for conversion to Temporary Accommodation. The

conditions of the grant requires the council to be, on best endeavours, to be in contract by 31st March 2026

- 11.75 The Business plan supports the delivery of the existing 1,000 Homes programme, but beyond the completion of the programme reverts to the repayment of borrowing, in order to demonstrate that the existing programme is affordable and sustainable. This assumption will be reviewed annually as part of the business planning process.

HRA Capital Programme Funding

- 11.76 Appendix 5 gives full details of how it is proposed to fund the Housing Services & New Build Budgets from 2024/25 to 2034/35. This shows a prudential net borrowing requirement of £160m (or 39% of total programme funding), the planned reinvestment of RTB receipts £21m (5%), and the application of Major Repairs Allowance £155m (recycled depreciation funding of 38%), the investment of shared ownership receipts and other asset sales £42m (10%) and the application of S106 funding £17m (4%).

12 OTHER OPTIONS CONSIDERED AND REJECTED

- 12.1 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.
- 12.2 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 is challenging, and further savings are likely to 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.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

Previous Committee Reports: -

CAB3479H – Social Housing regulation – February 2025

CAB3478 – HRA Business Plan and Budget options – November 2024

CAB3465 – HRA outturn 2023/24 – September 2024

CAB3445 – HRA Budget 2024/25 – February 2024

CAB3432 HRA Business Plan and Budget Options – November 2023

CAB3387 HRA Budget – February 2023

CAB3365 HRA Business Plan and Budget Options – November 2022

Other Background Documents:-

None.

APPENDICES:

Appendix 1: HRA 2025/26 Budget – Service Summary

Appendix 2: HRA 2025/26 Budget – Subjective Summary

Appendix 3: Housing Services Capital Programme 2024/25 to 2034/35

Appendix 4: New Build Housing Capital Programme 2024/25 to 2034/35

Appendix 5: HRA Capital Programme Funding 2024/25 to 2034/35

Appendix 6: HRA Financial Plan 2024/25 to 2053/54 Extract – Operating Account

APPENDIX 1: HRA 2025-26 BUDGET – SERVICE SUMMARY

<u>Housing Revenue Account</u>	24/25 Original Budget per CAB3445	24/25 Revised Budget	25/26 Original Budget
Service Summary	£	£	£
Housing Management General			
Estate Management	(1,708,006)	(1,625,861)	(1,583,373)
HRA General	(4,329,250)	(3,989,025)	(4,076,304)
New Build Programme Support	(1,027,406)	(1,027,406)	(810,918)
Downsizing	(69,600)	(69,600)	0
Rent Accounting	(78,864)	(78,864)	(96,388)
Tenants Information	(109,779)	(79,167)	(90,003)
Tenancy Sustainment	(474,796)	(454,796)	(465,418)
Vacant Dwellings	(120,100)	(120,100)	(174,400)
	(7,917,801)	(7,444,819)	(7,296,804)
Housing Management Special			
Communal Services	(11,002)	(11,002)	147,379
Disabled Adaptations	(158,522)	(188,023)	(193,009)
Estate Maintenance	(660,994)	(660,994)	(620,887)
Homelessness	(228,821)	(163,189)	(109,213)
Home Ownership	349,099	349,099	502,040
Sewage Works	(430,495)	(430,495)	(433,371)
Sheltered Housing	(1,203,815)	(1,203,815)	(1,158,834)
	(2,344,550)	(2,308,419)	(1,865,895)
Repairs			
Responsive Maintenance	(3,540,927)	(3,540,927)	(4,322,319)
Voids	(1,767,900)	(1,767,900)	(1,764,950)
Cyclic	(1,135,300)	(1,135,300)	(1,763,867)
Sub - total Repairs Works	(6,444,127)	(6,444,127)	(7,851,136)
Repairs Administration	(2,060,980)	(2,318,890)	(2,642,488)
	(8,505,107)	(8,763,017)	(10,493,624)
Debt Management Expenses			
Debt Management Expenses	(9,243)	(9,243)	(12,576)
Interest Payable	(8,102,000)	(8,102,000)	(8,322,000)
Depreciation of Fixed Assets	(9,973,000)	(9,973,000)	(10,562,055)
	(18,084,243)	(18,084,243)	(18,896,631)
Rents and Other Income			
Dwelling Rents	33,649,400	33,649,400	33,965,769
Foxglove House	220,000	220,000	406,340
Garage Rents	64,400	64,400	56,092
Investment Properties Income	188,079	188,079	199,656
Rents and Other Income	50,912	50,912	74,047
Sheltered Charges	558,620	558,620	641,538
Interest Receivable	385,480	385,480	1,170,000
	35,116,891	35,116,891	36,513,442

APPENDIX 1: HRA 2024-25 BUDGET – SERVICE SUMMARY

<u>Housing Revenue Account</u>	24/25 Original Budget per CAB3445	24/25 Revised Budget	25/26 Original Budget
Service Summary	£	£	£
Surplus for year on HRA Services	(1,734,810)	(1,483,607)	(2,039,512)
Right to Buy Admin Fees	30,500	30,500	0
(Increase)/ decrease in HRA Balance	(1,704,310)	(1,453,107)	(2,039,512)
HRA Working Balance			
Opening Balance	14,447,125	14,095,611	14,701,504
Add Projected Deficit/(Surplus)	(1,704,310)	(1,453,107)	(2,039,512)
Forecast underpsend against budget Q3 2024/5		2,059,000	
Projected Balance at Year End	12,742,815	14,701,504	12,661,992

APPENDIX 2: HRA 2025-26 BUDGET – SUBJECTIVE SUMMARY

<u>Housing Revenue Account</u>	24/25 Original Budget per CAB3445	24/25 Revised Budget	One-off 24/25 Budgets	Inflation	Growth	Savings	Other Adjustments	25/26 Original Budget
Subjective Summary	£	£	£	£	£	£	£	£
Employees	(6,123,688)	(6,074,065)	110,000	(287,680)	0	110,000	94,269	(6,047,476)
Premises	(8,953,269)	(8,953,269)	0	(317,400)	(1,593,018)	637,800	0	(10,225,887)
Transport	(148,617)	(148,617)	0	(2,200)	0	0	0	(150,817)
Supplies & services	(2,584,757)	(2,454,757)	(84,900)	(41,354)	(340,000)	585,000	0	(2,336,011)
Third party payments	(225,900)	(225,900)	0	(2,500)	0	69,600	0	(158,800)
Support Services	(2,890,657)	(2,819,077)	0	(145,306)	(352,122)	0	(94,269)	(3,410,774)
Net Interest	(7,716,520)	(7,716,520)	0	0	0	0	564,520	(7,152,000)
Depreciation on Fixed Assets	(9,973,000)	(9,973,000)	0	(250,000)	(339,055)	0	0	(10,562,055)
External income	36,881,598	36,881,598	0	940,000	0	50,000	132,709	38,004,307
Surplus for year on HRA Services	(1,734,810)	(1,483,607)	25,100	(106,440)	(2,624,194)	1,452,400	697,229	(2,039,512)
Right to Buy Admin Fees	30,500	30,500	0	0	0	0	(30,500)	0
(Increase)/ decrease in HRA Balance	(1,704,310)	(1,453,107)	25,100	(106,440)	(2,624,194)	1,452,400	666,729	(2,039,512)
<u>HRA Working Balance</u>								
Opening Balance	14,447,125	14,095,611						14,701,504
Add Budgeted Deficit/(Surplus)	(1,704,310)	(1,453,107)						(2,039,512)
Forecast underspend against budget Q3 2024/25	0	2,059,000						
Projected Balance at Year End	12,742,815	14,701,504						12,661,992

Housing Services Capital Programme 2024/25 to 2034/35**Appendix 3**

Housing Services Programme	2024/25	2024/25	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	Total
	Original Budget.	Sept revised Budget.	Forecast	Budget.	Budget.	Budget.	Budget.	Budget.	Budget.	Budget.	Budget.	Budget.	Budget.	Budget.
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Scheme Name/Description														
Major Repairs	(10,405)	(7,183)	(7,182)	(8,570)	(9,203)	(8,555)	(9,605)	(9,708)	(9,864)	(5,736)	(7,547)	(7,084)	(8,367)	(91,421)
Ashburton & Chesil windows														
Major Repairs	(10,405)	(7,183)	(7,182)	(8,570)	(9,203)	(8,555)	(9,605)	(9,708)	(9,864)	(5,736)	(7,547)	(7,084)	(8,367)	(91,421)
														0
Estate Improvements	(534)	(350)	(350)	(432)	(445)	(459)	(472)	(487)	(501)	(516)	(532)	(272)	(280)	(4,746)
Sheltered Housing	(154)	(174)	(174)	(74)	(76)	(78)	(81)	(83)	(86)					(652)
Improvements & Upgrades	(688)	(524)	(524)	(506)	(521)	(537)	(553)	(570)	(587)	(516)	(532)	(272)	(280)	(5,398)
														0
Disabled Adaptations	(815)	(1,015)	(700)	(719)	(740)	(763)	(786)	(809)	(833)	(858)	(884)	(911)	(938)	(8,941)
Asbestos and Fire rectification (reactive)				(300)	(150)	(161)	(164)	(175)	(189)	(195)	(205)	(215)	(221)	(1,975)
Fire remedial works (Planned)	(1,176)	(1,000)	(750)	(1,051)	(547)	(560)	(565)	(576)	(585)	(602)	(616)	(631)	(650)	(7,133)
Fire Safety Compartmentation				(1,950)	(2,000)	(2,057)								(6,007)
Climate Change Emergency	(4,906)	(6,402)	(4,636)	(5,936)	(7,744)	(5,900)	(6,077)	(6,259)	(6,447)	0	0			(42,999)
Victoria House Sewerage Connection			(15)	(516)										(531)
Sewage Treatment Works (STW)	(659)	(866)	(450)	(479)	(162)	(120)	(123)	(127)	(131)	(135)	(139)	(143)	(147)	(2,156)
STW - Nutrient Mitigation	(600)	(400)		(407)										(407)
STW - Nutrient Mitigation (PUSH)	0	0	(200)	(700)										(900)
Other Capital Spending	(8,156)	(9,683)	(6,751)	(12,058)	(11,343)	(9,561)	(7,715)	(7,946)	(8,185)	(1,790)	(1,844)	(1,900)	(1,956)	(71,049)
Unapproved Schemes														
Sewage Treatment works additional schemes					(600)									
Total HS Capital Programme	(19,249)	(17,390)	(14,457)	(21,134)	(21,667)	(18,653)	(17,873)	(18,224)	(18,636)	(8,042)	(9,923)	(9,256)	(10,603)	(167,868)

Housing New Build Capital Programme 2024/25 to 2034/35Appendix 4

New Build Programme & Other Capital	2024/25 Original Budget.	2024/25 Sep Revised.	2024/25 Latest Forecast	2025/26 Budget.	2026/27 Budget.	2027/28 Budget.	2028/29 Budget.	2029/30 Budget.	2030/31 Budget.	2031/32 Budget.	2032/33 Budget.	2033/34 Budget.	2034/35 Budget.	Total Budget.
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Scheme Name/Description														
Approved Schemes														
Winnall		(2,958)	(2,958)											(2,958)
Barton Farm	(189)													
LAHF Property Acquisition		(1,839)	(1,100)											(1,100)
Southbrook Cottages		(439)	(600)											(600)
Woodman		(41)												
Property Buybacks		(1,360)	(380)	(980)										(1,360)
Hazeley Rd Twyford			(300)	(915)	(915)									(2,130)
Kings Barton all Phases			(3,200)	(3,360)	(7,732)	(19,635)								(33,927)
New Build Major Repairs	(46)													
Total Approved Schemes	(235)	(6,637)	(8,538)	(5,255)	(8,647)	(19,635)								(42,075)
Unapproved Schemes														
CornerHouse	(986)			(900)	(900)									(1,800)
Woodman Close				(978)	(978)									(1,956)
Minden Rd					(1,505)	(1,505)								(3,010)
Morgans Yard					(115)	(1,164)								(1,279)
Unallocated 1000 homes	(13,703)	(12,343)		(6,065)	(6,815)	(24,319)	(26,193)	(30,785)	(37,005)	(28,672)	(27,771)			(187,625)
Total Unapproved Schemes	(14,689)	(12,343)		(7,943)	(10,313)	(26,988)	(26,193)	(30,785)	(37,005)	(28,672)	(27,771)			(195,670)
Total All Schemes	(14,924)	(18,980)	(8,538)	(13,198)	(18,960)	(46,623)	(26,193)	(30,785)	(37,005)	(28,672)	(27,771)			(237,745)

HRA Capital Programme Funding 2024-25 to 2034-35**Appendix 5**

	2024/25	2024/25	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/25	Total
HRA Capital Programme Funding	Original Budget	Sept Revised Budget	Latest Forecast	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Borrowing	0		0	0	0	45,042	21,775	27,427	32,937	15,993	16,973	0	0	160,147
RTB 141 Receipts	4,475		6,994	3,673	1,015	1,050	1,085	1,122	1,160	1,198	1,239	1,281	1,323	21,141
Other RTB Receipts	3,360		610	549	36	43	50	57	29	36	43	51	59	1,563
Capital Receipts - Shared Owner	4,114	3,000	3,000	4,000	6,043	2,631	4,851	6,581	5,380	4,204	5,957	0	0	42,647
Capital Receipts Other	1,042	1,042	50	623	1,200	1,105	600	600	600	600	0	0	0	5,378
Grant	0		882	700	0	0	0	0	0	0	0	0	0	1,582
CIL	0	755	755	0	0	0	0	0	0	0	0	0	0	755
S106			0	0	4,000	3,878	4,000	1,035	2,805	1,600	0			17,318
Major Repairs Reserves	13,304		10,704	24,787	28,333	11,527	11,706	12,188	12,729	13,083	13,481	7,924	9,221	155,684
Funding Total	26,295	28,402	22,995	34,332	40,627	65,276	44,067	49,010	55,641	36,714	37,694	9,256	10,603	406,215
Housing Services			14,457	21,134	21,667	18,653	17,873	18,224	18,636	8,042	9,923	9,256	10,603	168,468
New Build			8,538	13,198	18,960	46,623	26,193	30,785	37,005	28,672	27,771	0	0	237,745
Capital Programme Total	26,295	24,027	22,995	34,332	40,627	65,276	44,066	49,009	55,641	36,714	37,694	9,256	10,603	406,213

APPENDIX 6 – HRA BP INDICATIVE OPERATING ACCOUNT OVER 30 YEARS

Winchester CC HRA Business Plan Operating Account (expressed in money terms)																		
Income					Expenditure													
Year	Year	Net rent Income £,000	Other income £,000	Misc Income £,000	Total Income £,000	Managt. £,000	Depreciation £,000	Responsive & Cyclical £,000	Other Revenue spend £,000	Misc expenses £,000	Total expenses £,000	Capital Charges £,000	Net Operating (Expenditure) £,000	Repayment of loans £,000	Surplus (Deficit) for the Year £,000	Surplus (Deficit) b/fwd £,000	Interest £,000	Surplus (Deficit) c/fwd £,000
1	2024.25	35,359	234	1,584	37,177	(12,558)	(10,317)	(8,288)	(445)	(315)	(31,903)	(7,201)	(1,927)	(231)	(2,157)	14,925	1,934	14,701
2	2025.26	35,732	292	2,011	38,035	(12,867)	(10,566)	(8,101)	(788)	(578)	(32,900)	(8,319)	(3,184)	0	(3,184)	14,701	1,144	12,661
3	2026.27	37,444	298	2,065	39,807	(12,718)	(10,881)	(8,246)	(465)	(595)	(32,905)	(8,323)	(1,421)	0	(1,421)	12,661	634	11,874
4	2027.28	40,365	304	2,121	42,790	(12,775)	(11,285)	(8,519)	(368)	(613)	(33,540)	(9,483)	(213)	0	(213)	11,874	362	12,023
5	2028.29	42,834	310	2,178	45,322	(13,011)	(11,706)	(8,775)	(52)	(631)	(34,175)	(11,313)	(166)	0	(166)	12,023	364	12,220
6	2029.30	45,209	316	2,237	47,762	(13,355)	(12,188)	(9,035)	(53)	(650)	(35,281)	(12,571)	(90)	(231)	(321)	12,220	367	12,267
7	2030.31	48,581	323	2,298	51,201	(13,720)	(12,729)	(9,316)	(54)	(670)	(36,490)	(14,072)	639	0	639	12,267	383	13,290
8	2031.32	49,783	329	2,360	52,472	(14,082)	(13,083)	(9,596)	(55)	(690)	(37,506)	(15,473)	(507)	0	(507)	13,290	397	13,179
9	2032.33	51,445	336	2,424	54,204	(14,454)	(13,481)	(9,881)	(56)	(710)	(38,582)	(16,550)	(928)	(231)	(1,159)	13,179	383	12,403
10	2033.34	52,520	342	2,490	55,352	(14,794)	(13,898)	(10,166)	(57)	(732)	(39,448)	(16,962)	(1,057)	(343)	(1,401)	12,403	444	11,446
11	2034.35	53,612	349	2,557	56,519	(15,150)	(13,919)	(10,467)	(59)	(754)	(40,349)	(16,961)	(781)	(231)	(1,012)	11,446	578	11,012
12	2035.36	55,774	356	2,627	58,757	(15,516)	(14,143)	(10,777)	(60)	(776)	(41,272)	(17,177)	309	(318)	(10)	11,012	736	11,738
13	2036.37	55,796	363	2,698	58,858	(15,890)	(14,370)	(11,096)	(61)	(800)	(42,217)	(17,166)	(526)	(229)	(754)	11,738	859	11,843
14	2037.38	56,892	371	2,772	60,034	(16,274)	(14,601)	(11,424)	(62)	(824)	(43,188)	(17,304)	(455)	(378)	(833)	11,843	926	11,936
15	2038.39	58,010	378	2,847	61,235	(16,668)	(14,836)	(11,762)	(63)	(848)	(44,178)	(17,277)	(221)	(698)	(918)	11,936	995	12,012
16	2039.40	59,150	386	2,925	62,460	(17,071)	(15,075)	(12,110)	(65)	(874)	(45,195)	(17,234)	30	(1,017)	(987)	12,012	1,120	12,145
17	2040.41	60,312	393	3,004	63,710	(17,485)	(15,318)	(12,469)	(66)	(900)	(46,237)	(17,174)	299	(1,409)	(1,110)	12,145	1,202	12,237
18	2041.42	62,680	401	3,086	66,168	(17,909)	(15,564)	(12,838)	(67)	(927)	(47,305)	(17,068)	1,797	(2,960)	(1,163)	12,237	1,284	12,358
19	2042.43	62,707	409	3,171	66,287	(18,344)	(15,814)	(13,218)	(69)	(955)	(48,399)	(17,088)	800	(2,105)	(1,306)	12,358	1,455	12,507
20	2043.44	63,940	417	3,257	67,615	(18,789)	(16,069)	(13,609)	(70)	(983)	(49,520)	(16,971)	1,123	(2,586)	(1,443)	12,507	1,511	12,575
21	2044.45	65,198	426	3,346	68,970	(19,246)	(16,327)	(14,011)	(71)	(1,013)	(50,669)	(16,833)	1,468	(2,969)	(1,501)	12,575	1,534	12,608
22	2045.46	66,480	434	3,438	70,352	(19,715)	(16,590)	(14,426)	(73)	(1,043)	(51,847)	(16,674)	1,831	(3,356)	(1,525)	12,608	1,639	12,723
23	2046.47	67,788	443	3,532	71,763	(20,195)	(16,857)	(14,853)	(74)	(1,075)	(53,054)	(16,496)	2,214	(3,841)	(1,627)	12,723	1,782	12,878
24	2047.48	70,452	452	3,629	74,533	(20,688)	(17,128)	(15,292)	(76)	(1,107)	(54,290)	(16,407)	3,835	(5,574)	(1,738)	12,878	1,944	13,083
25	2048.49	70,484	461	3,728	74,673	(21,193)	(17,403)	(15,745)	(77)	(1,140)	(55,558)	(16,145)	2,970	(4,930)	(1,960)	13,083	2,015	13,138
26	2049.50	71,872	470	3,831	76,172	(21,711)	(17,683)	(16,211)	(79)	(1,174)	(56,857)	(15,886)	3,429	(5,431)	(2,002)	13,138	2,071	13,206
27	2050.51	73,287	479	3,936	77,702	(22,242)	(17,968)	(16,690)	(80)	(1,209)	(58,189)	(15,601)	3,913	(5,970)	(2,057)	13,206	2,096	13,245
28	2051.52	74,731	489	4,044	79,264	(22,788)	(18,256)	(17,184)	(82)	(1,246)	(59,554)	(15,413)	4,297	(6,504)	(2,207)	13,245	2,061	13,098
29	2052.53	77,669	499	4,155	82,323	(23,345)	(18,550)	(17,693)	(84)	(1,283)	(60,954)	(15,069)	6,300	(8,193)	(1,893)	13,098	2,078	13,283
30	2053.54	77,678	509	4,270	82,456	(23,908)	(18,848)	(18,202)	(85)	(1,322)	(62,363)	(14,677)	5,417	(7,512)	(2,095)	13,283	2,116	13,303

Proposed savings 2025/26 and beyond

Appendix 7

Proposed Savings 2025/26

Proposal	2025/26 Saving	Potential future year savings	One/off or ongoing	Risk rating
Review of General Fund staffing recharges to the HRA	150		Ongoing	Green
Discontinue Tenants incentive budget. This is a budget to reward customers for moving from a larger to smaller property. Many customers decide to make such a move without the incentive of payment and thus this budget can be withdrawn. If tenants face hardship in moved discretionary housing payments exist to help fund the move.	65		Ongoing	Green
Reduce Tenant involvement budget. This has been achieved by aligning budgets to existing spend and has no impact on current activity.	40		Ongoing	Green
Discontinue white goods budget. This budget was used to purchase new white goods for tenants when they moved into homes if they were unable to finance themselves. In future customers facing this issue will be supported with recycled or white goods from charities.	25		Ongoing	Green
IT contingency budget reduction. This is reduction in budget due to the repair and maintenance contract procurement intending to seek IT solutions from suppliers as part of the contract.	400		One-off	Green
Rent convergence updated budget assumption. This reflects the modelling of the turnover of properties next year that will be let at formula rent levels.	100		Ongoing	Green
Reduce consultancy budget from New Homes. This will reduce the budget for feasibility on new development to be undertaken by the Council. This is consistent with the strategic move to acquisition of new homes and reducing direct development activity.	100		Ongoing	Green

New Homes deletion of vacant posts. This is the deletion of funded vacant posts.	120		Ongoing	Green
Sewage charges subsidy reduction. If OFWAT allow water utility bills to increase above inflation then Council policy is to mirror any increases and as such the subsidy provided will reduce commensurately	10	45	Ongoing	Amber
Review of Voids contracts provision Detailed review of voids costs suggests that in some cases costs can be reduced by procurement outside basket rates	200	150	Ongoing	Amber
Implementation of Repairs recharge policy. This is subject to implementation of repairs recharge policy which supports the repair and maintenance contract procurement. Policy is expected to be agreed at Cabinet in July 2025 following consultation.	50		Ongoing	Amber
Disrepair process review. This reflects a more proactive approach to achieving agreement to disrepair cases early on so as to mitigate costs of fees for the Council.	0	50	Ongoing	Amber
Voicescape end contract 2025/6 half year. This contract supports income recovery and the performance achieved to date does not require on going use of this service	20		Ongoing	Amber
Service charge full cost recovery review. This reflects the costs of ensuring that full costs of service charges are recovered from those customers who enjoy them.	250		Ongoing	Amber
Reduction in postage. As the service moves towards digital communications with customers this budget can be reduced commensurately	20		Ongoing	Amber
To employ a Quantity Surveyor to drive cost control savings. This saving is the net after employment costs of a Quantity surveyor is employed to challenge contractors costs of works when invoiced.	100		Ongoing	Red

Increased charges for catering at Chesil Lodge. At present the HRA provides a significant subsidy to the cost of meals for those who enjoy them at Chesil lodge. This proposal aims to reduce that subsidy by passing more costs onto the Chesil lodge residents	20		Ongoing	Amber
Total	1,670	245		

SCRUTINY COMMITTEE

REPORT TITLE: GENERAL FUND BUDGET 2025/26

4 FEBRUARY 2025

REPORT OF CABINET MEMBER: Councillor Neil Cutler, Deputy Leader and Cabinet Member for Finance and Performance

Contact Officer: Liz Keys, Director (Finance) Tel No: 01962 848226 Email lkeys@winchester.gov.uk

WARD(S): ALL

RECOMMENDATION:

It is recommended that scrutiny committee comment on the proposals within the attached cabinet report, ref CAB3494 which is to be considered by cabinet at its meeting on the 12 February 2025.

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REPORT TITLE: GENERAL FUND BUDGET 2025/26

12 FEBRUARY 2025

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 purpose of this paper is to consider and recommend to Council the 2025/26 General Fund Revenue Budget. The report details the proposals for additional savings, spending and investment for the year ahead in order to support core council services and enhance delivery of the priorities in the newly adopted Council Plan 2025-2030.

The Medium-Term Financial Strategy (report CAB3483 in November 2024) set out the forecast position for the medium term. Projections have now been updated and the new Medium Term Financial Plan (MTFP) is shown at Appendix A. This shows that, although the council's immediate financial position to 2027 is stable, there are increasing forecast deficits in the longer term.

To address these future pressures, the Council has a well-established, organisation wide transformation programme to close the £3m gap in funding within 3 years. Transformation Challenge 2025 (TC25) has identified ongoing savings of £1.29m per annum which have been removed from the baseline budget. Transformational changes over the next few years are underway, focusing on digital redesign to enhance service delivery while producing savings; income generation; and contracts review.

RECOMMENDATIONS:

That Cabinet recommend to Council:

1. Agree the level of General Fund Budget for 2025/26 and recommend the summary as shown in Appendix A.
2. Approve the Greener Faster and carbon investment proposals, used as the basis of this budget and as set out in the CAB3483 including:
 - a. £135,000 additional budget per annum for the ongoing costs of providing the food waste collection service.
 - b. £460,000 one-off budget to fund the phased roll out of the food waste service from October 2025, without government funding.
3. In relation to the Healthy Communities priority of the new Council Plan:
 - a. Approve the revised income bands for the Council Tax Reduction scheme for working age applicants (set out in appendix E) that ensure claimants continue to receive the appropriate level of support after the DWPs increase in Universal Credit rates with effect from 1 April 2025.
 - b. Approve the amendment of the Council Tax Reduction scheme for working age applicants to include all additional support and new disregards with effect from 1 April 2025, as set out in this report.
 - c. That £15,000 from the Cost of Living Reserve be used to extend the Council Tax Exceptional Hardship Fund into 2025/26.
4. In relation to the Good Homes for All priority, approve additional investment of £300,000 per annum to fund increased demand for temporary accommodation to prevent homelessness.
5. That an additional £50,000 per annum be included to fund additional pressures on council contracts.
6. Approve service income annual budgets be amended as follows, in response to revised estimates:
 - a. Garden Waste income increased by £30,000 (to reflect increases subscriptions, although partly off-set by increased contract costs of delivering the service to more households).
 - b. Planning fee income reduction of £200,000 (to reflect the current reduced levels of applications received)
 - c. Investment Property rental income reduced by £500,000.
7. Following a review of earmarked reserves that they be amended as follows:
 - a. £200,000 of the Transitional Reserve be re-allocated to the Thriving Places Reserve to invest one-off resources into planning enforcement.
 - b. £2m of the Transitional Reserve be re-allocated to the Property Reserve to fund maintenance requirements of corporate properties.

- c. £902,000 of the Exceptional Inflation Reserve be re-allocated to the Car Parks Property Reserve to fund maintenance of and investment in parking.
 - d. £425,000 from the Major Investment Reserve be re-allocated to the Local Development Framework Reserve to fund Local Plan requirements.
 - e. An additional £250,000 per annum be set aside into the Property Reserve, for the maintenance of and investment in operational assets.
 - f. An additional £100,000 per annum be set aside into the Car Parks Reserve to fund maintenance of and investment in parking.
8. That the sum of £1,364,045 be treated as Special Expenses under Section 35 of the Local Government Finance Act 1992 in respect of the Winchester Town area as set out in section 16 and Appendix D.
 9. That the Council Tax for the Special Expenses in the Winchester Town area at Band D for 2025/26 be increased by the maximum allowed under the referendum limit of 2.99% combined between the town and district.
 10. That the deficit balance on the Council Tax Collection Fund for distribution to this Council, calculated in January 2025 of £142,787, be approved.
 11. Recommend the level of Council Tax at Band D for City Council services for 2025/26 be increased to £163.66, an increase of £4.30 reflecting an average Council tax increase of 2.7%.
 12. The approval of a Second Home premium for Council Tax which will take effect from 1 April 2026 (12 months' notice is required to implement this premium), and the adoption of exceptions (listed at Appendix F) in respect of properties included in the Council Tax Premium schemes.
- That Cabinet approve:
13. Delegation of authority to the Corporate Head of Economy and Community, in consultation with the Cabinet Member for Business and Culture, to devise and agree:
 - a. The Community and Voluntary Sector grant programme funding criteria, detailed outcomes, application processes and assessments and the allocation of grants.
 - b. The UK Shared Prosperity Fund programme, implement and administer the scheme and the allocation of grants, in line with government guidance.

IMPLICATIONS:1 COUNCIL PLAN OUTCOME

- 1.1 This budget underpins delivery of all the priorities in the Council Plan and all core services provided across the district of Winchester. Specific proposals to invest in services to support the Council Plan outcomes and areas of enhanced focus are set out in the report.
- 1.2 The new Council Plan 2025-30 was adopted by Full Council at its meeting on 15 January 2025 with effect from April 2025. The new Council Plan sets out the council's key ambitions and outcomes across six priorities.
- a) **Greener Faster** - working with and enabling businesses, organisations and residents to reduce carbon emissions and achieve the council's net zero carbon commitment for the district by 2030.
 - b) **Thriving Places** – making our district a place where residents want to live, visitors come and visit and attractive for sustainable business investment and growth that provides opportunities for young people to live and work in the district.
 - c) **Healthy Communities** – providing safe and attractive public facilities and open spaces to enable our residents to improve their health and wellbeing. Working collaboratively with voluntary and community sector partners to tackle social isolation, build community cohesion and support those most in need including targeted support for residents affected by the increased cost of living
 - d) **Good Homes for All** - Focussing on increasing the number of affordable homes across the district while taking action to ensure our tenants live in council homes that are decent, safe and energy efficient and resilient to the effects of climate change.
 - e) **Effective and Efficient** - improving online customer experience by adopting a customer-centred approach to deliver digital solutions for our most used services around the needs of our customer and residents
 - f) **Listening and Learning** - being more effective at hearing the voice of our residents, including under-represented groups, enabling them to influence decision making.
- 1.3 The budget as set out in this paper has been prepared on this basis and aligned to the six new Council Plan priorities.

2 FINANCIAL IMPLICATIONS

- 2.1 The proposals set out in this report represent a balanced budget for 2025/26 and for 2026/27. A significant deficit of £1.20m is forecast for 2027/28, increasing to £4.46m by 2029/30. However, it should be noted that the forecasts are subject to a high degree of uncertainty, with the Government funding review only due to take place over the next year to commence from 2026/27.

3 LEGAL AND PROCUREMENT IMPLICATIONS

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

4 WORKFORCE IMPLICATIONS

- 4.1 This report 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. Employees are critical to the delivery of these services and priorities and 31 March 2024 the council had a workforce of 408 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. It is recognised that successful transformation of services will involve significant staff resource to implement and may result in changes to team structures. The union have been actively involved in the staff engagement exercises that have been undertaken in the early stages of the TC25 project.

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 The council's General Fund has a property portfolio valued at £179m as at 31 March 2024 of which £72m 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.
- 5.2 A key area of focus within TC25 is the use of the property portfolio to drive additional income sources. Opportunities to make the best use of vacant properties and maximising rents are being actively explored. The progress of this work is being reported to the Property Board quarterly.

6 CONSULTATION AND COMMUNICATION

Budget consultation 2025/26

- 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 The 2025/26 budget consultation exercise was undertaken in October and the results helped inform the 2025/26 budget presented in this report.
- 6.4 The results show:
- a) Strong support for the TC25 programme and transforming services.
 - b) Strong support for the use of technology to improve efficiency and online access (79% agreed in total).
 - c) Strong support for using reserves to balance deficits over 1 or 2 years (65% agreed in total).
 - d) Slight disagreement on reducing or stopping some non-essential services (46% disagreed).
 - e) Strong support for central government providing full funding for all additional costs of food waste collection (69% agreed in total).
 - f) Strong disagreement on higher council tax band properties paying additional, voluntary, council tax (78% disagreed).
 - g) Mixed feedback on increasing council tax but general disagreement on using this to fund new or enhanced services.

Other budget consultation

- 6.5 Discussions have been had with local business representatives through the Chamber of Commerce and the BID at their Winchester District Strategy Group business briefing in December 2024. No comments were made.
- 6.6 The Scrutiny Committee discussed the Budget Options and Medium-Term Financial Strategy report (CAB3483) and commented on the proposals at its meeting in November 2024. There were no comments on the specific budget proposals set out within the report but the committee's resolutions regarding member involvement in TC25 and the capital programme were responded to by the Deputy Leader and Cabinet Member for Finance and Performance at the decision day on 20 November.
- 6.7 Scrutiny Committee is due to consider this report at its meeting on 4 February 2025 after this report has been dispatched. Any matters that the Scrutiny Committee wishes to raise or asks the Cabinet to note before making their decision will be reported and considered fully at the Cabinet meeting.

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 The Council Plan recognises one of the main challenges 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 The MTFS includes a £200,000 per annum baseline revenue budget to fund carbon programme delivery work.
- 7.4 As well as these revenue resources, a total budget of £1m over 4 years, funded by prudential borrowing, has been allocated in the capital programme for energy management projects that would cover their financing costs. These projects may, for example, include further provision of solar panels to council properties and local business; further EV charging infrastructure; and other interventions to reduce energy usage. Further proposals for investment in a significant energy generation project on Council land is also being investigated. In addition, projects within the capital programme that are not primarily for carbon reduction must consider the council's Greener Faster objective where possible; for example, the design of the new pavilion at KGV park completed earlier this year includes elements to ensure a sustainable and energy efficient building such as high-performance insulation and solar PV.

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.

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.
- 9.2 The council has continuing ambitions to improve the experience of our customers and make services more accessible and efficient using digital transformation. A key strand of the transformation under TC25 is digitalising services for the majority of customers, so telephone and face-to-face services can be prioritised for those vulnerable customers who really need them. Technological innovation and digitalisation change the risks the council faces in keeping data secure. Data security considerations and data protection impact assessments will be undertaken for individual projects as they are scoped and developed.
- 9.3 In accordance with our existing Data Protection Policy, The Council will continue to regard the lawful and correct treatment of personal information as very important, in order to maintain confidence between us and the people we deal with. We ensure that the Council treats personal information lawfully and correctly, with due regard to the rights and freedoms of individuals.

10 RISK MANAGEMENT

Risk	Mitigation	Opportunities
<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 council's development	The council's advisors are reviewing the property investment market and will provide	

Risk	Mitigation	Opportunities
schemes achieve less interest or less income than expected.	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 the required level of savings.	The council has set aside an Exceptional Inflation reserve of £1.9m 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 timescales) is being monitored through PAC Board as a tier-one corporate project. As a tier-one project, quarterly highlights are reported to the Scrutiny Committee. The next phase of transformation is being scoped.	
<i>Financial</i> The council is unable to balance the revenue budget Risk of lower than projected demand for	Proposals set out in this report, including the strategy for management of reserves mitigate against this. The council has uncommitted revenue reserves available	Streamlining of services and digitalisation provides opportunities to improve the customer experience as well as making savings.

Risk	Mitigation	Opportunities
income generating services	which can be utilised as a last resort as above	

11 SUPPORTING INFORMATION:

- 11.1 As set out in the November Medium Term Financial Strategy (MTFS) report (CAB3488), the financial pressures faced by local authorities remain very challenging. Projections have now been updated and the new Medium-Term Financial Plan (MTFP) is set out in appendix B and summarised below.

English Devolution White Paper announced in December 2024

- 11.2 The Government published its English Devolution White Paper on 16 December 2024 setting out a programme of devolution and Local Government reorganisation across England. The vision outlined by Government is that all parts of England are to be part of regional Strategic Authorities that have a regional Mayor.
- 11.3 These Strategic Authorities, working in a similar way to existing Mayoral Combined Authorities, will have responsibility for driving growth and shaping public services across wider regional geographies. The combined authorities will cover strategic leadership of key place shaping responsibilities such as economic regeneration and growth, strategic planning, skills and employment, and strategic transport.
- 11.4 The government's programme for devolution and reorganisation of local government will have significant implications for the budgets of all existing local authorities in the county of Hampshire. At this stage, it is not known how the finances of constituent councils which form a new unitary council will be considered.
- 11.5 This budget has been prepared on the basis that the council's Medium Term Financial Strategy is required as-is for the delivery of services to Winchester residents for the foreseeable future.
- 11.6 The development and implementation of proposals for both Devolution and Local Government Reorganisation are expected to have one off resourcing implications for the council and will be considered in future budget reports, once there is some clarity on plans.

Local Government Finance Settlement and the economic outlook

- 11.7 The government have indicated that new and future funding will focus on 'need' and this will therefore benefit higher need, lower tax base authorities. However, this redistribution in funding will create significant challenges for

authorities, such as Winchester, who have benefit from the current 'reward' based system.

- 11.8 This change in funding distribution has commenced from 2025/26 where Winchester has seen a number of immediate changes:
- a) A significant reduction in 'Funding Floor' grant which was £1.193m in 2024/25 and had been forecast at £0.866m in 2025/26. The settlement has reduced this to £0.575m based on a redistributive mechanism.
 - b) Rural services delivery grant, previously £0.063m and expected to continue, has been abolished.
 - c) Services grant, which was previously £0.016m, is now NIL.
 - d) Compensation funding for increases in Employers NI contributions have not yet been confirmed by the government but the current basis of calculation leads us to forecast a significant shortfall of funding compared to the actual cost increase (based on increased costs of approx. £500k across the General Fund and Housing Revenue Account; but only £200k of potential funding). This is a shortfall based on direct employee costs and does not take into account the additional future shortfalls caused by increased contractor costs.
 - e) Extended Producer Responsibility funding has now been confirmed as a minimum of £0.834m in 2025/26, if the final calculation is higher then the higher amount will be received. Future funding could either increase or reduce and so forecasts show a flat £0.834m per annum over the MTFP period.
 - f) New Homes Bonus will end in 2025/26, the final funding of £1.811m is £0.062m above forecast.
 - g) Revenue Support Grant of £0.212m is £0.079m above forecast.
- 11.9 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.
- 11.10 Based on the expected review and redistribution of funding the MTFP (appendix 1) is showing a projected annual budget shortfall of £1.20m per annum in 2027/28, rising to a shortfall of £4.46m by 2029/30.

- 11.11 The MTFP is showing a sound and stable position for Winchester for the next two financial years through to April 2027. This gives us a limited window of opportunity to tackle the looming crisis forecast from 2027 onwards.

	2025/26	2026/27	2027/28	2028/29	2029/30
	£m	£m	£m	£m	£m
Budget surplus / (shortfall)	0.000	0.000	(1.197)	(3.034)	(4.459)

Table 2 Medium Term Financial Forecast

- 11.12 The MTFP is showing a sound and stable position for Winchester for the next two financial years through to April 2027. This gives us a limited window of opportunity to tackle the looming crisis forecast from 2027 onwards.

12 Forecast outturn position for 2024/25.

- 12.1 The latest forecast for the 2024/25 general fund budget is a surplus of £1.460m and is due to be reported in the Quarter 3 Performance Report. Out of the forecast surplus, £1.060m is related to the release of additional NNDR surplus gains from 2024/25 and reported in the General Fund 2023/24 Outturn (CAB3464). The forecast surplus is the net of a number of forecast favourable and adverse income and expenditure variances, relating to services.

- 12.2 Adverse service income variances relate to;

- a) Planning Fees - £200k
- b) Homelessness B&B costs - £30k

- 12.3 Favourable service income variances relate to;

- a) Car Parking Income - £100k
- b) Garden Waste Fees - £30k
- c) WS&LP Energy Benchmarking - £300k
- d) Employees - £200k (relating to lower than budgeted pay inflation in 2024/25)

- 12.4 The forecast surplus for 2024/25 is assumed in the MTFP (appendix 1) as being transferred to the transitional reserve to support the transformation programme and provide a buffer against the impact of future deficits in the transitional period before all transformational savings are realised.

13 Transformation Challenge (TC25) progress update

- 13.1 As set out in the updated MTFP, the medium-term financial challenge for the council continues to be of a completely different magnitude to previous rounds of savings since the mid-2000s. In response, Transformation Challenge (TC25) is an organisation-wide, tier-one strategic project. Progress is monitored by the Programme and Capital Strategy Board and reported through the quarterly performance reports to The Scrutiny Committee.

- 13.2 A core element of the TC25 programme is around digital transformation of council services. Delivering customer centred, data-driven digital solutions will streamline our internal operations, make us more efficient and elevate our customers' experience. The council is aiming to make intelligent use of data to optimise decision making; to reduce carbon emissions by printing and posting less; and to provide intuitive and easy to use digital solutions to access our services when it's convenient for customers.
- 13.3 A Digital Vision to underpin our customer-centred approach has been agreed by the Transformation Programme Board and the Digital Strategy adopted in December 2024. An experienced Digital Programme Manager is leading three core workstreams around the digitalisation of the planning service; improving our customers' experience; and enhancing efficiency, effectiveness and collaboration using the Microsoft 365 platform.
- 13.4 A summary of the TC25 budget reductions achieved, over-and-above those previously reported (£607,000 in CAB3444 and £250,000 in CAB3483) is set out below:

Review	Budget Reduction
Additional planning income	£76,000
Bar End disposal (annualised capital)	£320,000
Regulatory fee increases to recover costs of services	£11,000
Building Control – various budget reductions	£25,000
Total.	£432,000

- 13.5 The total TC25 savings achieved to date and removed from the baseline budget across 2024/25 and 2025/26 is £1.29m (43% of the £3m-in-3-years target). In addition to these budget reductions that have been achieved, there have also been cost reductions / cost avoidance (that would otherwise have resulted in an overspend) as a direct result of TC25, totalling a further £212,000 as below:

Cost reductions	All years
Energy Management	£108,000
Goods Shed letting - income in perpetuity	£60,000
Postage	£10,000
Cost avoidance as a result of a review of the pest control delivery model	£34,000
Total	£212,000

13.6 Reviews expected to result in further savings through the 2025/26 financial year but not yet recognised in the budget shown in appendix A include:

- Emergency Planning management arrangements
- Cleaning of City Offices contract review
- Further printing and postage reductions
- Improved commercial strategy for contract negotiations
- Land Charges future delivery model
- Further energy management measures

13.7 In the absence of clarity at this stage on the impact of devolution and reorganisation of local government for the council is committed to delivery of the current TC25 programme and budget reductions. Alongside this, we are actively working on the next phase of our transformation journey. Activities within the programme and new activity will continue to be appraised in terms of viability and potential benefits as we get more clarity on devolution and reorganisation.

14 Changes since the draft budget proposals in the MTFS

14.1 Taking in mind the feedback from Scrutiny Committee's review of the MTFS paper in November (where comments were predominately focused on the medium term forecast deficits and the measures being taken to address those) the draft budget options and assumptions were approved by Cabinet on 20 November and the budget has been prepared in accordance with those as set out in the MTFS report.

14.2 As a result of the public's overall positive support for the budget proposals consulted on in the budget consultation exercise, all of the options put forward at budget preparation have remained in the final budget that is set out below and detailed in appendix A. They are:

Council Tax increase:

- a) An inflation-linked increase to council tax of 2.7% equating to an increase of £4.30 for the Winchester City Council share of a band D property. This lower increase will allow a slightly higher increase in the "Town" precept, required to meet additional funding pressures on the Town account.

Service income adjustments:

- b) Estates property income – an income budget reduction of £150,000 per annum to align the property portfolio target income to current market conditions.

Service expenditure:

- c) An additional budget of £215,000 per annum to support the ongoing maintenance and running requirements of the Guildhall.

- d) A river maintenance budget of £50,000 per annum to support the ongoing maintenance of river banks.
- e) A fly tipping budget of £30,000 per annum to support the current level of cost of dealing with fly tipping incidents, particularly relating to asbestos.

Increased contributions to reserves:

- f) Car Parks Property Reserve – increase the annual contribution from £150,000 to £250,000 per annum to support the Car Parks Strategy.

- 14.3 In addition, there are adjustments included in the budget in appendix A for the savings achieved to date under TC25 and revised operational budget.

15 Transfers to / from reserves

- 15.1 Reserves play a major role in the Council's overall financial stability. They ensure that funding is available over the medium term to support major one-off expenditure covering areas such as major projects, the repair and maintenance of Council assets, risk management, and for the management of certain government funding such as Homelessness.
- 15.2 The estimates shown in Appendix 1 assume there will be no draws from reserves in order to meet ongoing expenditure. However, risk reserves are available to support the TC25 programme where required and also could act as a temporary buffer against the risk of changes in government funding, such as a reset of business rates retention.
- 15.3 The most significant reserve balance, outside of CIL, is the "Transitional Reserve" which was established 5 years ago. This reserve has an uncommitted balance of c£10m and 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 regeneration work is usually funded from the Major Investment Reserve. With existing commitments, there is only just over £4.3m remaining in that reserve and all future business cases for regeneration 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 The following baseline changes in contributions to earmarked reserves are included within this paper:
- a) An increase in contribution to the car parks property reserve from £150,000 to £250,000 per annum. This takes into account the latest maintenance plans which show increased expenditure requirements.




- b) An increase in contribution to the property reserve (assets) from £250,000 to £500,000 per annum. This takes into account the increased maintenance requirements recently identified, such as works to the Guildhall.
- 15.6 The following one-off transfers within earmarked reserves are included within this paper:
- a) A transfer of £200,000 from the Transitional Reserve to the Thriving Places Reserve to invest additional resources into the planning enforcement service.
 - b) A transfer of £425,000 from the major investment reserve to the LDF reserve. This takes into account latest local plan estimates for both the current and subsequent local plans.
 - c) A transfer of £902,000 from the exceptional inflation reserve to the car parks property reserve in order to replenish the reserve which had been forecast to be fully depleted by current spending plans.
 - d) A transfer of £2,000,000 from the transitional reserve to the property reserve (assets) to reflect the current estimated maintenance requirements of corporate properties such as the Guildhall.
- 16 Collection Fund
- 16.1 Council Tax - Regulations require the Council to approve the collection fund balance at 31 March, calculated at 15 January preceding. For council tax a deficit of £1,154,099 is forecast for 2024/25, to be collected in 2025/26. This is shared between the County Council £825,859, the Police & Crime Commission £140,832, the Fire & Rescue Authority £44,621 and this Council £142,787.
- 16.2 The council tax referendum limits on precept increases have been confirmed at 2.99% or £5, whichever is higher. Central Government spending power projections assume that all authorities will increase their precepts by the maximum amount.
- 16.3 The council could consider not increasing council tax in 2025 or setting a lower increase than the 2.5% baseline assumption in CAB3488 Budget Options report in November. Given the increasing deficits forecast from 2026/27 it is recommended that consideration be given to an increase in line with inflation of 2.7%. This increase would also allow a slightly higher increase in the "Town" precept, required to meet additional funding pressures on the Town account.
- 16.4 Therefore, to assist in addressing medium term projected shortfalls, the proposed budget set out in Appendix A assumes a 2.7% increase in council tax for the district along with a town forum recommended increase of 5.5% for the Winchester town area, in 2025/26.




- 16.5 The current level of tax for the district is £159.36 (Band D equivalent). The proposed tax for 2025/26 is £163.66, an increase of £4.30.
- 16.6 In considering the level of district tax, regard must be had to the tax for the town area in order to ensure that the overall increase does not exceed the referendum limits.
- 16.7 The current level of tax for the town is £85.38 (Band D equiv.). An increase of 5.5% would increase this to £90.08.
- 16.8 The council is required to present a council tax resolution document to the Council meeting for final approval of all precepts and council budgets for 2025/26. The current precept table is awaiting confirmation from a number of parishes who have their budget meetings in late January so a precept table will be dispatched for the Council meeting.
- 17 Winchester Town Charge – Section 35
 - 17.1 In accordance with Section 35 of the Local Government Finance Act 1992 the council has taken the decision in previous years to treat all expenses of the council as general expenses other than those identified as special expenses. The council endorsed this policy in February 2024.
 - 17.2 Special expenses are costs incurred for the provision of an amenity or service that is primarily for the benefit of one locality. In the Winchester district these expenses are levied by the council to cover the costs of local services in the Winchester “Town” area which elsewhere would be dealt with by parish councils.
 - 17.3 The services currently covered by special expenses are listed in Appendix D.
 - 17.4 It is recommended that the policy as previously agreed by the council on 14 July 1999 (minute 186) and confirmed in the budget and council tax report for 2024/25 is endorsed again. This is to treat all expenses of the council as general expenses other than those specifically identified and itemised in the Winchester Town Account. In consequence of which the sum of £1,364,045 will be treated as Special Expenses under Section 35 of the Local Government Finance Act, 1992 in respect of the Winchester “Town” area, summarised in Appendix D.
 - 17.5 The Winchester Town Forum met on 23 January 2025 and recommended the budget which is set out in Appendix D, including a proposal that Council Tax increase by the maximum allowable under the referendum limits (+2.99% combined with the District). This equates to +5.5% based on the assumed District increase of +2.7%.




- 18 Council Tax Reduction (CTR) Scheme – the inclusion of new income disregards for 2025/26
- 18.1 Consistent with changes to the wider benefits system, the government amended regulations with effect from February 2024 to the national CTR scheme, in respect of pension age applicants only, which currently runs alongside the council's local CTR scheme (for working age claimants). These regulations to the pension age CTR scheme required that a number of new or revised payments must be disregarded when assessing a person's income.
- 18.2 Each year the council considers whether any amendments are required to the local CTR scheme for working age applicants in its area, but due to the lateness of the regulations referred to above these changes could not be considered in time for the 2024/25 CTR working age scheme.
- 18.3 There are no changes for Pension Age applicants as they are part of the national scheme which is legislated for by central government. This year the council considered those changes referred to above for the working age CTR scheme in relation to a number of new income disregards.
- 18.4 Due to the impact of these changes, not only on certain CTR applicants, but on the wider Council Tax payer in Winchester (i.e. due to a potential increase in Council Tax due to more or larger awards of CTR), a consultation was undertaken in December and early January to determine if changes should take effect from 1 April 2025. The consultation was open to all Winchester residents and was widely publicised on social media, the council's website and outgoing emails and correspondence issued to CTR applicants through December and early January.
- 18.5 The following changes were proposed in order to provide additional support to these groups of CTR applicants:
- a) provide additional support to persons who are in receipt of Bereavement Support Payments and Widowed Parents Allowance;
 - b) disregard the childcare element of Universal Credit; and
 - c) include disregards for the:
 - (i) Post Office compensation payments;
 - (ii) Infected Blood compensation scheme;
 - (iii) Vaccine Damage Payments scheme;
 - (iv) Grenfell Tower compensation payments
 - (v) Carer Support Payments (paid by the Scottish Government).
- 18.6 Whilst the effect of these changes on the existing CTR budget is likely to increase the spend for the council, that increase is expected to be minimal. A large influx of claims from the above groups is not expected. The largest increase in CTR is likely to come from b) above, the disregard for childcare element of Universal Credit, which is estimated to be in the region of £20,000.

However, the overall spend on CTR continues to fall following the hike in spend during the Covid pandemic, and therefore any increased cost is expected to be maintained within or close to the existing budget, not accounting for any increases in council tax from preceptors in 2025/26.

18.7 The results of the consultation are as follows:

Part 1 - Provide additional support to persons who are in receipt of Bereavement Support Payments and Widowed Parents Allowance				
Do you agree with this proposal?				
Answer Choices			Response Percent	Response Total
1	Yes		61.20%	153
2	No		24.80%	62
3	Don't Know		14.00%	35
			answered	250

Part 2 - Disregard the childcare element of Universal Credit				
Do you agree with this proposal?				
Answer Choices			Response Percent	Response Total
1	Yes		51.53%	118
2	No		35.81%	82
3	Don't Know		12.66%	29
			answered	229

Part 3 - Include a disregard for Post Office Compensation Scheme payments, Infected Blood Scheme payments, Vaccine Damage Scheme payments, Grenfell Tower payments and Carer Support Payments (paid by the Scottish Government)				
Do you agree with this proposal?				
Answer Choices			Response Percent	Response Total
1	Yes		59.45%	129
2	No		31.80%	69
3	Don't know		8.76%	19
			answered	217

- 18.8 The overall response to the proposed changes is positive and the consultees largely support the amended CTR scheme for working age applicants. The first proposal on Bereavement Support payments received 250 responses which demonstrates a significant interest in these proposals.
- 18.9 It is recommended that the council's CTR scheme for working age applicants is amended with effect from 1st April 2025 to take account of the proposed changes in para 18.5 above, taking into account the positive impact the changes will have on those groups of applicants, the overall positive support received through the consultation and the minimal impact that any additional spend will have on this budget.
- 19 Council Tax Reduction (CTR) Scheme – revised income bands for 2025/26
- 19.1 To reflect the inflationary increases of the economy, the government will increase working age benefits (Universal Credit, Job Seekers Allowance, Housing Benefit (applicable amounts), Tax Credits etc.) and pension rates by CPI at 1.7% with effect from 1 April 2025. Considering this change, and following similar analysis last year, it is necessary to review the income bands within the council's local CTR scheme for working age applicants.
- 19.2 The income bands are set to ensure that people on the standard rates of Universal Credit receive sufficient assistance with their Council Tax liability. This rate is set at 100%. Those who receive an enhanced rate of Universal Credit due to disability receive CTR of 75% of their Council Tax liability.
- 19.3 The proposed income bands set out in Appendix E have been revised to ensure that CTR for working age applicants continue to receive a similar level of support through 2025/26. It is recommended that the council's CTR scheme for working age applicants is amended with effect from 1st April 2025 to take account of these proposed changes, as described above.
- 20 Exceptional Hardship Fund for 2025/26
- 20.1 Any CTR claimant suffering with financial difficulties can apply for assistance through the council's Exceptional Hardship Fund which will be extended into 2025/26 using the existing allocation of funding (£35k), together with a proposed top up of funding of £15,000 from the Cost of Living Reserve.
- 20.2 Eligible applicants will receive a further reduction to their council tax liability. This fund exists for the benefit of all Council Tax payers, regardless of whether they are in receipt of CTR, or not. This ensures that anyone who has dropped out of, or is ineligible for CTR, has support available to them when their income sits on the boundaries of the CTR scheme income bands.
- 21 Second Homes Premium
- 21.1 Within the 2023 Levelling-up and Regeneration Act, the government made provision for a new Council Tax premium to be introduced against Second Home properties. This premium will attract the same 100% charge, on top of

the initial Council Tax, for that property and it is proposed that the council agree to implement this with effect from 1 April 2026. The government requirements on this provision are that 12 months' notice to any implementation is provided to Council Tax payers. At the time of writing the council has 324 second homes recorded, although a review of these records will be undertaken in 2025/26 to establish the accuracy of this data. There is potential for this number to be smaller due to the charge on second homes being no different at present to full-paying council tax properties.

- 21.2 Within the same Act the government also made a commitment to regulate for a number of exceptions to both the empty and second home premiums. These exceptions have been regulated for by government and will take effect from 1 April 2025. The government class these exceptions as a mandatory condition of the Council Tax Premium schemes and so are noted as a change to any premiums, effective from 1 April 2025 A list of the exceptions is available at Appendix F.

22 Earmarked Reserves

- 22.1 The strategy for managing reserves was set out in CAB3483 in November 2024 and forms part of the overall Medium Term Financial Strategy that was approved as part of that report.
- 22.2 Total General Fund earmarked reserves, including proposals in this paper, are forecast to reduce from £41.3m at 1 April 2024 to £34.2m at 31 March 2028 (detailed in appendix C). The forecast closing balances (as at 31 March 2028) of key earmarked reserves are summarised below;
- (i) Operational reserves (£7.3m), significantly the major investment reserve, are revenue reserves which can be used to support revenue or capital expenditure, for example major projects.
 - (ii) Risk reserves (£13.3m), such as business rates retention, are available to mitigate risks faced by the council. The overall levels are reviewed each year in line with the Medium Term Financial Strategy.
 - (iii) Asset reserves (£5.4m), such as the asset management reserve, are used to maintain existing council assets and are supported by spending plans such as the asset management plan.
 - (iv) Restricted reserves (£8.2m), such as the Community Infrastructure Levy, can only be used for restricted purposes and therefore must be considered separately to other reserves which can be used for wider purposes.
- 22.3 Within the risk reserves subheading is the Transitional Reserve which was established by council as part of the 2021/22 budget to mitigate the risk of future budget shortfalls. The balance in this reserve is forecast to increase through 2025/26 as TC25 savings and forecast surplus year end balance are set aside to re-invest in the delivery of the transformation programme. Whilst

it is certain these invest-to-save measures will be necessary to achieve the budget savings required to address projected shortfalls in the medium term, the business cases for specific changes are still in development (e.g. for the digitalisation of the planning service). During budget setting for 2026/27 the spending plans for the Transitional Reserve will be included and therefore the balance is likely to fall again in the medium term.

23 Balances / risk reserves

- 23.1 The Council also maintains a general balance which is held to mitigate against any potential financial risks. These could be known risks or completely unforeseeable risks. The current balance of £2.789m gives additional cushioning particularly against the uncertainty of government funding over the medium-term projections.
- 23.2 A minimum balance of £1m is held within the business rates retention reserve in order to provide mitigation against the short term risks of a reduction in income, for example an unexpected increase in successful appeals.

24 Adequacy of reserves and robustness of estimates

- 24.1 There are specific requirements under Section 25 of the Local Government Act, 2003, for the Chief Financial 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.
- 24.2 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.
- 24.3 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.
- 24.4 The S151 officer can provide positive assurance on the robustness of the estimates, within the context of the overall budget and reserve levels, for the purpose of the budget calculations for the next year.

25 Authority to deliver grants programmes

- 25.1 During 2022-2025 the council delivered two major grant programmes. Its own Community and Voluntary Sector grants and the government's UK Shared Prosperity and Rural England Funds. Cabinet approved delegated authority to manage these programmes to the Corporate Head of Economy & Community which are valid until March 2025 (CAB3323, CAB3356, and CAB3372 refer respectively).

- 25.2 The council's Community and Voluntary Sector grants programme is part of a TC25 review that is yet to conclude. To enable funding to be awarded in 2025/26, under the current programme arrangements, delegated authority to manage the programme and award grants requires approval.
- 25.3 The government announced in December 2024 an additional year of funding under the Shared Prosperity programme and so to enable the management and awarding of grants, delegated authority is also required for 2025/26.
- 26 OTHER OPTIONS CONSIDERED AND REJECTED
- 26.1 Consideration has been given to not increasing Council tax in 2025/26. However, it should be noted that the Government settlement and additional resources allocated to the Council is a one-year announcement and forecasts still indicate increasing deficits in future years and therefore this cannot be recommended.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

CAB3483 General Fund Budget Options & Medium-term Financial Strategy dated 20 November 2024
 CAB3444 General Fund Budget 2024/25 dated 8 February 2024
 CAB3443 Capital Investment Strategy 2024-2034 dated 8 February 2024
 CAB3464 General Fund Outturn 2023/24 dated 11 September 2024

Other Background Documents:-

None

APPENDICES:

Appendix A: General Fund Medium Term Financial Projections
 Appendix B: Summary of Budget Proposals
 Appendix C: Reserves
 Appendix D: Winchester Town Account
 Appendix E: Revised 2025/26 CTR Income Bands
 Appendix F: Empty and Second Home Council Tax Premium Exceptions

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Council Tax Base	2.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%
Council Tax - Band D £	2.5%	2.7%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Contractual Inflation	6.7%	4.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Pay Inflation	4.0%	4.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
General Fund Revenue (£m)	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Funding										
Council Tax (excluding Parish Precepts)	9.830	10.347	10.694	11.053	11.425	11.809	12.206	12.616	13.041	13.479
Retained Business Rates	7.459	7.931	4.385	4.696	5.024	5.364	4.884	4.982	5.081	5.183
Hampshire Pooling Forecast		1.250								
Revenue Support Grant	0.166	0.212	-0.758	-0.790	-0.826	-0.861	-0.896	-0.914	-0.932	-0.951
New Homes Bonus	1.645	1.811								
Services Grant	0.016									
Ers NI Funding???		0.200	0.200	0.200	0.200	0.200	0.200	0.200	0.200	0.200
3% Guarantee	1.193	0.575								
Damping Forecast			5.173	3.709	2.234	0.815				
Rural Services Delivery Grant	0.063									
Extended Producer Responsibility Allowance		0.834	0.834	0.834	0.834	0.834	0.834	0.834	0.834	0.834
New Burdens Funding	1.242	0.958	0.335	0.335	0.335	0.335	0.335	0.335	0.335	0.335
	21.614	24.118	20.863	20.037	19.226	18.496	17.563	18.053	18.559	19.081
Investment Activity	2.326	2.110	2.373	2.101	1.770	1.741	1.708	1.675	1.642	1.609
Resources available	23.940	26.229	23.236	22.138	20.996	20.236	19.271	19.728	20.201	20.690
Baseline Net Expenditure										
Gross Income	17.358	17.674	17.634	17.684	17.734	17.784	17.834	17.890	17.924	17.958
Gross Expenditure	-35.933	-38.055	-39.020	-39.875	-40.732	-41.596	-42.460	-43.345	-44.255	-45.189
Baseline resource requirements	-18.525	-20.381	-21.186	-22.191	-22.998	-23.812	-24.626	-25.455	-26.331	-27.231
One-off budgets & Reserve Related Movements	-5.416	-5.848	-2.050	-1.145	-1.032	-0.883	-0.780	-0.778	-0.975	-0.975
Total net resource requirements	-23.940	-26.229	-23.236	-23.335	-24.030	-24.695	-25.406	-26.233	-27.306	-28.206
Budget Surplus / (Shortfall)	0.000	-0.000	0.000	-1.197	-3.034	-4.459	-6.135	-6.505	-7.105	-7.516

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Baseline Revenue Proposals

<u>General Fund Revenue (£m)</u>	Forecasts			
	2025/26	2026/27	2027/28	2028/29
Unavoidable Growth				
Guildhall	-0.215	-0.215	-0.215	-0.215
River Maintenance	-0.050	-0.050	-0.050	-0.050
Green Gas (RGGOs)	-0.028	-0.039	-0.039	-0.039
Fly Tipping - asbestos	-0.030	-0.030	-0.030	-0.030
Estates Property Income - vacant properties / rent reviews	-0.150	-0.150	-0.150	-0.150
Homelessness Prevention - B&B cost estimates	-0.220	-0.350	-0.300	-0.270
Estates Property Reserve (to cover existing properties)	-0.250	-0.250	-0.250	-0.250
Loss of Commercial Income	-0.100	-0.200	-0.500	-0.800
Planning Fee Income	-0.200	-0.200	-0.200	-0.200
Food Waste - new depot & revised contract estimates (net)	-0.320	-0.135	-0.135	-0.135
Increased Contract expenditure	-0.050	-0.050	-0.050	-0.050
	-1.613	-1.669	-1.919	-2.189
Budget Options				
*Total TC25 Savings (in addition to those identified for 2024/25)	0.362	0.362	0.362	0.362
	0.362	0.362	0.362	0.362
Baseline Budget Proposals	-1.251	-1.307	-1.557	-1.827

* Budget savings of £0.250m from CAB3483 plus £0.112m identified in this paper. Bar End savings of £0.320m are incorporated into the Appendix 1 MTFP's and so are not shown separately here.

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GENERAL FUND EARMARKED RESERVES (£000)

OPERATIONAL RESERVES

Major Investment Reserve	(6,351)	(4,024)	(4,263)	(4,263)	(4,263)	(4,263)	(4,263)	(4,263)	(4,263)	(4,263)
Community Grants & Commissions	(444)	(322)	(257)	(257)	(257)	(257)	(257)	(257)	(257)	(257)
Cost of Living / Living Well (Supporting People)	(166)	(166)	(151)	(151)	(151)	(151)	(151)	(151)	(151)	(151)
Digital Transformation	(400)	(400)	(400)	(400)	(400)	(400)	(400)	(400)	(400)	(400)
Greener Faster	(214)	(214)	(214)	(214)	(214)	(214)	(214)	(214)	(214)	(214)
Flood Support Schemes	(46)									
Future of Waste	(500)	(813)	(640)	(640)	(640)	(640)	(640)	(640)	(640)	(640)
Landscape Mitigation	(10)	(8)	(6)	(4)						
Local Development Framework (LDF)	(798)	(1,164)	(907)	(777)	(438)	(438)	(438)	(438)	(438)	(438)
New Burdens - Ukraine	(1,442)	(657)								
New Burdens	(919)	(1,236)	(869)	(628)	(628)	(628)	(628)	(628)	(628)	(628)
Pride in Place	(101)	(91)	(91)	(91)	(91)	(91)	(91)	(91)	(91)	(91)
Regeneration	(106)									

[illegible]

ASSET RESERVES

Property - Asset Management Reserve	(3,995)	(5,048)	(5,231)	(4,811)	(4,251)	(4,501)	(4,751)	(4,751)	(5,001)	(5,251)	(5,486)
Car Parks Property	(2,039)	(2,123)	(1,185)	(850)	(920)	(990)	(1,060)	(1,130)	(1,200)	(1,270)	(1,340)
Information Management and Technology	(451)	(327)	(325)	(186)	(259)	(255)	(458)	(524)	(357)	(647)	(762)

	(6,485)	(7,498)	(6,740)	(5,847)	(5,430)	(5,746)	(6,269)	(6,404)	(6,558)	(7,168)	(7,588)
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RESTRICTED RESERVES

S106 (Interest)	(888)	(888)	(888)	(888)	(888)	(888)	(888)	(888)	(888)	(888)	(888)
Community Infrastructure Levy - General Fund	(11,695)	(10,432)	(7,327)	(6,977)	(6,977)	(6,977)	(6,977)	(6,977)	(6,977)	(6,977)	(6,977)
Community Infrastructure Levy - Winchester Town	(701)	(648)	(153)	(153)	(153)	(153)	(153)	(153)	(153)	(153)	(153)
Winchester Town Reserve	(378)	(212)	(173)	(143)	(209)	(265)	(265)	(265)	(265)	(265)	(265)

	(13,662)	(12,180)	(8,541)	(8,161)	(8,227)	(8,283)	(8,283)	(8,283)	(8,283)	(8,283)	(8,283)
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RISK RESERVES

[illegible][illegible]

Total General Fund Earmarked Reserves

[illegible][illegible]

General Fund Balance

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WINCHESTER TOWN ACCOUNT - Medium Term Financial Projections

	2023/2024 Outturn	2024/2025 Forecast	2025/2026 Forecast	2026/2027 Forecast	2027/28 Forecast	2028/29 Forecast
Assumptions:						
Contract inflation		6%	4%	3%	3%	3%
Utilities		5%	5%	5%	5%	5%
Percentage increase in tax		5.5%	3%	3%	3%	3%
Tax Base		14,919	15,143	15,324	15,508	15,694
Cost of Services						
Recurring Budgets:						
Allotments	(3,879)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)
Bus Shelter Cleaning / Maintenance / New Provision	11,930	20,000	20,000	20,000	20,000	20,000
Cemeteries	97,360	87,039	91,199	95,886	100,719	105,704
Christmas Lights	7,500	7,500	7,500	7,500	7,500	7,500
Neighbourhood Service Officers (Contribution)	45,000	45,000	45,000	45,000	45,000	45,000
Footway Lighting	20,465	33,873	32,607	33,536	34,513	35,538
Grants and Vision Delivery	64,812	70,000	60,000	50,000	50,000	50,000
Support Costs for Grant Scheme	2,000	2,000	2,000	2,000	2,000	2,000
Maintenance Work to Council Owned Bridges		5,500	5,500	5,500	5,500	5,500
Night Bus Contribution	9,049	12,751	13,261	13,659	14,069	14,491
Public Conveniences (Contribution)	50,000	50,000	50,000	50,000	50,000	50,000
Recreation Grounds & Open Spaces	764,789	866,607	920,651	956,624	983,086	1,010,052
Tennis Court Improvements		9,000	9,000	9,000	9,000	9,000
Town Forum Support	5,000	17,500	17,500	17,500	17,500	17,500
Total Recurring Budgets	1,074,026	1,222,770	1,270,218	1,302,205	1,334,886	1,368,285
Total Cost of Services	1,074,026	1,222,770	1,270,218	1,302,205	1,334,886	1,368,285
Taxation and Non-specific grant income						
Council Tax Income	(1,186,879)	(1,273,758)	(1,331,489)	(1,387,770)	(1,446,450)	(1,507,595)
Interest on Balances	(11,017)	(5,560)	(6,444)	(5,175)	(4,297)	(6,273)
Total Taxation and Non-specific grant income	(1,197,896)	(1,279,317)	(1,337,932)	(1,392,945)	(1,450,747)	(1,513,868)
Transfers to/(from) Earmarked reserves						
Reserves	(123,870)	(56,547)	(67,715)	(90,740)	(115,861)	(145,583)
Capital Expenditure funded by Town Reserve	153,850	220,000	110,000	120,000	50,000	90,000
Reserve						
Opening Reserve Balance (at 1st April)	(408,220)	(378,239)	(214,785)	(172,500)	(143,240)	(209,100)
Closing Reserve Balance (carried forward)	(378,239)	(214,785)	(172,500)	(143,240)	(209,100)	(264,683)
Closing Reserves forecast as % of net expenditure	35%	18%	14%	11%	16%	19%
TAX						
Tax at Band D	£80.93	£85.38	£87.93	£90.56	£93.27	£96.06
Increase over previous year (£)	£4.22	£4.45	£2.55	£2.63	£2.71	£2.79

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2025/26 Council Tax Reduction Income Bands

This table shows the Universal Credit (UC) rates for the current financial year (2024/25) and the new financial year (2025/26), as determined by the Department for Work & Pensions (DWP)

UC Standard Allowance	2024/2025		2025/2026		% Inflationary Increase
	Monthly	Weekly	Monthly	Weekly	
Single	£ 393.45	£ 90.80	£ 400.14	£ 92.34	1.7%
Couple	£ 617.60	£ 142.52	£ 628.10	£ 144.95	1.7%
First child	£ 333.33	£ 76.92	£ 339.00	£ 78.23	1.7%
Second Child	£ 287.92	£ 66.44	£ 292.81	£ 67.57	1.7%
Disabled child	£ 487.58	£ 112.52	£ 495.87	£ 114.43	1.7%
LCFW*	£ 416.19	£ 96.04	£ 423.27	£ 97.68	1.7%

*Limited capability for work

This table compares the current income bands (for 2024/25), and proposed new income bands (for 2025/26), with the Universal Credit (UC) rates for those periods, as determined by the Department for Work & Pensions (DWP). It highlights where the "New UC rate" will exceed the current income band due to the government's uprating of benefits (to reflect inflation), and the proposal by Winchester City Council to address that imbalance in the adjustments to the "Proposed Income Band" for 2025/2026.

CTR Award	Income Bands	Comparison of current Income Band to new UC rate			Comparison of proposed Income Band to new UC rate			Comparison of proposed Income Band to 2024/25 UC Rate	
		Current (2024/25) Income Band	NEW UC rate	Difference	Proposed Income Band	NEW UC rate	Difference	£ change	% change
100%	Single	£ 100.00	£ 92.34	£ 7.66	£ 100.00	£ 92.34	£ 7.66	£ 9.20	10.1%
	Single +1	£ 168.00	£ 170.57	-£ 2.57	£ 171.00	£ 170.57	£ 0.43	£ 3.28	2.0%
	Single +2	£ 235.00	£ 238.14	-£ 3.14	£ 238.50	£ 238.14	£ 0.36	£ 4.34	1.9%
	Couple	£ 143.00	£ 144.95	-£ 1.95	£ 145.00	£ 144.95	£ 0.05	£ 2.48	1.7%
	Couple +1	£ 220.00	£ 223.18	-£ 3.18	£ 223.50	£ 223.18	£ 0.32	£ 4.05	1.8%
	Couple +2	£ 286.00	£ 290.75	-£ 4.75	£ 291.00	£ 290.75	£ 0.25	£ 5.11	1.8%
75%	Single	£ 187.00	£ 190.02	-£ 3.02	£ 190.50	£ 190.02	£ 0.48	£ 3.66	2.0%
	Single +1	£ 264.00	£ 268.25	-£ 4.25	£ 268.50	£ 268.25	£ 0.25	£ 4.74	1.8%
	Single +2	£ 331.00	£ 335.82	-£ 4.82	£ 336.00	£ 335.82	£ 0.18	£ 5.79	1.8%
	Couple	£ 239.00	£ 242.62	-£ 3.62	£ 243.00	£ 242.62	£ 0.38	£ 4.43	1.9%
	Couple +1	£ 316.00	£ 320.85	-£ 4.85	£ 321.00	£ 320.85	£ 0.15	£ 5.51	1.7%
	Couple +2	£ 382.00	£ 388.43	-£ 6.43	£ 388.50	£ 388.43	£ 0.07	£ 6.57	1.7%
			Add £66 to 75% award to calculate Band			Add £66 to 75% award to calculate Band			
45%	Single	£ 252.00	£ 256.02	-£ 4.02	£ 256.50	£ 256.02	£ 0.48	£ 4.66	1.9%
	Single +1	£ 329.00	£ 334.25	-£ 5.25	£ 334.50	£ 334.25	£ 0.25	£ 5.74	1.7%
	Single +2	£ 396.00	£ 401.82	-£ 5.82	£ 402.00	£ 401.82	£ 0.18	£ 6.79	1.7%
	Couple	£ 304.00	£ 308.62	-£ 4.62	£ 309.00	£ 308.62	£ 0.38	£ 5.43	1.8%
	Couple +1	£ 381.00	£ 386.85	-£ 5.85	£ 387.00	£ 386.85	£ 0.15	£ 6.51	1.7%
	Couple +2	£ 447.00	£ 454.43	-£ 7.43	£ 454.50	£ 454.43	£ 0.07	£ 7.57	1.7%
			Add £66 to 45% award to calculate Band			Add £66 to 45% award to calculate Band			
25%	Single	£ 317.00	£ 322.02	-£ 5.02	£ 322.50	£ 322.02	£ 0.48	£ 5.66	1.8%
	Single +1	£ 394.00	£ 400.25	-£ 6.25	£ 400.50	£ 400.25	£ 0.25	£ 6.74	1.7%
	Single +2	£ 461.00	£ 467.82	-£ 6.82	£ 468.00	£ 467.82	£ 0.18	£ 7.79	1.7%
	Couple	£ 369.00	£ 374.62	-£ 5.62	£ 375.00	£ 374.62	£ 0.38	£ 6.43	1.7%
	Couple +1	£ 446.00	£ 452.85	-£ 6.85	£ 453.00	£ 452.85	£ 0.15	£ 7.51	1.7%
	Couple +2	£ 512.00	£ 520.43	-£ 8.43	£ 520.50	£ 520.43	£ 0.07	£ 8.57	1.7%

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Council Tax Empty & Second Homes Premium Exceptions

The government has made regulations to provide exceptions to both long-term empty and second home premiums which take effect from 1 April 2025. These exceptions are mandatory, and councils must apply them.

The regulations prescribe 9 classes of dwellings which are excluded from the council tax premiums. Classes E, F, G, H and I apply to both long-term empty homes and second homes. Class M only applies to long-term empty homes. Classes J, K and L only apply to second homes.

The classes of dwelling are outlined in the table below and are detailed further in the MHCLG [guidance](#). These exceptions only exclude these dwellings from premiums, these do not affect the standard rate of council tax they may be liable for. Exceptions may apply in succession where the dwelling meets the necessary criteria.

Classes of Dwellings	Application	Definition
Class E	Long-term empty homes and second homes	Dwelling which is or would be someone's sole or main residence if they were not residing in job-related armed forces accommodation
Class F	Long-term empty homes and second homes	Annexes forming part of, or being treated as part of, the main dwelling
Class G	Long-term empty homes and second homes	Dwellings being actively marketed for sale (12 months limit)
Class H	Long-term empty homes and second homes	Dwellings being actively marketed for let (12 months limit)
Class I	Long-term empty homes and second homes	Unoccupied dwellings which fell within exempt Class F and where probate has recently been granted (12 months from grant of probate/letters of administration)

Classes of Dwellings	Application	Definition
Class J	Second homes only	Job-related dwellings
Class K	Second homes only	Occupied caravan pitches and boat moorings.
Class L	Second homes only	Seasonal homes where year-round, permanent occupation is prohibited, specified for use as holiday accommodation or planning condition preventing occupancy for more than 28 days continuously
Class M	Long-term empty home only	Empty dwellings requiring or undergoing major repairs or structural alterations (12 months limit)

SCRUTINY COMMITTEE

REPORT TITLE: CAPITAL INVESTMENT STRATEGY 2025-2035

4 FEBRUARY 2025

REPORT OF CABINET MEMBER: Councillor Neil Cutler, Deputy Leader and Cabinet Member for Finance and Performance

Contact Officer: Liz Keys, Director (Finance) Tel No: 01962 848226 Email: lkeys@winchester.gov.uk

WARD(S): ALL

RECOMMENDATION:

It is recommended that scrutiny committee comment on the proposals within the attached cabinet report, ref CAB3495 which is to be considered by cabinet at its meeting on the 12 February 2025.

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REPORT TITLE: CAPITAL INVESTMENT STRATEGY 2025-2035

12 FEBRUARY 2025

REPORT OF CABINET MEMBER: Cllr Cutler – Deputy Leader and Cabinet Member
for Finance and Performance

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

WARD(S): ALL

PURPOSE

The Capital Investment Strategy sets out the council's capital spending programme and the principles which underpin this in order to deliver the desired priorities as set out in the Council Plan.

It details the overall programme for the next 10 years, how this will be financed, and the impact of the programme on the council's Medium Term Financial Strategy. At a time when financial resources are under pressure, careful decisions must be made when considering capital investments in order for the council to deliver the objectives of the council plan, and to achieve the best outcomes possible for the district's residents.

It includes several prudential indicators that are required to be published by the CIPFA Prudential Code for Capital Finance and the Ministry of Housing, Communities and Local Government (MHCLG) Statutory Investment Guidance and, in addition to outlining how the council ensures it has access to the right knowledge and skills (internal and external), it details how it ensures elected Members have sufficient knowledge and skills to undertake their governance role.

RECOMMENDATIONS:That Cabinet recommends to Council:

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

That Cabinet:

2. Subject to Council approval of the capital programme, approves the following capital expenditure in 2025/26:
 - IMT equipment and software (£95,000) as detailed in paragraph 11.8.6;
3. Notes the requirement to ensure Members have the right knowledge and skills to undertake their governance role and that the ongoing support and training offered to members is continued and enhanced as required.

IMPLICATIONS:

1. COUNCIL PLAN OUTCOME

- 1.1. The investment of capital resources will contribute to the achievement of the council's main objectives and priorities in the Council Plan. The Capital Strategy is an integral part of the Medium Term Financial Strategy and impacts directly on the Treasury Management Strategy.
- 1.2. More detail on specific projects supporting the priorities in the Council Plan is set out in section 11.2.

2. FINANCIAL IMPLICATIONS

- 2.1. The forecast capital programme over the next 10 years to 2034/35 totals £421.1 million of which £37.9 million is General Fund and £383.2 million is Housing Revenue Account.
- 2.2. The proposed financing is made up of £167.3 million of prudential borrowing, £153.1 million from revenue including earmarked reserves, £62.2 million of capital receipts, and £38.5 million of capital grants and contributions.
- 2.3. Further details are provided in the supporting information section below and in the appendices to the strategy.
- 2.4. The council will need to increase its external borrowing but the amount and timing of this is dependent on the delivery of the capital programme and on the council's overall reserve position. Further information, including borrowing limits, is set out in the Treasury Management Strategy (CAB3496).
- 2.5. Included in the Prudential Code is the requirement that "the chief finance officer should report explicitly on the affordability and risks associated with the capital strategy and, where appropriate, have access to specialised advice to enable them to reach their conclusions". The statement below is the Winchester City Council Chief Finance Officer's response:
- 2.6. Affordability and risk are primary considerations within the capital strategy and are of particular importance given the funding constraints on local authorities and the current economic conditions. The strategy aims to support the regeneration and place shaping priorities in the Council Plan as well as helping the council achieve its ambitious carbon neutral goals and, in the HRA, delivering new homes across the district alongside investing in existing homes to improve energy efficiency and reduce costs for tenants.
- 2.7. The council's Risk Policy (extracts of which are below) sets out the corporate risk appetite as well as and how the council ensures that the opportunities it is willing to take to achieve its strategic priorities and objectives are measured, consistent and compatible with the council's capacity to accept and manage risk. Business cases for new schemes are required to ensure that risks are adequately considered. One of the most significant risks specific to capital

investment is capacity to deliver the individual projects contained within the strategy. This is largely mitigated by adequately identifying resources required at the planning stage of projects – a core part of the business case process.

- 2.8. The HRA capital programme is a key element of the Housing Revenue Account (HRA) Business Plan which is refreshed annually. Individual schemes are assessed for affordability within the overall context of this plan, which now reflects the investment required to deliver 1000 new homes in line with the Council Plan.
- 2.9. Whilst this is an ambitious programme of works, the council has a long history of successfully managing its capital assets to support its objectives while minimising the associated risks. The proposed programme is considered affordable, sustainable, and prudent. The council utilises its treasury management advisors, Arlingclose, to ensure the latest economic context is considered when assessing capital investment proposals against the requirements of the Prudential Code.

3. LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1. The council's Capital Investment Strategy Statement follows the latest codes of practice, and the Ministry of Housing, Communities and Local Government (MHCLG) and the Chartered Institute of Public Finance & Accountancy (CIPFA) guidance.
- 3.2. Individual projects included within the programme will be carefully considered in relation to legal and procurement issues and separate approvals sought as appropriate. The Programme and Capital Board (PAC) plays a key role in ensuring that this process takes place when considering business case and gateway decisions.

4. WORKFORCE IMPLICATIONS

- 4.1. Project resources for individual projects are identified as part of the business case development.

5. PROPERTY AND ASSET IMPLICATIONS

- 5.1. Many of the projects and schemes within the Capital Programme are related to the council's properties and assets and therefore aligning the programme with the Council's Asset Management Strategy is an important consideration. The Programme and Capital Strategy Board (PAC) plays a key role in ensuring that this process takes place and that funds are identified to improve the council's assets in line with its Strategies and Plans.

6. CONSULTATION AND COMMUNICATION

Budget consultation 2025/26

- 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. The 2025/26 budget consultation exercise was undertaken in October and the results helped inform the 2025/26 budget presented in this report.
- 6.4. The results show:
 - Strong support for the TC25 programme and transforming services.
 - Strong support for the use of technology to improve efficiency and online access (79% agreed in total).
 - Strong support for using reserves to balance deficits over 1 or 2 years (65% agreed in total).
 - Slight disagreement on reducing or stopping some non-essential services (46% disagreed).
 - Strong support for central government providing full funding for all additional costs of food waste collection (69% agreed in total).
 - Strong disagreement on higher council tax band properties paying additional, voluntary, council tax (78% disagreed).
 - Mixed feedback on increasing council tax but general disagreement on using this to fund new or enhanced services.

Other budget consultation

- 6.5. Discussions have been had with local business representatives through the Chamber of Commerce and the BID at their Winchester District Strategy Group business briefing in December 2024. No comments were made.
- 6.6. As capital investment schemes come forward for appraisal, appropriate engagement and consultation is undertaken as part of the business case development for all individual projects and schemes.
- 6.7. Scrutiny Committee is due to consider this report at its meeting on 4 February 2025 after this report has been dispatched. Any matters that the Scrutiny Committee wishes to raise or asks the Cabinet to note before making their decision will be reported and considered fully at the Cabinet meeting.

7. ENVIRONMENTAL CONSIDERATIONS

- 7.1. Tackling the climate emergency and creating a greener district is a key priority for the council. A number of the schemes in the programme deal specifically with the climate emergency and environmental considerations are part of the business case supporting all capital projects.

8. PUBLIC SECTOR EQUALITY DUTY

- 8.1. The council is committed to ensuring its services are accessible to all its residents and that full consideration is given to obligations under the Public Sector Equality Duty in addition to any consultation comments.
- 8.2. Under the Council's Financial Procedure Rule 7.4, the inclusion of a scheme in the capital programme shall not constitute authority to incur expenditure until a full project report has been submitted by the appropriate Service Lead in consultation with their Corporate Head of Service and the S151 officer and approved in line with the limits set out in the constitution. As part of the approval to spend for each scheme, an Equality Impact Assessment must be completed before the project can proceed.

9. DATA PROTECTION IMPACT ASSESSMENT

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

10. RISK MANAGEMENT

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

Risk	Mitigation	Opportunities
<i>Property</i> Council assets not fully utilised	An effective capital strategy and its delivery helps to ensure council assets are used to achieve the council's priorities	Investment in the council's assets can increase income generation. Identification of assets suitable for sale can generate capital receipts which can be reinvested in assets or used to reduce the council's overall borrowing need,

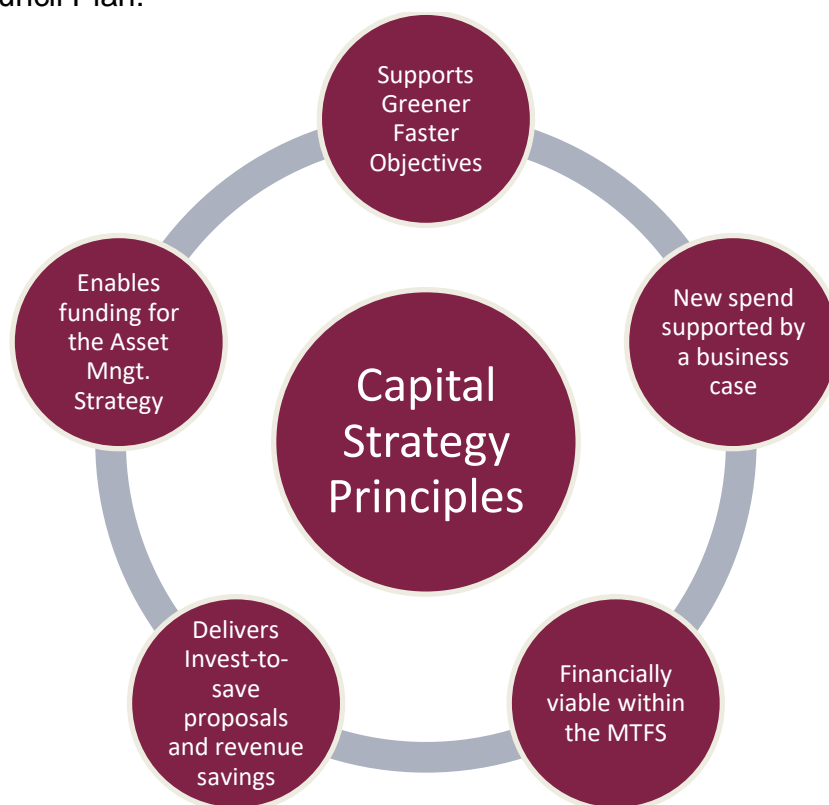
		reducing the ongoing revenue cost.
<i>Community Support</i> Projects are unsupported by the community or the community's needs are not met	Engagement is undertaken for key projects to ascertain community and stakeholder views	Engagement with the community ensures the council's capital programme meets the needs of the district's citizens and businesses
<i>Timescales</i> Projects not delivered on time resulting in a delay in benefits to the council	The 10-year strategy and its associated governance structures including regular review by the Programme and Capital Strategy (PAC) Board and quarterly by Scrutiny/Cabinet	
<i>Project capacity</i> Failure to deliver major capital schemes due to insufficient staff resources	Ensure robust business cases are taken forward and sufficient resources are available to deliver the projects.	Consideration of a wide base of potential capital / investment schemes to enable a balanced risk portfolio and other schemes to be chosen should any schemes not progress
<i>Financial / VfM</i>	Detailed elsewhere within the report	In some cases, projects may generate savings or new income in addition to achieving the council's objectives
<i>Legal</i>	Considered as part of the approval process for individual capital schemes	None
<i>Innovation</i>	Considered as part of the approval process for individual capital schemes	Strategy includes new schemes to innovate
<i>Reputation</i>	Considered as part of the approval process for individual capital schemes	Delivering council objectives via the capital programme can enhance the council's reputation

11. SUPPORTING INFORMATION:

11.1. Purpose

11.1.1. The council is in a privileged position to be able to invest in local projects that directly improve the quality of life for local people, support the economy, or protect the environment. Therefore, the primary purpose of this strategy is to identify and progress schemes to help deliver the Council Plan and to help make the council self-sufficient, in order to be able to deliver the required level of services. It outlines how the council ensures that individual schemes and the programme as a whole are deliverable and financially affordable.

11.1.2. However, financial pressures across the sector mean that the principles which underpin the strategy are carefully considered when prioritising schemes in the Capital Strategy. The Strategy sets out the council's capital spending programme and the principles which underpin this to deliver the Council Plan:

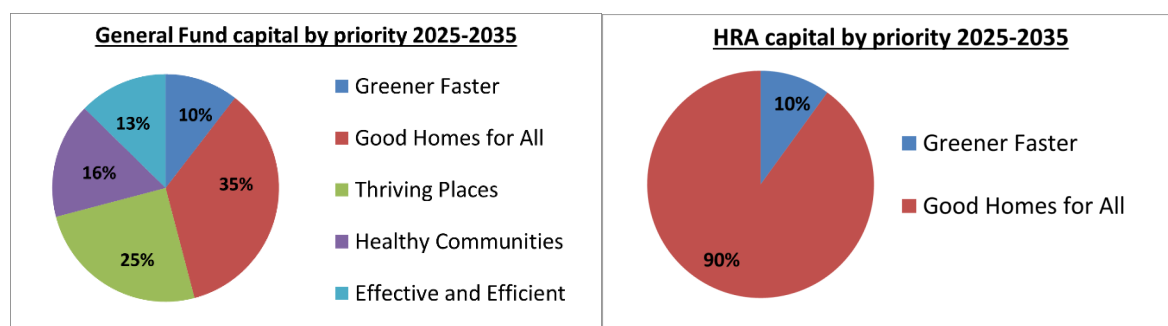


11.1.3. The council's capital programme incorporates both the General Fund (GF) and the Housing Revenue Account (HRA) capital requirements to support service provision and links with the Council Plan, Housing Business Plan, the Asset Management Strategy, IMT strategy and Medium Term Financial Strategy. This capital investment strategy provides a framework for the development and implementation of the capital programme.

11.1.4. As detailed in the council's Medium Term Financial Strategy (MTFS), the council is forecasting a significant reduction in its anticipated financial

resources over the medium term. This is being addressed through the Transformation Challenge 2025 programme ('TC25'), where one of the key themes is maximising the use of our assets. It is vital therefore that the council maximises the use of its capital investment in the district over the next decade. As available resources reduce, the council needs to utilise its capital programme to drive the most effective and efficient use of those resources for the benefit of the district's residents.

- 11.1.5. The Council Plan details how the council will deliver its strategic priorities: Greener Faster, Good Homes for All, Thriving Places, Healthy Communities, Listening Better, and Effective and Efficient. Several of these priorities will be delivered through capital spend and associated projects including for example: additional investment in the council's housing stock to improve energy efficiency and help tenants reduce their carbon emissions and energy costs; the provision of new housing and maintenance of existing housing stock; major regeneration schemes; the refurbishment of the council's existing assets; and provision of leisure facilities.
- 11.1.6. The following charts illustrate the percentage of total capital expenditure forecast for each of the council's priorities (NB the charts are based on the main priority for each project or scheme; however, many meet more than one priority. For example, while a project may have a primary purpose of improving the local economy it may contain elements such as the installation of solar panels in order to tackle the climate emergency):



11.2. The Capital Programme

- 11.2.1. The council has made further progress in 2024/25 in delivering its capital programme. In the General Fund, projects completed or substantially complete this year include:
- King George V (KGV) pavilion. As well as offering a modern facility for its users, it will help the council achieve its carbon neutral goals by incorporating several features including EV charging points, solar panels, an air source heat pump, and a green roof.
 - The creation of Friarsgate Park as an interim open space in the Central Winchester Regeneration area following the demolition of Friarsgate Medical Centre.

- The establishment of a wholly owned Housing Company, based on a leasing model, which will support the delivery of alternative tenures.
- The refurbishment of 59 Colebrook Street for shared accommodation – to be used initially to house those from the Ukrainian Resettlement Scheme.
- The award of capital grants totalling £0.8m as part of the UK shared prosperity fund and Rural prosperity fund programmes. Grants to community groups and small businesses include the installation of solar PV and EV charging points, a fleet of e-bikes for lease to local businesses, and a replacement community bus.

11.2.2. In addition to the required investment in major works to the existing stock including an ambitious retrofit programme to increase energy efficiency and help tenants reduce energy costs and to maintain the current decent homes standard, significant additional funding towards a challenging new build and acquisitions programme is included to facilitate the delivery of the council's objective of 1000 new homes for local people. Major approved projects included are:

- Winnall Flats with 76 units (35 shared ownership, and 41 market rent) – completed early 2024/25
- Southbrook Cottages (6 units of affordable) delivered to Passive House standard – completed Nov/Dec 2024
- Acquisition of 10 units (6 affordable, 4 shared ownership) at Hazeley Road Twyford, construction between 2024/25 and 2026/27
- Acquisition of 146 units (95 affordable, 51 shared ownership) at Kings Barton (three phases to be constructed between 2024/25 and 2027/28)

11.2.3. Over the period 2025 to 2035, the council's total estimated capital expenditure is £421.1m of which £37.9m is General Fund and £383.2m is Housing Revenue Account. The following table summarises the capital programme by year for the period. Further detail by project is included in Appendix A:

Table 1: Summary of capital expenditure

Capital Expenditure 2025 - 2035	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	TOTAL Est.
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
General Fund	15.6	4.8	3.9	2.6	1.7	2.0	2.0	1.7	1.9	1.8	37.9
HRA	34.3	40.6	65.3	44.1	49.0	55.6	36.7	37.7	9.3	10.6	383.2
Total Expenditure	49.9	45.4	69.2	46.7	50.7	57.6	38.7	39.4	11.2	12.4	421.1

- 11.2.4. The programme includes the following key projects (quoted budget figures are for the period 2025-2035 and do not include prior years):

Priority: Greener Faster (£42.3m)

Making the district Greener Faster is a theme that is integral to *all* that the council does.

- £38.4 m has been allocated to invest in the **council's housing stock to improve energy efficiency and reduce emissions**.
- £2m budget has been allocated for **energy management projects** over 4 years from 2025/26 provisionally funded by prudential borrowing. Expenditure will be subject to a business case as projects are identified and the council will seek to identify external grant funding where possible. As well as reducing the council's carbon emissions it is anticipated that projects will provide potential for additional income and/or savings to the council over and above the cost of borrowing.
- £1.8m has been set aside for capital purchases for the provision of **food waste collection** from the district's households. Food waste recycling has the potential to reduce the district's carbon footprint by an estimated 1,900 tonnes of CO₂e per year by recycling this waste to generate clean green energy and nutrient dense soil improver
- In addition to the projects outlined above, measures to tackle the climate emergency are included in other projects. For example, the design of new pavilion at King George V playing fields includes elements to ensure a sustainable and energy efficient building such as high-performance insulation and solar PV, and several capital grants have been made to community groups and small businesses for the installation of solar PV.

Priority: Good Homes for All (£358.3m)

- Over the next 10 years, £229.2m has been budgeted for the council's **New Build programme** to enable the delivery of its ambitious programme.
- An estimated £103.5m will be spent on **major repairs and maintenance** of our existing housing stock including £14.4m to improve fire safety; £6.5m on roof replacements for dwellings; £12.1m on windows & doors for dwellings; £12.1m for external works for dwellings and estate improvements; £21.3m for major works to blocks; £11.5m on heating and hot water systems to all properties; and £11.6m on new kitchens to all properties. In addition, allowance of £14m is made for unplanned major works over the period.

- An estimated £13.4m of **Disabled Facilities Grant** to enable people to stay in their own homes where possible by providing necessary adaptations to private homes in addition to £8.2m for adaptations to the council's own stock.

Priority: Thriving Places (£9.5m)

- The **Strategic Asset Purchase Scheme (SAPS)** seeks to identify assets for the council to acquire which will assist it in meeting its strategic objectives such as regeneration whilst also generating ongoing revenue streams in order to ensure a scheme is financially viable overall or to be recycled in other similar schemes. Following changes to the PWLB lending terms and the Prudential Code, the council can no longer purchase assets primarily for yield and must do so for service reasons only, including regeneration. Any surplus income must be incidental to the scheme or recycled in similar schemes elsewhere and cannot be used to fund wider services. The SAPS board (see section 11.10) can approve purchases up to £4m if the minimum score criteria is met. Any other purchases must follow the usual governance process as defined by the constitution. A budget of £4m has been allocated in 2025/26.
- **Community Infrastructure Levy (CIL) – Community projects.** A total of £1.7m has been set aside to award CIL funded capital grants including £0.7m still to be awarded. The scheme allows community groups to apply for a share of between £10,000 and £200,000 for essential infrastructure projects. The allocation of CIL funding helps to provide the infrastructure required to support development whilst ensuring that the corporate priorities and outcomes within the Council Plan are at the forefront of the decisions made regarding the infrastructure to be delivered.
- In addition, a total of £3.6m has been identified for various car park improvements throughout the district including a new lift at **Chesil car park**, and provision of a new **car park at the Dean in Alresford**.

Priority: Healthy Communities (£6.2m)

- A budget of £2.3m (including £40,000 for fees in 2024/25) has been approved to replace the **North Walls pavilion**. The current pavilion is beyond its useful life and in need of replacement. The proposal is to demolish the existing Pavilion and replace with a modern facility. This includes disabled access to the facilities to enhance the offer of disability cricket in the district.
- Over the next 4 years, £0.37m has been included for the **replacement or refurbishment of several play areas** that are the responsibility of Winchester Town Forum.

- £183,000 is included in the 10-year programme for the refurbishment of the 3G pitch and replacement equipment including gym and group exercise equipment at **Meadowside Leisure Centre**.
- Proposals for the future use of the old **River Park Leisure Centre site** have not been determined but a provisional budget for its demolition was added to the capital programme in February 2020; £2m is profiled in 2025/26. The exact timing is uncertain and to be determined as part of the wider plans for the site. This expenditure will be funded from the capital receipts reserve and offset by any capital receipt from the disposal of the site.

Priority: Effective and Efficient (£4.8m)

- A large element of the budgets is for long term capital maintenance works to the council's operational assets. This includes the replacement of the City Offices heating system and lifts within City Offices and the West Wing, as well as an annual budget for reactive capital maintenance works.
- A budget of £250,000 has been included in order to undertake **essential refurbishment works to the clock tower of the Guildhall**. The works will improve the fire safety of the building whilst also improving thermal comfort. The building will remain opening during the works.
- The council continues to invest in keeping its IMT up to date including the provision of appropriate equipment to reduce cost and the consumption of paper and investing in remote working solutions to reduce the need for staff to travel and therefore the council's carbon footprint.

11.2.5. Future capital ambitions and key considerations for future years:

- Ongoing work is being undertaken on **Greener Faster energy schemes**, including the potential for the council to invest in a solar farm in the district and the possibility, for example, of installing solar canopies in car parks. In some cases, such as with the installation of solar panels, the projects may pay for themselves and deliver a small surplus to the council. However, some projects may not provide sufficient income or savings to cover the associated cost of borrowing and will therefore increase the overall revenue costs to the council; there are a number of possible sources of grant funding for these projects and the council will explore these opportunities where appropriate in order to reduce the financial impact.
- A number of potential schemes will be required in respect of the **Winchester Movement Strategy**. Where possible, external funding sources will be explored such as Community Infrastructure Levy (CIL) contributions and external grant funding.
- **Community Infrastructure Levy** funded investment - it is expected that a number of infrastructure projects will come forwards in 2025/26 through

our major projects for place making and regeneration. CIL funds will be used to contribute to projects such as the delivery of the City Local Cycling and Walking Infrastructure Plan (LCWIP), the district LCWIP, the Winchester Movement Strategy (mentioned above), and other projects which improve walking, cycling and using buses around our district. Projects coming forward under these CIL funds will all be authorised through the council's usual governance route.

- **Central Winchester Regeneration (CWR)** is a once in a lifetime opportunity aiming to transform the centre of our historic city: bringing homes for local families; providing jobs for local people; and making a visit to this heritage city one which will be remembered. The council has a unique opportunity to bring forward sensitive development, adapting to the challenges faced by a new generation and crucially to be delivered through the lens of responding to climate change. Working with a development partner to bring the scheme forward, the council will be investing in the redevelopment, including transferring its assets into it.
- The cost of borrowing has increased considerably in the last few years (rates available to the council at the end of 2021 were circa 2% and at the end of 2024 were between 5% and 6%). This, coupled with significant construction inflation, challenges the viability of potential build projects. Ongoing consideration is being given to value engineering, alternative proposals or meanwhile uses while potential projects are paused until the economic environment improves.
- As stated in the Asset Management Strategy (CAB3777 refers), the council's non-housing property assets play a significant role in generating rental income and creating opportunity for social, economic, environmental, cultural and regeneration interventions. As part of this it is essential that sufficient funds are set aside in the Property Reserve and the council is establishing the total needs of the estate over the next several years with a key tenet being the decarbonisation of the council's estate. It is essential to regularly review the performance of the council's property portfolio and make active decisions on retention, disposal or rental/leasing options to best support council objectives. Part of the remit of the council's Property Board, a member/officer group, is "Asset Challenge" which commenced in 2018/19 and involves reviewing the council's assets on a rolling basis to ensure the best use is made of them and, where appropriate, recommend investment in or disposal of assets.

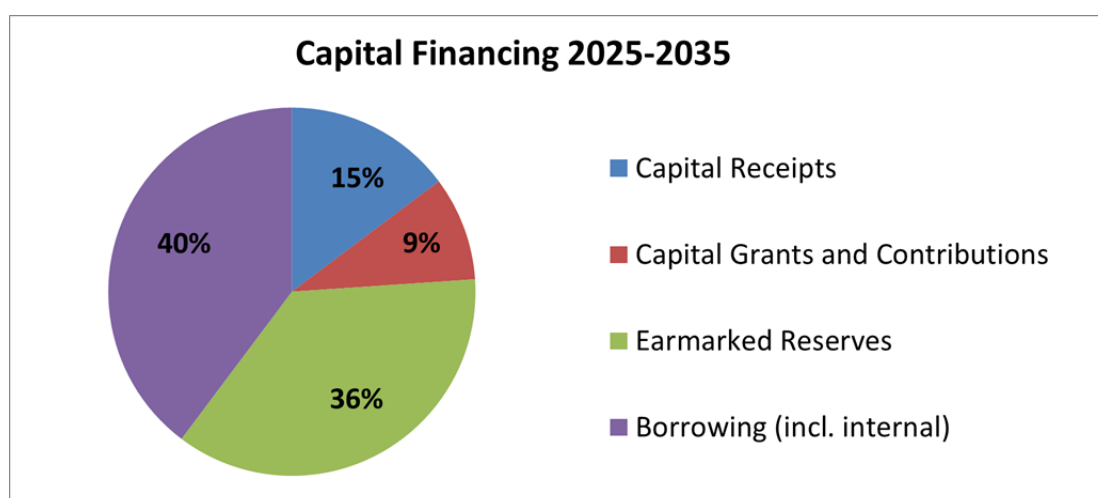
11.3. Financing the Capital Programme

- 11.3.1. The council can invest in a capital programme so long as its capital spending plans are "affordable, prudent, and sustainable" as well as "proportionate".

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

- Capital receipts (from asset sales);
- Capital grants (e.g. Disabled Facilities Grant);
- External contributions (e.g. Section 106 developers' contributions and Community Infrastructure Levy (CIL));
- Earmarked Reserves (e.g. the Major Investment Reserve, the Property Reserve, the Car Parks Property Reserve, and the IMT Reserve);
- Revenue contributions; and
- Borrowing, including internally (also known as the "Capital Financing Requirement").

11.3.3. Full details of the proposed financing for the 2025-2035 capital programme are provided in Appendix B and is summarised in the following graph:



11.3.4. Borrowing (or Capital Financing Requirement) makes up a significant element of the council's proposed financing over the next 10 years. In recent years the council has had sufficient cash and investment balances to be able to internally borrow but will, in the future, need to increase its external borrowing in addition to the £159.6m the council has already borrowed on behalf of the HRA. The impact of this borrowing is incorporated into the Medium-Term Financial Strategy and the Housing Revenue Account business plan. The council works closely with its external treasury advisors (Arlingclose) to identify the optimum borrowing strategy to provide a balance between achieving certainty of future costs (i.e. locking-in long-term fixed rates) and the overall cost of borrowing.

11.3.5. Before committing the council to borrowing, consideration is giving to the forecast savings and/or income a new project may generate and how this will contribute to the financing costs as part of its respective business case. The capital financing requirement is reduced over the life of individual assets in the General Fund by a statutory annual contribution from revenue referred to as the Minimum Revenue Provision (MRP). In

addition, the council can elect to reduce its borrowing need by making additional contributions from revenue or from the sale of assets (capital receipts). Planned MRP is as follows:

Table 2: Replacement of debt finance in £ millions

	2023/24 actual	2024/25 forecast	2025/26 budget	2026/27 budget	2027/28 budget
Minimum Revenue Provision (GF)	1.6	1.6	1.7	1.6	1.5
Reserves (HRA)	0.0	0.2	0.0	0.0	0.0
Total	1.6	1.8	1.7	1.6	1.5

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

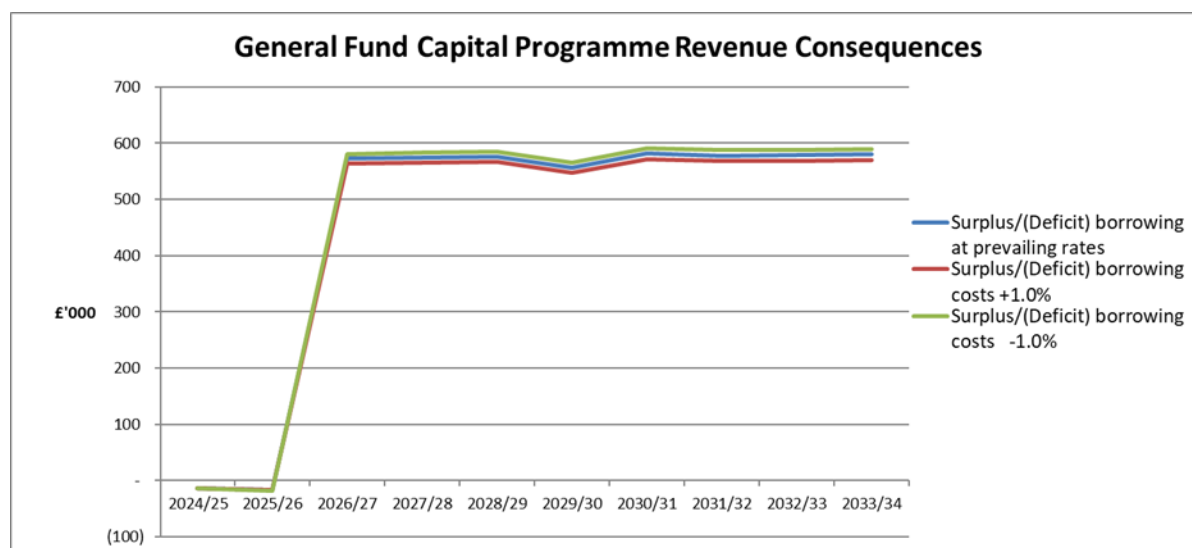
- 11.3.6. The council's cumulative outstanding amount of debt finance (borrowing need) is measured by the Capital Financing Requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and voluntary contributions from revenue or capital receipts. CFR is estimated to decrease by up to £8.4m during 2025/26 subject to full delivery of the Capital Programme including asset sales.

Table 3: Estimates of Capital Financing Requirement (CFR) in £ millions

	31.3.2024 actual	31.3.2025 forecast	31.3.2026 budget	31.3.2027 budget	31.3.2028 budget
General Fund	70.2	68.8	60.4	59.9	58.9
Housing Revenue Account	212.5	212.3	212.3	212.3	257.4
TOTAL CFR	282.7	281.1	272.7	272.2	316.3

- 11.3.7. Further information including borrowing forecasts and borrowing limits are set out in the Treasury Management Strategy (CAB3496).
- 11.4. Revenue Consequences of the Capital Programme on the General Fund
- 11.4.1. Appendix C details the impact of the Capital Programme on the council's General Fund and includes the effect of using potential capital receipts to reduce prior year unfinanced capital expenditure. Not all projects provide savings or generate income but, in aggregate, the capital programme is forecast to have a positive net benefit to the General Fund from 2026/27 driven largely by the capital receipts from asset sales reducing outstanding CFR and therefore ongoing MRP charges.

- 11.4.2. Part of the council's programme is financed by borrowing and this exposes the council to the risk of changing interest rates. The council can mitigate against this by borrowing early where it is advantageous to do so and by taking out a basket of loans of mixed duration including longer-term fixed rate loans. The graph below illustrates the impact on the General Fund at prevailing long-term rates available to the council as well as the impact of a change in those rates by +/-1.0%:



- 11.4.3. Although capital expenditure is not charged directly to the revenue budget, interest payable on loans, MRP, and any revenue funded reductions in the borrowing need are charged to the General Fund (GF) or Housing Revenue Account (HRA) income and expenditure statements as appropriate. The net annual charge is known as financing costs - this is compared to the net revenue stream: Council Tax, Business rates, and general government grants in the case of the GF; and rents and other charges in the case of the HRA.

Table 4: Prudential Indicator: Proportion of financing costs to net revenue stream

	2023/24 actual	2024/25 forecast	2025/26 budget	2026/27 budget	2027/28 budget
GF financing costs (£m)	1.6	1.7	1.7	1.6	1.6
GF proportion of net revenue stream	7.2%	7.4%	8.1%	8.2%	8.3%
HRA financing costs (£m)	5.2	7.4	8.3	8.3	9.5
HRA proportion of net revenue stream	15.7%	20.0%	21.9%	20.9%	22.1%

- 11.4.4. **Sustainability** – due to the long-term nature of capital expenditure and financing, the revenue implications of the expenditure in the next few years will extend up to 50 years in the future. It is imperative therefore that the council ensures that the proposed programme is prudent, affordable, and sustainable. This is achieved by ensuring that the governance and procedures outlined in this strategy are followed; by incorporating and considering the revenue impact in the context of the medium-term financial strategy (MTFS); by undertaking financial appraisals of individual projects as part of their business cases on a whole life basis; and, for HRA expenditure, incorporating the impact in the 30 year business plan.

11.5. Capital Receipts

- 11.5.1. When a capital asset is sold the proceeds, known as capital receipts, can be spent on new assets or to reduce debt from prior year capital expenditure. Repayments of capital grants, loans, and investments also generate capital receipts. Forecast capital receipts and their use in funding capital expenditure is detailed in Appendix D.
- 11.5.2. Ordinarily capital resources, such as capital receipts, can only be used to finance capital expenditure (i.e. the creation or enhancement of a capital asset). However, in 2018 the MHCLG Secretary of State issued a direction to local authorities in order to give them the freedom to use capital receipts from the sale of their own assets (excluding Right to Buy receipts) to help fund the revenue costs of transformation projects and release savings, including through redundancy. By using capital receipts, the council is able to avoid the negative impact on its annual revenue budget of significant one-off costs. The council used £194,000 in qualifying receipts for severance costs in 2020/21 which will continue to provide significant ongoing savings of over £700,000 per annum. The direction was extended and expires on 31 March 2023. While the council has no specific plans to do so, it may use qualifying capital receipts, when appropriate, to help fund the revenue costs of any transformation projects identified. Further detail is provided in the Flexible Use of Capital Receipts Strategy at Appendix G.
- 11.5.3. In order to effectively manage its estate the council commenced an asset challenge programme in 2018/19. This process involves reviewing all the council's assets on a rolling basis to establish why the council holds assets; what options the council has, for example, to increase income, dispose, hold or develop; and when these can be realised.
- #### 11.6. The approval process and Project and Programme management
- 11.6.1. For effective delivery of the Capital Programme, it is important that the programme is realistic in terms of projects which can be delivered on time, within budget, and whilst achieving the desired outcomes. The council has a number of programme and project management procedures in place to help to ensure successful delivery of the capital programme, from the

initiation and approval of projects to effective performance monitoring and post-implementation review.

- 11.6.2. The resource requirements for each corporate project are assessed as part of the development of the outline business case and associated project plan and initially identified in the Business Justification Case which is considered by the Programme and Capital Board (PAC). This is then considered in relation to the whole programme of projects to determine the cumulative impact of delivery on staff resources. This can have an impact on resourcing in key service areas such as the legal, finance, procurement and estates teams depending upon the nature of the projects. Where required, external support is commissioned to provide resources which cannot be met internally.
- 11.6.3. The PAC Board, the role of which is to monitor the programme and project delivery together with identifying and addressing resource issues, meets on a regular basis to consider such issues.
- 11.6.4. Cabinet and Scrutiny Committee receive quarterly updates on financial performance as well as key projects many of which are in the capital programme.

11.7. Asset Management Strategy (AMS)

- 11.7.1. The AMS seeks to address both the spending priorities for the maintenance of operational property and the development of the non-operational estate to assist economic development and provide both capital receipts and revenue income streams. The most recent AMS covering the period to 2027 was approved in January 2023 (CAB3377 refers).
- 11.7.2. The council owns a well-located portfolio of property which has the potential to provide an increasing level of income for the council, whilst other sources of income may be restricted in growth. The value of the council's portfolio can be unlocked by undertaking prudent development or refurbishment schemes on existing property to be let as well as identifying potential asset sales as detailed in 11.5 above.
- 11.7.3. The Capital Programme (Appendix A) includes specific projects in line with the underlying asset management plan held by the council's Estates team. In addition, an annual budget, funded by the Property Reserve, has been allocated to support reactive capital maintenance and smaller scale refurbishments as they arise.

11.8. IMT Asset Management Plan

- 11.8.1. The council formed an IT delivery partnership with Test Valley Borough Council in 2009 that shares an infrastructure platform that continues to produce both capital avoidance and revenue financial savings. Assets in the shared platform are jointly procured and owned. Other capital assets

which are required solely for the use of either party will continue to be funded independently. This will be reflected in setting out investment requirements.

- 11.8.2. The purpose of the IMT Service is to deliver highly reliable, secure and easy to use technology solutions, maintaining operational excellence. The IMT Service uses good practice methodologies (ITIL3) to ensure the quality control of supportable, sustainable, and secure services to deliver. high quality IT Services.
- 11.8.3. The Asset Management Plan for IT infrastructure recognises this requirement for fit-for-purpose equipment through a programme of continuous investment. Generally, equipment will require refreshment after 4-5 years, at intermittent intervals due to the practical constraint of delivery and implementation. The plan assumes the need to refresh infrastructure items on a like-for-like basis, and proposed costs reflect this. In reality, after five years the technology will have “moved on” and new developments, offering further advances, will be considered and may give greater benefits for the same investment.
- 11.8.4. The council has introduced hybrid working and staff may work up to 50% of the time remotely. A key element of this is the IT investment to enable flexible working from a range of locations (specifically the roll-out of laptops and hybrid meeting room solutions).
- 11.8.5. Digitalisation is a key tenet of the council’s TC25 Programme and we must continue to align our IT delivery to ensure that we provide technical solutions that enable a shift from traditional IT support and focus more on transformation services to complement our digital and workforce strategy.
- 11.8.6. The following table sets out the proposed IMT capital expenditure for 2024/25 to be financed from the IMT reserve:

IMT Capital	2025/26
	£'000
Equipment	15
Corporate network	25
Uninterruptable power supply (UPS)	5
Meeting rooms equipment	50
Total	95

- 11.9. Housing Revenue Account (HRA)
- 11.9.1. The HRA capital programme takes full account of priorities detailed in the council’s Housing Strategy, its 30-year HRA Business Plan and the Housing Asset Management Strategy.

11.9.2. Appendix A provides summary detail on the HRA capital programme for 2025/26 and forecasts to 2034/35. Further detailed information can be found in the Housing budget paper (CAB3490).

11.10. Commercial and non-Treasury Investment Activities

11.10.1. The council invests for three broad purposes:

- because it has surplus cash as a result of the reserves it holds and its day-to-day activities such as when income is received in advance of expenditure (known as **treasury management investments**);
- to support local public services by undertaking regeneration projects, by lending to, and by buying shares in other organisations (**service investments**); and
- to earn investment income (**commercial investments**).

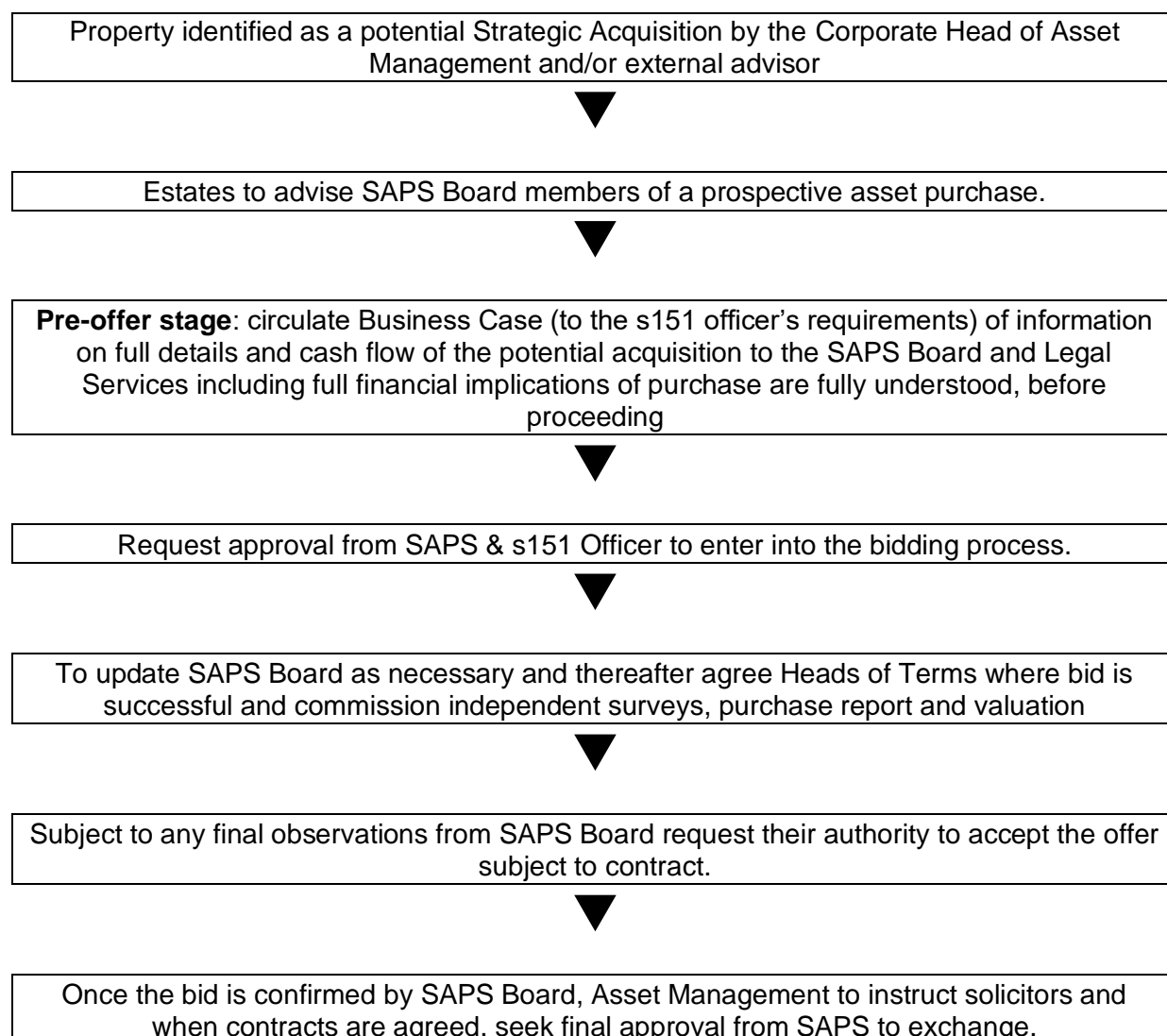
11.10.2. The council's Treasury Management Strategy, and associated limits and indicators, is reported in CAB3496. Further detail on service and commercial investments including total investment indicators is provided in Appendix F.

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

11.10.4. Individual projects are supported by appropriate business cases and the programme as a whole is monitored to ensure that sufficient resources are available, both financial and in respect of staff. Where appropriate, the council will procure additional external resource when either there is insufficient officer availability or when specialist advice and support is required.

11.10.5. In addition to this, Council approved a Strategic Asset Purchase Scheme (SAPS) in January 2017 (CAB2872 refers). As part of this, a SAPS Board was created which includes members and officers; the board receives recommendations of potential purchases and the s151 officer has delegated authority to make acquisitions up to £4m following discussions with the board, subject to due diligence, or recommend to Cabinet and Council to approve acquisitions above £4m.

11.10.6. The following flowchart details the process:



11.11. Risk Appetite

- 11.11.1. The council's Risk Appetite Statement is an integral part of the council's Risk Management Policy. It ensures that the opportunities the council is willing to take to achieve its strategic priorities and objectives are measured, consistent and compatible with the council's capacity to accept and manage risk; and that they do not expose the council to unknown, unmanaged or unacceptable risks. The Policy was most recently updated and approved in March 2024 (CAB3453). The Policy is subject to review annually and the risk appetite detailed below may therefore change.
- 11.11.2. During the course of the year the council will take fair, measured and targeted levels of risk to achieve the priority objectives included in the Council Plan. There will be opportunities for the council to be innovative or work differently and any identified risks will need to be considered against the anticipated cost or efficiency benefits.

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

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

- 11.11.5. Risk appetite is not a single, fixed concept and there will be a range of appetites for different risks which may vary over time. The council's risk appetite by corporate priority (as at March 2024) and guiding principles are set out below.

Council Plan Priority*	Risk Appetite	
Tackling the climate emergency	Open	Reflecting the urgency of the climate crisis we will consider options with elevated levels of risk if they deliver required outcomes faster.
Homes for all	Open	We will choose innovative solutions which may bring elevated levels of risk in order to provide homes that are: <ul style="list-style-type: none"> • Affordable • sustainable • with low energy usage and low bills built in the right areas for our changing communities.
Living well	Moderate	We will continue to facilitate and deliver solutions, often working with partners, that produce positive outcomes for all our residents. We will usually take moderate to low-risk options.
Vibrant local economy	Moderate	We will tend towards exposure to modest levels of risk in order to deliver positive outcomes for our local economy in these challenging times.
Your services, your voice	Moderate	We will, in order to ensure resilience, enhance our services and make the best use of our resources and explore alternative delivery models. We will tend towards moderate risk exposure to deliver good levels of service.

* The risk appetites are based on the previous council plan and will be updated in 2025 when the risk policy is revised.

11.12. Knowledge, capacity, and skills

- 11.12.1. In order to deliver the Capital Programme, it is essential that the council has access to the right knowledge and skills.
- 11.12.2. Internally the council employs fully qualified and experienced staff such as accountants, solicitors, and surveyors. It is fully supportive in providing access to training, both internal and external, to enable those staff to complete their Continuing Professional Development (CPD) requirements.
- 11.12.3. Where the council does not have the knowledge, capacity, or skills required, use is made of external advisors and specialists in their field. The council currently employs Arlingclose Ltd as their Treasury advisers, PSTax to advise on tax matters, Wilks Head & Eve to undertake its year

end valuations, and other specialists as required to support, for example, its major projects.

- 11.12.4. In addition, the council ensures that its members are suitably experienced to undertake the governance responsibilities commensurate to their roles by providing training opportunities (internally and externally provided) and access to workshops either within the council or with its local government partners. There are a number of mandatory training sessions for members throughout the year including, for example, Code of Conduct training and training for the Audit & Governance Committee. Several members attended briefing sessions in October and November 2024: a “Understanding your council’s financial statements” provided by CIPFA and a session on Treasury Management delivered provided by the council’s treasury advisors Arlingclose.
- 11.12.5. The council also procures, when required, expert advice and assistance externally such as financial and legal advice.

12. OTHER OPTIONS CONSIDERED AND REJECTED

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

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

The Capital Strategy and Programme are approved annually.

Other Background Documents:-

None

APPENDICES:

Appendix A – Capital Programme 2025-2035

Appendix B – Capital Programme Financing 2025-2035

Appendix C – Revenue Consequences of General Fund Capital Programme 2025 to 2035

Appendix D – Capital Receipts Reserve Forecast

Appendix E – Minimum Revenue Provision Statement 2025/26

Appendix F – Investment activities

Appendix G – Flexible Use of Capital Receipts Strategy

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Capital Programme 2025-35

Projects **highlighted in bold** are either complete or substantially complete

		2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	TOTAL
	Priority	Revised	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	2025-2035 Forecast
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
General Fund													
Approved*													
Disabled Facility Grants	Good Homes for All	1,343	1,343	1,343	1,343	1,343	1,343	1,343	1,343	1,343	1,343	1,343	13,430
North Walls Pavilion replacement	Healthy Communities	40	2,260	-	-	-	-	-	-	-	-	-	2,260
Food waste collection - capital investments incl. vehicles & caddies	Greener Faster	125	1,816	-	-	-	-	-	-	-	-	-	1,816
IMT Assets	Effective and Efficient	111	95	224	285	240	30	65	294	35	210	35	1,513
Car Parks	Thriving Places	337	840	-	-	-	-	-	-	-	-	-	840
CIL funded community projects	Thriving Places	469	701	-	-	-	-	-	-	-	-	-	701
SAPS - Car Park at the Dean, Alresford	Thriving Places	600	-	465	-	-	-	-	-	-	-	-	465
CIL funded HCC projects - contra-flow cycle scheme Upper High St.	Thriving Places	-	300	-	-	-	-	-	-	-	-	-	300
Meadowside Leisure centre - new equipment	Healthy Communities	-	-	-	-	101	-	-	-	-	-	-	101
Public conveniences improvements	Thriving Places	130	180	-	-	-	-	-	-	-	-	-	180
Open Spaces & Recreational Facilities - Chaundler Road	Healthy Communities	-	110	-	-	-	-	-	-	-	-	-	110
Meadowside Leisure centre - solar PV	Greener Faster	-	60	-	-	-	-	-	-	-	-	-	60
KGVPark Plan	Healthy Communities	57	47	-	-	-	-	-	-	-	-	-	47
WCC all weather 3G pitch	Healthy Communities	1,466	-	-	-	-	-	-	-	-	-	-	0
59 Colebrook Street - shared accommodation	Good Homes for All	607	-	-	-	-	-	-	-	-	-	-	0
Rural Prosperity Fund - approved projects	Thriving Places	597	-	-	-	-	-	-	-	-	-	-	0
Guildhall fire safety improvement works	Effective and Efficient	485	-	-	-	-	-	-	-	-	-	-	0
Chesil Multi Storey car park - resurfacing	Thriving Places	299	-	-	-	-	-	-	-	-	-	-	0
Frithgate Park	Thriving Places	240	-	-	-	-	-	-	-	-	-	-	0
King George V Pavilion replacement	Healthy Communities	218	-	-	-	-	-	-	-	-	-	-	0
Car parks - public convenience improvements	Healthy Communities	210	-	-	-	-	-	-	-	-	-	-	0
UK Shared Prosperity Fund - approved projects	Thriving Places	205	-	-	-	-	-	-	-	-	-	-	0
The Weirs - essential repairs	Thriving Places	151	-	-	-	-	-	-	-	-	-	-	0
Housing Company	Good Homes for All	150	-	-	-	-	-	-	-	-	-	-	0
Open Spaces & Recreational Facilities - KGV play area	Healthy Communities	115	-	-	-	-	-	-	-	-	-	-	0
Open Spaces & Recreational Facilities - Talavera Road play area	Healthy Communities	90	-	-	-	-	-	-	-	-	-	-	0
Relocation of bone store to F2 - racking	Effective and Efficient	75	-	-	-	-	-	-	-	-	-	-	0
Winchester Sport & Leisure Park	Healthy Communities	55	-	-	-	-	-	-	-	-	-	-	0
Chesil Multi Storey car park - replacement lighting	Thriving Places	50	-	-	-	-	-	-	-	-	-	-	0
North Walls Park Plan - path improvements	Healthy Communities	50	-	-	-	-	-	-	-	-	-	-	0
St Giles Hill stabilisation works (Town)	Healthy Communities	46	-	-	-	-	-	-	-	-	-	-	0
Open Spaces & Recreational Facilities - Abbey Gardens (surface)	Healthy Communities	23	-	-	-	-	-	-	-	-	-	-	0
Winchester Town bus shelters	Thriving Places	20	-	-	-	-	-	-	-	-	-	-	0
Jane Austen Statue - capital grant	Thriving Places	10	-	-	-	-	-	-	-	-	-	-	0
North Walls - tennis court resurfacing	Healthy Communities	7	-	-	-	-	-	-	-	-	-	-	0
Total Approved*		8,381	7,752	2,032	1,628	1,684	1,373	1,408	1,637	1,378	1,553	1,378	21,823

Capital Programme 2025-35

		2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	TOTAL
	Priority	Revised	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	2025-2035 Forecast
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<u>Subject to Appraisal*</u>													
Demolition of former leisure centre at River Park	Healthy Communities	-	2,000	-	-	-	-	-	-	-	-	-	2,000
Energy Management Projects	Greener Faster	-	500	500	500	500	-	-	-	-	-	-	2,000
Car Parks	Thriving Places	-	-	305	180	180	180	180	180	180	180	180	1,745
Asset Management Plan	Effective and Efficient	150	150	150	150	150	150	150	150	150	165	200	1,565
North Whiteley Sports Pavilion - grant of S106 monies to parish	Healthy Communities	-	100	500	600	-	-	-	-	-	-	-	1,200
City Offices - refurbishments inc. new lifts, lighting, and heating system	Effective and Efficient	-	-	670	170	-	-	250	-	-	-	-	1,090
CIL funded community projects - unallocated	Thriving Places	-	350	350	-	-	-	-	-	-	-	-	700
Chesil Multi Storey car park - replacement lifts	Thriving Places	-	-	-	500	-	-	-	-	-	-	-	500
Open Spaces & Recreational Facilities - various sites	Healthy Communities	-	-	120	50	90	-	-	-	-	-	-	260
Guildhall capital repairs to clock tower	Effective and Efficient	-	250	-	-	-	-	-	-	-	-	-	250
Cipher House roof replacement	Effective and Efficient	-	160	-	-	-	-	-	-	-	-	-	160
Wickham Recreation Ground - grant of S106 monies to parish	Healthy Communities	30	160	-	-	-	-	-	-	-	-	-	160
West Wing refurbishment - replacement lift	Effective and Efficient	-	-	-	140	-	-	-	-	-	-	-	140
City Offices - additional solar PV	Greener Faster	-	-	100	-	-	-	-	-	-	-	-	100
Replacement printers	Effective and Efficient	-	-	93	-	-	-	-	-	-	-	-	93
Meadowside Leisure centre - 3G pitch refurbishment	Healthy Communities	-	82	-	-	-	-	-	-	-	-	-	82
UK Shared Prosperity Fund	Thriving Places	13	60	-	-	-	-	-	-	-	-	-	60
Rural Prosperity Fund	Thriving Places	4	-	-	-	-	-	-	-	-	-	-	0
Subject to Appraisal*		197	3,812	2,788	2,290	920	330	580	330	330	345	380	12,105
Total General Fund		8,578	11,564	4,820	3,918	2,604	1,703	1,988	1,967	1,708	1,898	1,758	33,928

* Under the Council's Financial Procedure Rule 7.4, the inclusion of a scheme in the capital programme does not constitute authority to incur the expenditure. Such authority is obtained subject to the various conditions and limits as set out in the Constitution.

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

SAPS - unallocated	Thriving Places	-	4,000	-	-	-	-	-	-	-	-	-	4,000
Total SAPS - unallocated		-	4,000	-	-	-	-	-	-	-	-	-	4,000

Housing Revenue Account													
New build	Good Homes for All	8,538	13,198	18,960	46,623	26,193	30,785	37,005	28,672	27,771	-	-	229,207
Major repairs	Good Homes for All	7,182	8,570	9,203	8,555	9,605	9,708	9,864	5,736	7,547	7,084	8,367	84,239
Improvements & conversions	Good Homes for All	524	506	521	537	553	570	587	516	532	272	280	4,874
Disabled adaptations	Good Homes for All	700	719	740	763	786	809	833	858	884	911	938	8,241
Fire Safety provision	Good Homes for All	750	3,301	2,697	2,778	729	751	774	797	821	846	871	14,365
Climate Change Emergency	Greener Faster	4,636	5,936	7,744	5,900	6,077	6,259	6,447	-	-	-	-	38,363
Other capital spend	Good Homes for All	665	2,102	762	120	123	127	131	135	139	143	147	3,929
Total Housing Revenue Account		22,995	34,332	40,627	65,276	44,066	49,009	55,641	36,714	37,694	9,256	10,603	383,218
Grand Total		31,573	49,896	45,447	69,194	46,670	50,712	57,629	38,681	39,402	11,154	12,361	421,146

Capital Programme Financing 2025 to 2035

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
General Fund												
<i>Externally Funded</i>												
Government Grants	2,677	1,403	1,343	1,343	1,343	1,343	1,343	1,343	1,343	1,343	1,343	13,490
External Contributions												
Non governmental grants	1,695	1,517	0	0	0	0	0	0	0	0	0	1,517
Open Space Fund	48	178	0	0	0	0	0	0	0	0	0	178
Developer's Contributions	380	260	535	600	0	0	0	0	0	0	0	1,395
Total Externally Funded	4,800	3,358	1,878	1,943	1,343	1,343	1,343	1,343	1,343	1,343	1,343	16,580
<i>Earmarked Reserves</i>												
Car Parks Property	468	840	305	180	180	180	180	180	180	180	180	2,585
Community Infrastructure Levy (CIL)	1,172	3,105	350	0	0	0	0	0	0	0	0	3,455
Town CIL	53	495	0	0	0	0	0	0	0	0	0	495
Information, Management, and Technology	65	45	204	165	240	30	65	294	35	210	35	1,323
Landscape Mitigation	0	0	0	0	0	0	0	0	0	0	0	0
Major Investment Reserve	79	50	0	0	0	0	0	0	0	0	0	50
Property - Asset Management Reserve	760	597	820	960	150	150	400	150	150	165	200	3,742
Winchester Town	225	110	120	50	90	0	0	0	0	0	0	370
Pride in Place	10	0	0	0	0	0	0	0	0	0	0	0
Total Earmarked Reserves	2,832	5,242	1,799	1,355	660	360	645	624	365	555	415	12,020
<i>Capital Receipts</i>												
General fund	527	2,000	20	120	0	0	0	0	0	0	0	2,140
Right to buy allowable	150	0	0	0	0	0	0	0	0	0	0	0
Total Capital Receipts	677	2,000	20	120	0	0	0	0	0	0	0	2,140
<i>Revenue Contribution to Capital</i>	23	0	0	0	0	0	0	0	0	0	0	0
<i>Capital Financing Requirement</i>	246	4,964	1,123	500	601	0	0	0	0	0	0	7,188
Total General Fund	8,578	15,564	4,820	3,918	2,604	1,703	1,988	1,967	1,708	1,898	1,758	37,928
Housing												
Capital Grants and Contributions	882	700	4,000	3,878	4,000	1,035	2,805	1,600	0	0	0	18,018
Community Infrastructure Levy (CIL)	755	0	0	0	0	0	0	0	0	0	0	0
Major Repairs Reserve	10,704	24,787	28,333	11,527	11,705	12,188	12,729	13,083	13,481	7,924	9,221	144,979
Capital Receipts	10,654	8,845	8,294	4,829	6,586	8,360	7,169	6,038	7,239	1,332	1,382	60,075
Revenue Contribution to Capital	0	0	0	0	0	0	0	0	0	0	0	0
<i>Capital Financing Requirement</i>	0	0	0	45,042	21,775	27,426	32,937	15,993	16,973	0	0	160,146
Total Housing Revenue Account	22,995	34,332	40,627	65,276	44,066	49,009	55,641	36,714	37,694	9,256	10,603	383,218
Total Financing of Capital Programme	31,573	49,896	45,447	69,194	46,670	50,712	57,629	38,681	39,402	11,154	12,361	421,146

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Revenue Consequences of General Fund Capital Programme 2025 to 2035

Notes:
Revenue consequences are estimates and are subject to change. More detailed analysis is carried out prior to actual expenditure being approved.
* Under the Council's Financial Procedure Rule 7.4, the inclusion of a scheme in the capital programme does not constitute authority to incur the expenditure. Such authority is obtained subject to the various conditions and limits as set out in the Constitution.

GENERAL FUND	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
TOTAL SURPLUS/(DEFICIT)	(15)	(17)	573	575	576	557	581	578	578	580	669

Forecast interest payable and Minimum Revenue Provision are affected by borrowing rates available to the Council.
The figures above are based on prevailing rates. An increase or decrease of 1.0% (100 basis points) to long-term borrowing rates would have the following impact:

Difference to TOTAL SURPLUS/(DEFICIT) (+1.0%)	-	0	(9)	(9)	(9)	(10)	(10)	(10)	(10)	(10)	(6)
Difference to TOTAL SURPLUS/(DEFICIT) (-1.0%)	-	(1)	9	9	9	9	9	9	9	9	6

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Capital Receipts Reserve Forecast

<u>CAPITAL RECEIPTS RESERVE</u>	2024/25 Forecast £000	2025/26 Forecast £000	2026/27 Forecast £000	2027/28 Forecast £000	2028/29 Forecast £000	2029/30 Forecast £000	2030/31 Forecast £000	2031/32 Forecast £000	2032/33 Forecast £000	2033/34 Forecast £000	2034/35 Forecast £000
Consolidated Opening Balance	(8,398)	(3,713)	(1,487)	(1,716)	(1,853)	(2,117)	(2,428)	(2,749)	(3,081)	(3,421)	(3,860)
GENERAL FUND											
Opening Balance	(3,248)	(3,111)	(1,318)	(1,547)	(1,684)	(1,948)	(2,259)	(2,580)	(2,910)	(3,251)	(3,689)
Forecast receipts	(390)	(11,907)	(249)	(257)	(264)	(311)	(321)	(330)	(340)	(438)	(452)
Forecast utilisation	527	13,700	20	120	-	-	-	-	-	-	-
Closing Balance	(3,111)	(1,318)	(1,547)	(1,684)	(1,948)	(2,259)	(2,580)	(2,910)	(3,251)	(3,689)	(4,140)
HOUSING REVENUE ACCOUNT											
Opening Balance	(5,150)	(602)	(169)	(169)	(169)	(169)	(169)	(170)	(170)	(171)	(171)
Forecast receipts	(6,256)	(8,412)	(8,294)	(4,828)	(6,586)	(8,360)	(7,169)	(6,039)	(7,240)	(1,332)	(1,383)
Forecast utilisation	10,804	8,845	8,294	4,828	6,586	8,360	7,168	6,038	7,239	1,332	1,382
Closing Balance	(602)	(169)	(169)	(169)	(169)	(169)	(170)	(170)	(171)	(171)	(172)
Consolidated Closing Balance	(3,713)	(1,487)	(1,716)	(1,853)	(2,117)	(2,428)	(2,749)	(3,081)	(3,421)	(3,860)	(4,312)

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Annual Minimum Revenue Provision Statement 2025/26

Where the council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the council to have regard to the Ministry of Housing, Communities and Local Government Guidance on Minimum Revenue Provision (the MHCLG Guidance) most recently issued in April 2024.

The broad aim of the MHCLG Guidance is to ensure that debt is repaid over a period that is aligned with that over which the capital expenditure provides benefits.

The MHCLG Guidance requires the council to approve an Annual MRP Statement each year and provides a number of options for calculating a prudent amount of MRP but does not preclude the use of other appropriate methods. The following statement incorporates options recommended in the Guidance.

MRP is calculated by reference to the capital financing requirement (CFR) which is the total amount of past capital expenditure that has yet to be permanently financed, noting that debt must be repaid and therefore can only be a temporary form of funding. The CFR is calculated from the Authority's balance sheet in accordance with the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Expenditure in Local Authorities, 2021 edition.

For unsupported capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset as the principal repayment on an annuity with an annual interest rate equal to the relevant PWLB rate at the end of the financial year when the asset is complete, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.

For assets acquired by leases or the Private Finance, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

Where former operating leases have been brought onto the balance sheet due to the adoption of the IFRS 16 Leases accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or incentives, then the MRP charges will be adjusted so that the overall charge for MRP over the life of the lease reflects the value of the right-of-use asset recognised on transition rather than the liability.

For capital expenditure on loans to third parties which were made primarily for financial return rather than direct service purposes, MRP will be charged in accordance with the policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. This

MRP charge will be reduced by the value any repayments of loan principal received during in the year, with the capital receipts so arising applied to finance the expenditure instead.

For capital expenditure on loans to third parties which were made primarily for service purposes, the Authority will make nil MRP except as detailed below for expected credit losses. Instead, the Authority will apply the capital receipts arising from the repayments of the loan principal to finance the expenditure in the year they are received.

For capital loans made on or after 7th May 2024 where an expected credit loss is recognised during the year, the MRP charge in respect of the loan will be no lower than the loss recognised. Where expected credit losses are reversed, for example on the eventual repayment of the loan, this will be treated as an overpayment.

For capital loans made before 7th May 2024 and for loans where expected credit losses are not applicable, where a shortfall in capital receipts is anticipated, MRP will be charged to cover that shortfall over the remaining life of the assets funded by the loan.

Housing Revenue Account

No MRP will be charged in respect of assets held within the Housing Revenue Account but depreciation on those assets will be charged instead in line with regulations.

Capital expenditure incurred during 2025/26 will not be subject to a MRP charge until 2026/27 or later.

Based on the Authority's latest estimate of its CFR on 31st March 2025, the budget for MRP has been set as follows:

	31.03.2025 Estimated CFR £m	2025/26 Estimated MRP £
Unsupported capital expenditure after 31.03.2008	67.1	1,190,000
Finance leases and Private Finance Initiative	1.7	462,000
Total General Fund	68.8	1,652,000
Assets in the Housing Revenue Account	212.3	Nil
Total Housing Revenue Account	212.3	Nil
Total	281.1	1,652,000

Investment Activities

The council invests for three broad purposes:

- because it has surplus cash as a result of the reserves it holds and its day-to-day activities such as when income is received in advance of expenditure (known as **treasury management investments** – further detail including associated limits and indicators is reported in CAB3496);
- to support local public services by undertaking regeneration projects, by lending to, and by buying shares in other organisations (**service investments**); and
- to earn investment income (**commercial investments**).

Service Investments: Loans

Contribution: The council considers lending money to its subsidiaries, housing associations, and other entities to support local public services and stimulate local economic growth. The council currently has outstanding loans with Housing Associations which help to meet its objective of providing affordable housing and preventing homelessness. It has no subsidiaries currently but is setting up a wholly owned Housing Company.

Security: The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the council, upper limits on the outstanding loans to each category of borrower have been set as follows:

Table 1: Loans for service purposes in £ millions

Category of borrower	31.3.2024 actual			2025/26
	Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Subsidiaries	-	-	-	1m
Housing associations	0.09m	0.05m	0.04m	1m
Other entities*	-	-	-	1m
TOTAL	0.09m	0.05m	0.04m	3m

*loans to other entities will be considered on a case by case basis by the Treasury Investment Group (TIG). Further information on TIG is provided in CAB3496

Accounting standards require the council to set aside a loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the council's statement of accounts are shown net of this loss allowance. However, the council makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments. Included in loans to housing associations are £35,000 of loans which have an allowance of the full amount; these loans are in respect of asset purchases for the provision of temporary accommodation to prevent homelessness and are only repayable in the event the asset is sold or its use changes.

Risk assessment: The council assesses the risk of loss before entering into and whilst holding service loans by considering any loans on a case by case basis. This includes, where appropriate, completion of a business case, assessing the purpose of the loan, the entity to which the loan is made, the use of credit ratings, and the procurement of external advice.

Service Investments: Shares

The council does not actively consider the purchase of direct shares for Treasury Management purposes. It has, however, set up Venta Living, a wholly owned subsidiary in which the council holds £150,000 in shares. In addition, the council purchased one hundred and eighty-eight ordinary shares at a cost of £188,000 in Hampshire Community Bank (HCB Holding Ltd.) for the purpose of assisting the local economy.

Commercial Investments: Property

Contribution: The council owns an investment property portfolio (assets held solely for rental income or capital appreciation) which was valued at £71.5m as at 31 March 2024 and generated gross income of £4.3m and net income after costs of £2.7m in 2023/24. This income helps contribute to the Council Strategy priorities.

In 2024/25 there is £0.6m budgeted capital expenditure in respect of the council's investment properties all of which is in relation to the conversion of 59 Colebrook Street to temporary accommodation. This asset will be transferred to operational land and buildings upon completion as it will no longer meet the definition of an investment property (held solely for capital appreciation and/or income generation).

Table 2: Property held for investment purposes in £ millions

1 April 2023	71.0
Acquisitions	0.0
Enhancements	0.0
Disposals	(0.1)
Gains/(losses) in fair value	0.6
Transfers (to)/from PPE (operational assets)*	0.0
31 March 2024	71.5
Budgeted	
Acquisitions	0.0
Enhancements	0.6
Disposals	0.0
Gains/(losses) in fair value**	-
Transfers (to)/from PPE (operational assets)*	(0.8)
31 March 2025	71.3

*an investment property is held for rental income and/or capital appreciation; when the continued purpose of holding the asset changes to meeting a service objective it is transferred to Property Plant & Equipment or vice versa

**valuations are carried out at the balance sheet date and so it is not possible to forecast future changes in fair value

The Council has a mixed investment property portfolio with the largest single element being in the retail sector. This is primarily due to historic holdings on Winchester's High Street with some assets being held by the Council and its predecessor organisations for over a hundred years.

Table 3: Investment properties by type

As at 31 March 2024	Retail	Offices	Industrial	Residential / Garages	Other	Total
Value £000s	28,389	10,898	6,868	24,483	1,008	71,646

Security: Investment property values are subject to fluctuation and so, in some years, the Council may make a loss in fair value. However, the Council is not reliant on capital receipts from the sale of its investment property assets and so any short or medium term loss is unrealised.

Risk assessment: The Council generates significant income from its portfolio and, in order to ensure continued revenue streams, the portfolio is kept under rolling review as part of the Asset Challenge programme and, where appropriate, assets are identified for sale. The Council does not plan to purchase new investment properties. It has, however, used prudential borrowing (also known as Capital Financing Requirement (CFR)) to undertake the refurbishment of property in its existing portfolio to enable it to continue to generate rental income. When any such refurbishment is planned, it is subject to a business case and approval in accordance with the governance arrangements outlined in the Capital Strategy. As at 31 March 2024, the Council had £10.4m of CFR in relation to investment properties.

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

Proportionality

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

Table 4: Proportionality of Investments

	2023/24 Actual £000	2024/25 Forecast £000	2025/26 Budget £000	2026/27 Budget £000	2027/28 Budget £000
Gross service expenditure	37,418	42,685	42,087	40,182	40,351
Investment income*	4,764	4,209	4,009	3,522	3,009
Proportion	12.7%	9.9%	9.5%	8.8%	7.5%

**Investment income includes income from treasury investments and investment properties.*

Investment Indicators

The Authority has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure as a result of its investment decisions.

Total risk exposure: The first indicator shows the Authority's total investments and therefore its exposure to potential investment losses. The Council seeks to minimise its risk of loss and how it achieves this is detailed in the Capital Investment Strategy and the Treasury Management Strategy (CAB3496).

Table 5: Total investment exposure in £millions

Total investment exposure	31.03.2024 Actual	31.03.2025 Forecast	31.03.2026 Forecast
Treasury management investments	11.3m	10.8m	10.0m
Service investments: Loans	0.1m	0.1m	0.1m
Service investments: Shares	0.2m	0.2m	0.2m
Commercial investments: Property	71.5m	71.3m	71.3m
TOTAL EXPOSURE	83.1m	82.4m	81.6m

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

Table 6: Investments funded by external borrowing in £millions

Investments funded by external borrowing	31.03.2024 Actual	31.03.2025 Forecast	31.03.2026 Forecast
Treasury management investments	0.0m	0.0m	0.0m
Service investments: Loans	0.0m	0.0m	0.0m
Service investments: Shares	0.0m	0.0m	0.0m
Commercial investments: Property	0.0m	0.0m	0.0m
TOTAL FUNDED BY EXTERNAL BORROWING	0.0m	0.0m	0.0m

Rate of return received (%): This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Table 7: Investment rate of return (net of costs) %

Investments net rate of return	2023/24 Actual	2024/25 Forecast	2025/26 Forecast
Treasury management investments	5.1%	5.0%	4.0%
Service investments: Loans	0.0%	0.0%	0.0%
Service investments: Shares	0.0%	0.0%	0.0%
Commercial investments: Property	3.8%	3.2%	3.0%
ALL INVESTMENTS*	4.1%	3.4%	3.1%

**weighted average return*

Capital financing requirement (CFR) to total fixed assets value: Capital Financing requirement represents the total borrowing need of the Council. This indicator shows the CFR as a percentage of total fixed assets and forecasts assume the full delivery of the capital programme. The Council is able to internally borrow an element of its need and actual external borrowing stood at £159.7m at 31 March 2024. Further detail on borrowing is included in the Treasury Management Strategy (CAB3496)

Table 8: Capital Financing Requirement to total fixed assets value

Capital Financing Requirement to total fixed assets value	2023/24 Actual	2024/25 Forecast*	2025/26 Forecast*
General Fund - total fixed assets (£m)	195.6	202.9	198.9
Outstanding CFR (%)	35.9%	33.9%	30.4%
Housing Revenue Account - total fixed assets (£m)	597.1	600.0	606.9
Outstanding CFR (%)	35.6%	35.4%	35.0%

**excludes future changes in valuation*

Flexible Use of Capital Receipts Strategy

1. Introduction

Ordinarily, capital resources such as capital receipts can only be used on capital expenditure (i.e. the creation or enhancement of a capital asset). However, the MHCLG Secretary of State issued a direction to local authorities in order to give them the freedom to use capital receipts from the sale of their own assets (excluding Right to Buy receipts) to help fund the revenue costs of transformation projects and release savings, including through redundancy, for the financial years 2016/17 to 2021/22. A further direction was issued in 2022 covering the financial years 2022/23 to 2024/25 although redundancy costs must no longer be included unless “necessarily incurred and limited to...statutory payments”. This has since been further extended to 31 March 2030. By using capital receipts, the council is able to avoid the negative impact of on its annual revenue budget of one-off costs but this will reduce the available resources for future capital projects.

2. The Direction

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

- “is incurred by the authority that is designed to generate savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners”;
- “is not incurred with respect to redundancy payments, except where such redundancy costs are necessarily incurred and limited to the amounts available as statutory redundancy payments”.

3. Available capital receipts

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

4. Proposed use

2024/25 – the council does not plan to apply capital receipts to transformation projects.

2025/26 onwards - the council may use qualifying capital receipts, when appropriate and if available, to help fund the revenue costs of any transformation projects

identified, though none specifically has been identified to date. In accordance with the direction, any such projects must deliver ongoing savings to the council.

5. Prudential indicators

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

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

SCRUTINY COMMITTEE

REPORT TITLE: TREASURY MANAGEMENT 2025-26

4 FEBRUARY 2025

REPORT OF CABINET MEMBER: Councillor Neil Cutler, Deputy Leader and Cabinet Member for Finance and Performance

Contact Officer: Liz Keys, Director (Finance) Tel No: 01962 848226 Email: lkeys@winchester.gov.uk

WARD(S): ALL

RECOMMENDATION:

It is recommended that scrutiny committee comment on the proposals within the attached cabinet report, ref CAB3496 which is to be considered by cabinet at its meeting on the 12 February 2025.

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REPORT TITLE: TREASURY MANAGEMENT STRATEGY 2025/26

12 FEBRUARY 2025

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

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

WARD(S): ALL WARDS

PURPOSE

This report sets out the proposed Treasury Management Strategy Statement, including the Annual Investment Strategy for the council for 2025/26.

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

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

RECOMMENDATIONS:

That Cabinet recommends to council:

1. That the Treasury Management Strategy Statement which includes the Annual Treasury Investment Strategy for 2025/26 (and the remainder of 2024/25) is approved;
2. That authority is delegated to the Section 151 Officer to manage the council's pooled property investment and long-term borrowing according to the Treasury Management Strategy Statement as appropriate; and

3. That authority is delegated to the Section 151 Officer, who in turn discharges this function to Hampshire County Council's Director of Corporate Operations, as agreed in the Service Level Agreement, to manage all council investments (other than the high yield portfolio) and short-term borrowing according to the Treasury Management Strategy Statement as appropriate.

IMPLICATIONS:1 COUNCIL PLAN OUTCOME

- 1.1 Treasury management is an integral part of helping to deliver the council Plan and all of its outcomes.

2 FINANCIAL IMPLICATIONS

- 2.1 Effective treasury management ensures both the financial security and liquidity of the council. The council forecasts a return of 4% on an average balance of £30m in 2025/26. This would represent a yield of £1.2m. The actual return depends on several variable factors including the interest rates available throughout the period and the level of cash and investment balances.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 The council's Treasury Management Strategy Statement follows the latest codes of practice and the MHCLG and CIPFA guidance.
- 3.2 With effect from September 2014 Hampshire County Council (HCC) and Winchester City Council (WCC) established arrangements for the joint discharge of functions under Section (101)(1) and (5) of the Local Government Act 1972 and Section 9EA and 9EB Local Government Act 2000. Under this arrangement, HCC's Investments and Borrowing Team provide a Treasury Service which includes the management of WCC's cash balances and investment of surplus cash or sourcing of short-term borrowing in accordance with the agreed Treasury Management Strategy Statement.

4 WORKFORCE IMPLICATIONS

- 4.1 Hampshire County council's Investments and Borrowing Team carry out the day-to-day management of the council's cash balances and investments. The council's in-house finance team undertake the accounting and retain responsibility for long-term borrowing decisions.

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 None.

6 CONSULTATION AND COMMUNICATION

- 6.1 This report has been produced in consultation with Hampshire County council's Investments & Borrowing team.
- 6.2 In November 2024 several members attended the annual treasury management briefing session provided by the council's treasury advisors Arlingclose.

- 6.3 The Scrutiny Committee discussed the report at its meeting held on 4 February 2025. Due to the dispatch date any particular matters that the Committee wishes to raise with Cabinet will be reported at the meeting.

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 Following the council's declaration of a Climate Emergency in June 2019, and in line with its ethical stances in its investment policy (see Section 16 below), the council has no direct or indirect equity investments in companies directly involved in the fossil fuel industry.

8 PUBLIC SECTOR EQUALITY DUTY

- 8.1 None.

9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 None required.

10 RISK MANAGEMENT

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

SUPPORTING INFORMATION:

11 Summary

- 11.1 The Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) requires authorities to determine the Treasury Management Strategy Statement (TMSS) before the start of each financial year.
- 11.2 As per the requirements of the Prudential Code, the council adopts the CIPFA Treasury Management Code. This report fulfils the council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

12 Introduction

- 12.1 Treasury management is the management of the council's cash flows, borrowing and investments, and the associated risks. The council has borrowed and invested sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the council's prudent financial management.
- 12.2 Treasury risk management at the council is conducted within the framework of the CIPFA Code which requires the council to approve a Treasury Management Strategy Statement (TMSS) before the start of each financial year. This report fulfils the council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.
- 12.3 Investments held for service purposes or for commercial profit are considered in a different report, the Capital Investment Strategy.
- 12.4 Hampshire County council's Investments & Borrowing Team has been contracted to manage the council's treasury management balances since September 2014 but overall responsibility for treasury management remains with the council. No treasury management activity is without risk; the effective identification and management of risk are integral to the council's treasury management objectives.

13 External Context

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

Economic background

- 13.2 The impact on the UK economy from the Government's Autumn Budget: slower interest rate cuts, modestly weaker economic growth over the medium term, together with the impact from President Trump's second term in office and uncertainties around US domestic and foreign policy, will be major influences on the council's treasury management strategy for 2025/26.
- 13.3 The Bank of England's (BoE) Monetary Policy Committee (MPC) reduced Bank Rate to 4.75% at its meeting in November 2024, having previously cut by 25bp from the 5.25% peak at the August MPC meeting. At the December 2024 meeting, Bank Rate was maintained at 4.75%.

Credit outlook

- 13.4 Credit Default Swap (CDS) prices are used as an indicator of credit risk, where higher premiums indicate higher perceived risks. CDS prices have typically followed a general trend downwards during 2024, reflecting a relatively more stable financial period compared to the previous year. Improved credit conditions in 2024 have also led to greater convergence in CDS prices between ringfenced (retail) and non-ringfenced (investment) banking entities again.
- 13.5 Higher interest rates can lead to a deterioration in banks' asset quality through increased loan defaults and volatility in the value of capital investments. Fortunately, the rapid interest rate hikes during this monetary tightening cycle, while putting some strain on households and corporate borrowers, has not caused a rise in defaults, and banks have fared better than expected to date, buoyed by strong capital positions. Low unemployment and robust wage growth have also limited the number of problem loans, all of which are positive in terms of creditworthiness.
- 13.6 Overall, the institutions on the counterparty list provided by the council's treasury management adviser, Arlingclose, remain well-capitalised. Arlingclose's counterparty advice on both recommended institutions and maximum duration remain under constant review, and will continue to reflect economic conditions and the credit outlook.

Interest rate forecast (December 2024)

- 13.7 The council's treasury management adviser Arlingclose forecasts that The Bank of England's Monetary Policy Committee will continue reducing rates during and through 2025, taking Bank Rate to around 3.75% by the end of the 2025/26 financial year. The effect from the Autumn Budget on economic growth and inflation has reduced previous expectations in terms of the pace of rate cuts as well as pushing up the rate at the end of the loosening cycle.
- 13.8 A more detailed economic and interest rate forecast provided by Arlingclose is attached at Appendix A.

14 Balance Sheet Summary and Forecast

- 14.1 On 31 December 2024, the council held £159.6m of borrowing and £38.1m of investments. This is set out in further detail at Appendix B. Forecast changes in these sums, subject to delivery of the capital programme, are shown in the balance sheet analysis in Table 1.
- 14.2 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while reserves and working capital are the underlying resources available for investment. The council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.
- 14.3 The council has a forecast increasing CFR due to the planned capital programme over the coming years, and the council's reserves will gradually reduce over the same period. This will reduce the council's capacity to internally borrow and will ultimately result in the council needing to take out additional external borrowing.
- 14.4 CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the council's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the council expects to comply with this recommendation during 2025/26.

Table 1: Balance sheet summary and forecast

	31/03/24 Actual £m	31/03/25 Estimate £m	31/03/26 Forecast £m	31/03/27 Forecast £m	31/03/28 Forecast £m
General Fund CFR	70.2	68.8	60.4	59.9	58.9
HRA CFR	212.5	212.3	212.3	212.3	257.4
Total CFR	282.7	281.1	272.7	272.2	316.3
Less other debt liabilities *	(2.2)	(1.7)	(1.3)	(0.8)	(0.3)
Borrowing CFR	280.5	279.4	271.4	271.4	316.0
Less: External borrowing **	(159.7)	(154.5)	(149.3)	(139.0)	(128.8)
Internal borrowing	120.8	124.9	122.1	132.4	187.2
Less: Balance sheet resources	(132.1)	(135.6)	(110.6)	(86.5)	(80.8)
New borrowing or (investments)	(11.3)	(10.7)	11.5	45.9	106.4

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

** existing external borrowing

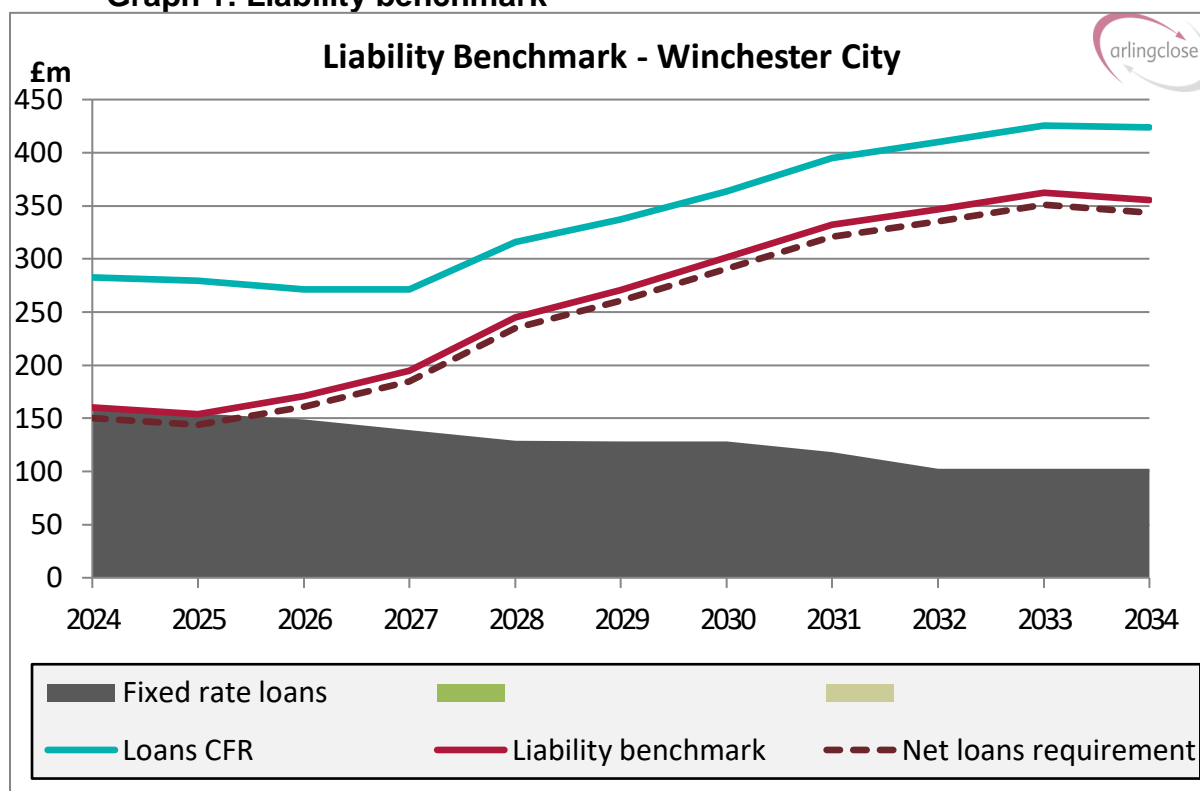
Liability benchmark

- 14.5 To compare the council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as Table 1, but that cash and investment balances are kept to a minimum level of £10m at each year-end to maintain sufficient liquidity but minimise credit risk.
- 14.6 The liability benchmark is an important tool to help establish whether the council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

Table 2: Prudential Indicator: Liability benchmark

	31/03/24 Actual £m	31/03/25 Estimate £m	31/03/26 Forecast £m	31/03/27 Forecast £m	31/03/28 Forecast £m
Loans CFR	280.5	279.4	271.4	271.4	316.0
Less: Balance sheet resources	(132.1)	(135.6)	(110.6)	(86.5)	(80.8)
Net loans requirement	148.4	143.7	160.8	184.9	235.1
Plus: Liquidity allowance	10.0	10.0	10.0	10.0	10.0
Liability benchmark	158.4	153.7	170.8	194.9	245.1

- 14.7 At the start of the period, 31 March 2024, the council had a Loans CFR of £280.5m, fixed term loans of £159.7m and a liability benchmark of £158.4m. The difference of £120.8m between the CFR and fixed term loans is internal borrowing and is where the council has used its own cash and investment balances to fund its borrowing need.

Graph 1: Liability benchmark

- 14.8 The liability benchmark is the lowest level of debt the council could hold if it used all of its balances, reserves and cash flow surpluses.
- 14.9 The forward projection using the council's capital programme forecasts indicate that capital expenditure funded by borrowing of around £35.5m will occur from the position at the 31 March 2024 to 31 March 2028 as evidenced by the rising CFR, and where the liability benchmark increases above the debt portfolio is where the council will need to take on additional external borrowing to fund this expenditure. It is anticipated that to keep debt at a minimum level, a maximum of £85.4m of additional debt would need to be taken out. The actual CFR and external borrowing required will depend on several factors including delivery of the capital programme and the actual level of balance sheet resources available.
- 14.10 The full liability benchmark is available at Appendix D to this report.

15 Borrowing Strategy

- 15.1 The council currently holds £159.6m of loans as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in Table 1 shows that the council is forecast to maintain a net borrowing position, and so may need to borrow to fund capital expenditure to maintain its long-term and minimum level of investments. The council may also borrow additional sums to pre-fund future years' requirements, providing total external borrowing does not exceed the authorised limit for borrowing of £304.7m.

Objectives

- 15.2 The council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the council's long-term plans change is a secondary objective.

Strategy

- 15.3 Given the significant cuts to public expenditure and in particular to local government funding, the council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. Short-term interest rates are currently higher than in the recent past but are expected to fall in the coming year and it is possible therefore to be more cost effective over the medium-term to either use internal resources, or to borrow short-term loans instead.
- 15.4 The benefits of internal and short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the council with this 'cost of carry' and breakeven analysis, and this will be used to help determine whether the council borrows additional sums at long-term fixed rates in 2025/26 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
- 15.5 The council has previously raised all of its long-term borrowing from the Public Works Loan Board (PWLB) but will consider long-term loans from other sources including banks, pension funds and local authorities, and will investigate the possibility of issuing bonds and similar instruments (including Community Municipal Investments (crowdfunding bonds) with the lenders being residents and the general public), in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. New PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield (including where individual purchases are not funded by borrowing); the council has no plans to undertake this activity and will therefore retain its access to PWLB loans. If the council were to elect to purchase assets primarily for yield it would have no access to the PWLB for loans for any purpose. This would expose the council to significant liquidity risk as it would need to obtain loans elsewhere in the market to finance its borrowing need.
- 15.6 The council may also arrange forward-starting loans during 2025/26, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period. The council may, from time to time, borrow in advance of need, where this is expected to provide the best long-term value for money.

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

Sources of borrowing

- 15.8 The approved sources of long-term and short-term borrowing are:
- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
 - National Wealth Fund Ltd (formerly UK Infrastructure Bank Ltd)
 - Any institution approved for investments
 - Any other bank or building society authorised to operate in the UK
 - Any other UK public sector body
 - UK public and private sector pension funds (except Hampshire Pension Fund)
 - Capital market bond investors
 - Retail investors via a regulated peer-to-peer platform
 - UK Municipal Bonds Agency plc and other special purpose companies created to enable local council bond issues

Other sources of debt finance

- 15.9 In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:
- Leasing
 - Hire purchase
 - Private Finance Initiative
 - Sale and leaseback
 - Similar asset-based finance

Short-term and variable rate loans

- 15.10 These loans leave the council exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to the interest rate exposure limits in the treasury management indicators at Section 17 of this TMSS.

Debt rescheduling

- 15.11 The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. The council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk. The recent rise in interest rates means that more favourable debt rescheduling opportunities could arise and the opportunity to reschedule is kept under review.

16 Treasury Investment Strategy

- 16.1 The council holds invested funds representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the council's treasury investment balance has ranged between £11.8m and £48.2m.

Objectives

- 16.2 The CIPFA Code requires the council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. The council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.

Strategy

- 16.3 As demonstrated by the liability benchmark above, the council expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments.
- 16.4 Given the increasing risk and very low returns from short-term unsecured bank investments, the council aims to continue to hold investments that provide diversification through greater security and/or higher yielding asset classes. This is especially the case for the estimated funds that are available for longer-term investment.
- 16.5 At 31 December 2024 approximately 35% of the council's investment balances were invested so that they were not subject to bail-in risk as they were invested in Government investments, secured bank bonds and pooled property funds.
- 16.6 Of the 65% of investment balances that were subject to bail-in risk, 75% were held in cash plus funds and overnight money market funds which are subject to a reduced risk of bail in due to the high level of diversification within these

investments, and 18% were held in overnight bank call accounts for liquidity purposes.

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

Environmental, social and governance factors

- 16.8 Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the council does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in pooled funds, the council will prioritise funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.
- 16.9 The council declared a Climate Emergency in June 2019 and as a consequence will not make equity investments either directly or indirectly (via pooled funds) in companies directly involved in the fossil fuel industry.

Business models

- 16.10 Under the new IFRS 9 standard, the accounting for certain investments depends on the 'business model' for managing them. The council aims to achieve value from its internally managed treasury investments through a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

Investments in pooled funds

- 16.11 The council continues to invest in a pooled property fund which enables it to achieve a greater degree of diversification than could effectively be achieved by directly owning individual assets. Pooled funds are managed by specialist external fund managers who are best placed to select and manage investments, for example with property investments in selecting appropriate buildings and then managing the relationship with tenants and the maintenance of those buildings.
- 16.12 Diversification in itself does not guarantee positive outcomes. The selection of a pooled fund is carefully managed to target funds with a strong performance track record and objectives that are well aligned to the council's income returns aims without putting its initial investment at undue risk over the longer term. The council is therefore currently invested in a pooled fund that specialises in providing income returns to support the revenue budget. As a result of their income focus this fund may not achieve the same capital growth and therefore total return, as other more general investment funds, however it is likely to deliver good income returns for the longer term.

- 16.13 The investible universe for pooled funds is vast and part of the service provided by Arlingclose as treasury advisers is to conduct research and suitable due diligence on pooled funds prior to making recommendations to their clients.
- 16.14 Past performance does not guarantee that funds can replicate successful outcomes in future and knowing which funds will perform well is not an exact science. The council will therefore continue to conduct its own ongoing review and scrutiny of the performance of its pooled fund investments. The council will also discuss these investments regularly with Arlingclose, who provide advice based on regular meetings with representatives from the pooled funds and their own ongoing due diligence on areas such as performance and investment style, strategy and process.
- 16.15 Changes to IFRS 9 mean that capital gains and losses on investments need to be reflected in the revenue account on an annual basis, with the statutory override in place for local authorities that exempts them from complying with this requirement coming to an end on 31st March 2025.

Investment limits

- 16.16 The maximum that will be lent to any one organisation (other than the UK Government) will be £7m. Over the longer term it is expected that the council's cash balances will reduce, and new external borrowing will need to be taken. This limit allows the flexibility to ensure that all of the council's cash can be invested in accordance with this TMSS.
- 16.17 A group of entities under the same ownership will be treated as a single organisation for limit purposes. Limits are placed on fund managers as shown in Table 3.

Table 3: Investment limits

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

Approved counterparties

- 16.18 The council may invest its surplus funds with any of the counterparty types in Table 4, subject to the limits shown.

Table 4: Sector and counterparty limits

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	3 years	Unlimited	n/a
Local authorities & other government entities	3 years	£7.0m	Unlimited
Secured investments *	3 years	£7.0m	Unlimited
Banks (unsecured) *	13 months	£3.5m	Unlimited
Building societies (unsecured) *	13 months	£3.5m	£7.0m
Registered providers (unsecured) *	3 years	£3.5m	£17.5m
Money market funds *	n/a	£7.0m	Unlimited
Strategic pooled funds	n/a	£7.0m	£35.0m
Real estate investment trusts	n/a	£7.0m	£17.5m
Other investments *	3 years	£3.5m	£7.0m

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

Time limit

- 16.19 Borrowing to invest primarily for financial return is in contravention of the CIPFA Treasury Management Code. To reflect the expectation that long-term borrowing will be a requirement for the council, time limits for investment have therefore been shortened to a maximum of 3 years.

* Minimum credit rating

- 16.20 Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-/A3. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant known factors including external advice will be taken into account.
- 16.21 For entities without published credit ratings, investments may be made where external advice indicates the entity to be of similar credit quality.

UK Government

- 16.22 Sterling-denominated investments with or explicitly guaranteed by the UK Government, including the Debt Management Account Deposit Facility, treasury bills and gilts. These are deemed to be zero credit risk due to the government's ability to create additional currency and therefore may be made in unlimited amounts for up to 3 years.

Local authorities and other government entities

- 16.23 Loans to, and bonds and bills issued or guaranteed by, other national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk.

Secured investments

- 16.24 Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds, secured deposits and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

Banks and building societies (unsecured)

- 16.25 Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

Registered providers (unsecured)

- 16.26 Loans and bonds issued by, guaranteed by, or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

Money market funds

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

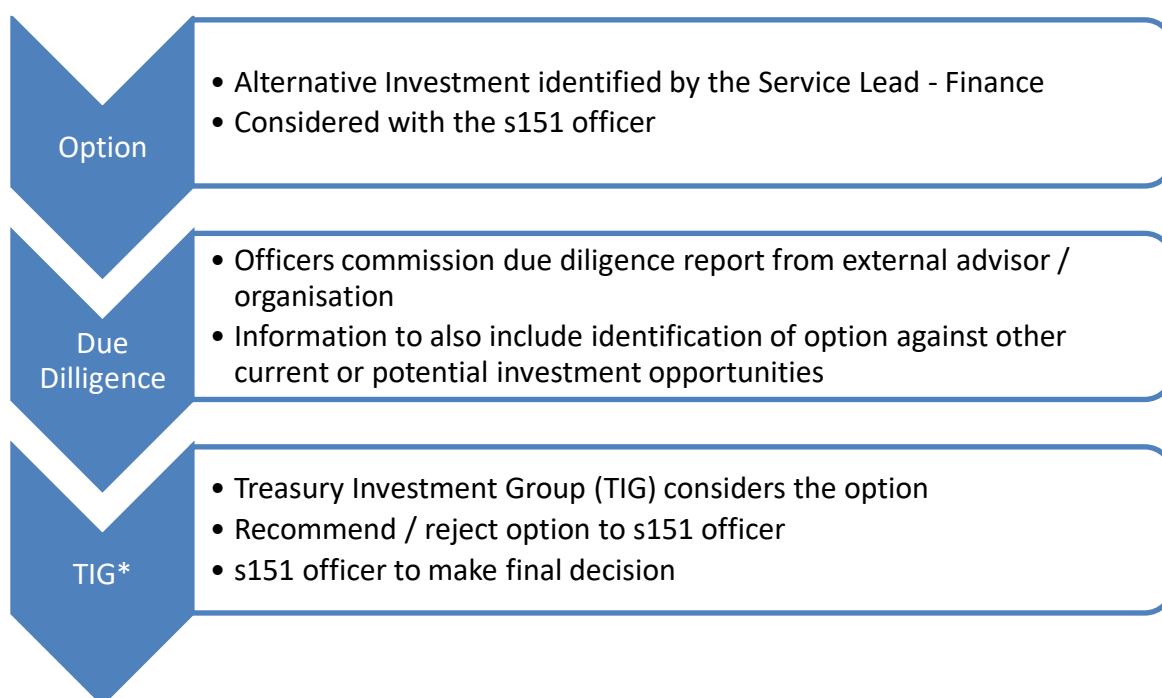
Strategic pooled funds

- 16.28 Bond, equity and property funds, including exchange traded funds, that offer enhanced returns over the longer term but are more volatile in the short term. These allow the council to diversify into asset classes other than cash without

the need to own and manage the underlying investments. Because these funds have no defined maturity date but can be either withdrawn after a notice period or sold on an exchange, their performance and continued suitability in meeting the council's investment objectives will be monitored regularly.

Other investments

- 16.29 This category covers treasury investments not listed above, for example unsecured corporate bonds and unsecured loans to companies and universities. Non-bank companies cannot be bailed-in but can become insolvent placing the council's investment at risk.
- 16.30 Where a counterparty does not have a credit rating and to ensure there is a clear process for external scrutiny specifically around these alternative investments, the governance structure detailed below was approved in the Treasury Management Mid-Year Review 2017/18 in order for the council to consider such investment opportunities in a timely manner and ensure that there has been effective scrutiny over the proposed decisions. The S151 officer will consult with this group on these types of investment prior to making the final decision.



* The Treasury Investment Group (TIG) includes the following officer and member roles:

- Service Lead - Finance
- Cabinet Member for Finance and Performance
- One other Cabinet member
- Chair of the Audit & Governance Committee

- Shadow Cabinet Member for Finance
- S151 officer

Operational bank accounts

- 16.31 The council may incur operational exposures, for example through current accounts, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept low. The council's operational bank account is with National Westminster and aims to keep the overnight balances held in current accounts as positive, and as close to zero as possible. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the council maintaining operational continuity.

Risk assessment and credit ratings

- 16.32 Credit ratings are obtained and monitored by the council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
- no new investments will be made,
 - any existing investments that can be recalled or sold at no cost will be, and
 - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.
- 16.33 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other information on the security of investments

- 16.34 The council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press and analysis and advice from the council's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

- 16.35 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and 2022, this is not generally reflected in credit ratings but can be seen in other market measures. In these circumstances, the council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the council's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will likely lead to investment returns falling but will protect the principal sum invested.

Liquidity management

- 16.36 The council has due regard for its future cash flows when determining the maximum period for which funds may prudently be committed. Historic cash flows are analysed in addition to significant future cash movements, such as payroll, grant income and council tax precept. Limits on long-term investments are set by reference to the council's medium term financial position (summarised in Table 1) and forecast short-term balances.
- 16.37 The council will spread its liquid cash over at least four providers (e.g. bank accounts and money market funds), of which at least two will be UK domiciled, to ensure that access to cash is maintained in the event of operational difficulties at any one provider, except in cases of extreme market stress whereby the council will be able to invest all of its liquid cash in one provider only, being the Debt Management Office.

17 Treasury Management Prudential Indicators

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

Interest rate exposures

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

Table 5: Interest rate risk indicator

	31 December 2024	Impact of +/-1% interest rate change
	£m	£m
Sums subject to variable interest rates:		
- Investment	38.1	+/- 0.4
- Borrowing	(5.2)	+/- 0.1

Maturity structure of borrowing

- 17.3 This indicator is set to control the council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

Table 6: Refinancing rate risk indicator

	Upper	Lower
Under 12 months	25%	0%
12 months and within 24 months	25%	0%
24 months and within 5 years	25%	0%
5 years and within 10 years	35%	0%
10 years and within 20 years	50%	0%
20 years and within 30 years	50%	0%
30 years and within 40 years	75%	0%
40 years and within 50 years	100%	0%

- 17.4 Time periods start of the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Principal sums invested for periods longer than a year

- 17.5 The purpose of this indicator is to control the council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Table 7: Price risk indicator

	2025/26	2026/27	2027/28	No fixed date
Limit on principal invested beyond year end	£20m	£20m	£20m	£5m

18 Prudential Indicators – BorrowingGross Debt and the Capital Financing Requirement

- 18.1 In order to ensure that over the medium-term debt will only be for a capital purpose, the council should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

Table 8: Debt

	31/03/25 Revised £m	31/03/26 Estimate £m	31/03/27 Estimate £m	31/03/28 Estimate £m
Borrowing	154.5	149.3	139.0	128.8
New borrowing	0.0	21.5	55.9	116.3
Finance Leases	1.7	1.3	0.8	0.3
Total Debt	156.2	172.1	195.7	245.4

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

Operational Boundary for External Debt

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

Table 9: Operational Boundary

	31/03/25 Revised £m	31/03/26 Estimate £m	31/03/27 Estimate £m	31/03/28 Estimate £m
Borrowing	298.3	289.2	288.0	331.3
Finance Leases	1.7	1.3	0.8	0.3
Total Debt	300.0	290.5	288.8	331.6

Authorised Limit for External Debt

- 18.4 The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Table 10: Authorised Limit

	2024/25 Limit £m	2025/26 Limit £m	2026/27 Limit £m	2027/28 Limit £m
Borrowing	311.9	303.1	302.1	345.7
Finance Leases	2.2	1.6	1.0	0.4
Total Debt	314.1	304.7	303.1	346.1

19 Related Matters

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

Financial derivatives

- 19.2 Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).
- 19.3 The council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.
- 19.4 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.
- 19.5 In line with the CIPFA Code, the council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

Housing Revenue Account

- 19.6 The council has adopted the "two pool approach" whereby each of its long-term loans are split into General Fund and HRA pools. In the future, new

long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured each month and interest transferred between the General Fund and HRA applying the following rates:

- The PWLB 3-month variable loan rate is applied to a deficit balance
- The risk-free Debt Management Office rate is applied to a surplus balance.

Investment training

- 19.7 The needs of the County Council's treasury management staff for training in investment management are assessed annually as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.
- 19.8 Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA, and other appropriate organisations.
- 19.9 CIPFA's Code of Practice requires that the council ensures that all members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities.

Investment advisers

- 19.10 Hampshire County Council has appointed Arlingclose Limited as treasury management advisers for all partner councils under the arrangement, and receives specific advice on investment, debt and capital finance issues. The quality of this service is controlled through quarterly review meetings with Arlingclose.

Investment of money borrowed in advance of need

- 19.11 The council may, from time to time, borrow in advance of need, where this is expected to provide the best long-term value for money. Since amounts borrowed will be invested until spent, the council is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the council's overall management of its treasury risks.

Markets in Financial Instruments Directive

- 19.12 The council has opted up to professional client status with its providers of financial services, including advisers, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the council's treasury management activities, the S151 Officer believes this to be the most appropriate status.

20 OTHER OPTIONS CONSIDERED AND REJECTED

- 20.1 The council could elect to bring all treasury management activity back in-house. This option has been rejected as the arrangement with Hampshire County council's Investments and Borrowing team provides significant resilience and economies of scale.
- 20.2 The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Section 151 Officer believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed in Table 11.

Table 11: Alternative strategies and their implications

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

Table 11: Alternative strategies and their implications

Alternative	Impact on income and expenditure	Impact on risk management
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

BACKGROUND DOCUMENTS:-**Previous Committee Reports:-**

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

[CAB3446 Treasury Management 2024-25.pdf](#)

[AG133 Treasury Management outturn 23-24.pdf](#)

[AG141 Treasury Management Q1 report 2024-25.pdf](#)

[AG145 Treasury Management Q2 report 2024-25.pdf](#)

Other Background Documents:

None

APPENDICES:

Appendix A – Arlingclose Economic & Interest Rate Forecasts December 2024

Appendix B - Existing Investment & Debt Portfolio Position at 31 December 2024

Appendix C – Q3 2024/25 Treasury Management Indicators at 31 December 2024

Appendix D – 50 year Liability Benchmark graph

Appendix A – Arlingclose Economic & Interest Rate Forecast December 2024**Underlying assumptions:**

- As expected, the Monetary Policy Committee (MPC) held Bank Rate at 4.75% in December, although, with a 6-3 voting split and obvious concerns about economic growth, presented a much more dovish stance than had been expected given recent inflationary data.
- The Budget measures remain a concern for policymakers, for both growth and inflation. Additional government spending will boost demand in a constrained supply environment, while pushing up direct costs for employers. The short to medium-term inflationary effects will promote caution amongst policymakers.
- UK GDP recovered well in H1 2024 from technical recession, but underlying growth has petered out as the year has progressed. While government spending should boost GDP growth in 2025, private sector activity appears to be waning, partly due to Budget measures.
- Private sector wage growth and services inflation remain elevated; wage growth picked up sharply in October. The increase in employers' NICs, minimum and public sector wage levels could have wide ranging impacts on private sector employment demand and costs, but the near-term impact will likely be inflationary as these additional costs get passed to consumers.
- CPI inflation rates have risen due to higher energy prices and less favourable base effects. The current CPI rate of 2.6% could rise further in Q1 2025. The Bank of England (BoE) estimates the CPI rate at 2.7% by year end 2025 and to remain over target in 2026.
- The MPC re-emphasised that monetary policy will be eased gradually. Despite recent inflation-related data moving upwards or surprising to the upside, the minutes suggested a significant minority of policymakers are at least as worried about the flatlining UK economy.

- US government bond yields have risen following strong US data and uncertainty about the effects of Donald Trump's policies on the US economy, particularly in terms of inflation and monetary policy. The Federal Reserve pared back its expectations for rate cuts in light of these issues. Higher US yields are also pushing up UK gilt yields, a relationship that will be maintained unless monetary policy in the UK and US diverges

Forecast:

- In line with our forecast, Bank Rate was held at 4.75% in December.
- The MPC will reduce Bank Rate in a gradual manner. We see a rate cut in February 2025, followed by a cut alongside every Monetary Policy Report publication, to a low of 3.75%.
- Long-term gilt yields have risen to reflect both UK and US economic, monetary and fiscal policy expectations, and increases in bond supply. Volatility will remain elevated as the market digests incoming data for clues around the impact of policy changes.
- This uncertainty may also necessitate more frequent changes to our forecast than has been the case recently.
- The risks around the forecasts lie to the upside over the next 12 months but are broadly balanced in the medium term.

	Current	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
Official Bank Rate													
Upside risk	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Central Case	4.75	4.50	4.25	4.00	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Downside risk	0.00	-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75
3-month money market rate													
Upside risk	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Central Case	4.90	4.60	4.35	4.10	3.90	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85
Downside risk	0.00	-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75
5yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Central Case	4.34	4.30	4.20	4.10	4.00	3.90	3.90	3.95	4.00	4.05	4.05	4.05	4.05
Downside risk	0.00	-0.50	-0.60	-0.65	-0.65	-0.70	-0.70	-0.75	-0.75	-0.80	-0.80	-0.80	-0.80
10yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Central Case	4.56	4.55	4.45	4.30	4.20	4.20	4.20	4.20	4.25	4.25	4.25	4.25	4.25
Downside risk	0.00	-0.50	-0.60	-0.65	-0.65	-0.70	-0.70	-0.75	-0.75	-0.80	-0.80	-0.80	-0.80
20yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Central Case	5.05	5.00	4.90	4.80	4.70	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65
Downside risk	0.00	-0.50	-0.60	-0.65	-0.65	-0.70	-0.70	-0.75	-0.75	-0.80	-0.80	-0.80	-0.80
50yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Central Case	4.52	4.70	4.60	4.50	4.40	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35
Downside risk	0.00	-0.50	-0.60	-0.65	-0.65	-0.70	-0.70	-0.75	-0.75	-0.80	-0.80	-0.80	-0.80

- PWLB Standard Rate = Gilt yield + 1.00%
- PWLB Certainty Rate = Gilt yield + 0.80%
- PWLB HRA Rate = Gilt yield + 0.40%
- National Wealth Fund (NWF) Rate = Gilt yield + 0.40%

Appendix B - Existing Investment & Debt Portfolio Position at 31 December 2024

Treasury investment position

Investments	30/09/2024 Balance	Net movement	31/12/2024 Balance	31/12/2024 Income return	31/12/2024 Weighted average maturity years
	£m	£m	£m	%	
Short term investments					
Banks and building societies:					
- Unsecured	3.2	2.8	6.0	4.67	0.01
Money Market Funds	13.5	4.1	17.6	4.74	0.00
Government:					
- Local authorities	1.0	(1.0)	0.0	N/A	N/A
- Supranational	1.0	(1.0)	0.0	N/A	N/A
- UK Treasury bills	4.5	4.0	8.5	4.78	0.07
Cash plus funds	1.0	0.0	1.0	4.30	0.00
	24.2	8.8	33.1	4.10	0.02
Long term investments					
Pooled property fund*	5.0	0.0	5.0	5.22	N/A
	5.0	0.0	5.0	5.22	N/A
TOTAL INVESTMENTS	29.2	8.8	38.1	4.79	0.02

* The rate provided for the pooled property fund investment is reflective of annualised income returns over the year to 31 December 2024 based on the market value of investments 12 months earlier.

Treasury management position

	31/12/2024 Balance £m	31/12/2024 Rate %
External borrowing:		
- PWLB	(159.6)	-3.28
Investments		
- Total investments	38.1	4.79
Net (Debt) / Investments	(121.5)	

Appendix C - Q3 2024/25 Treasury Management Indicators at 31 December 2024

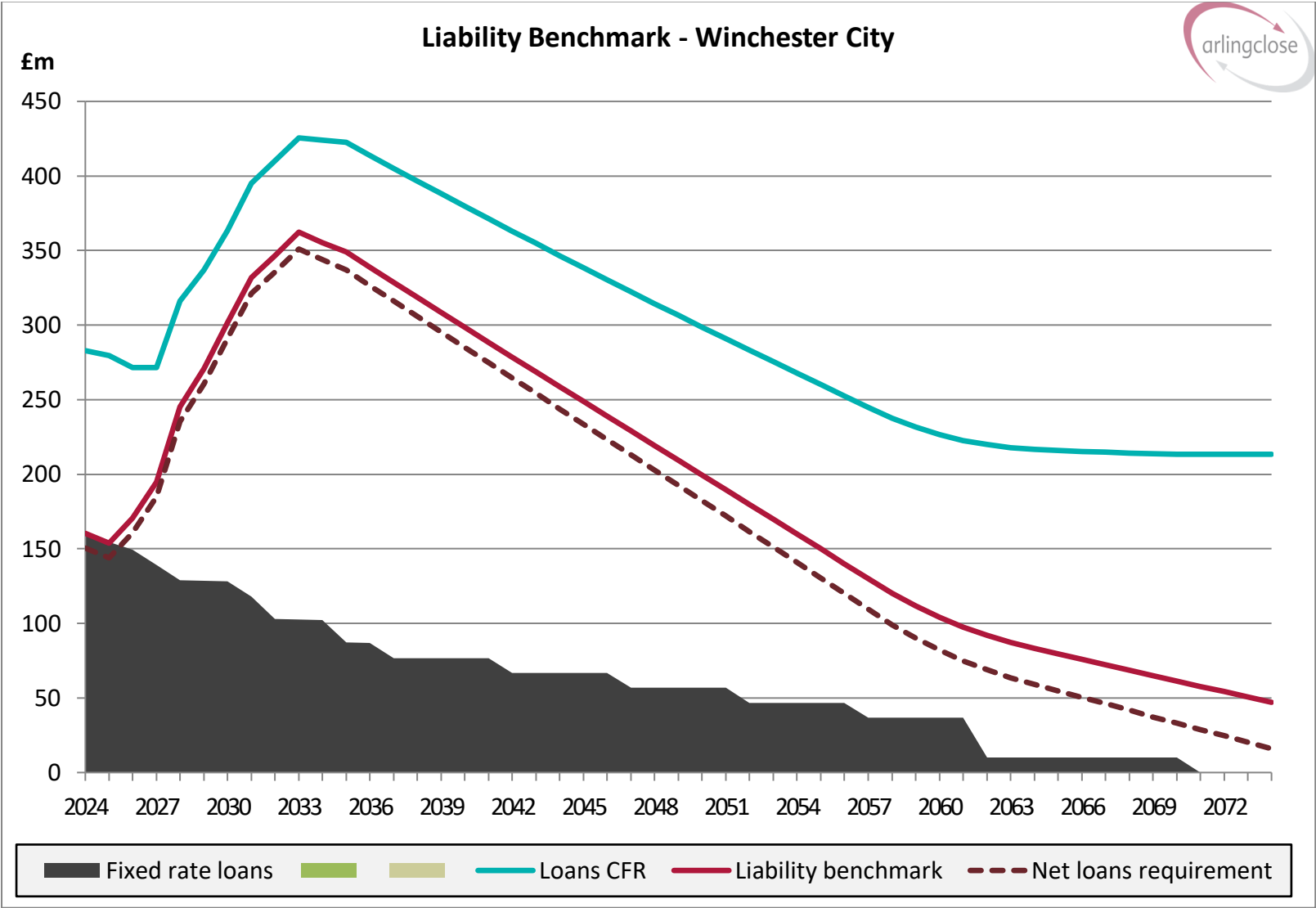
Debt limits	2024/25 Maximum £m	31/12/24 Actual £m	2024/25 Operational Boundary £m	2024/25 Authorised Limit £m	Complied?
External borrowing	(159.7)	(159.6)	(313.4)	(326.8)	✓
Leases and other debt liabilities	(2.2)	(2.2)	(1.7)	(2.2)	✓
Total debt	(161.9)	(161.8)	(315.1)	(329.0)	✓

Refinancing rate risk indicator	31/12/24 Actual	Upper Limit	Lower Limit	Complied
Under 12 months	3%	25%	0%	✓
12 months and within 24 months	3%	25%	0%	✓
24 months and within 5 years	13%	25%	0%	✓
5 years and within 10 years	16%	30%	0%	✓
10 years and within 20 years	22%	50%	0%	✓
20 years and within 30 years	13%	50%	0%	✓
30 years and within 40 years	23%	75%	0%	✓
40 years and within 50 years	6%	100%	0%	✓

Long term investments	2024/25 £m	2025/26 £m	2026/27 £m	No fixed date £m
Actual principal invested beyond year end	-	-	-	£5m
Limit on principal invested beyond year end	£10m	£10m	£10m	£2.5m
Complied	✓	✓	✓	✓

Appendix D – 50 year Liability Benchmark graph

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WINCHESTER CITY COUNCIL – THE SCRUTINY COMMITTEE WORK PROGRAMME

	Item	Lead Officer	Date for Scrutiny	Date for Cabinet
Meeting 5 March 2025				
1	Community Safety Partnership Performance Review	Sandra Tuddenham	5 Mar 2025	
2	Development Delivery Plans - Central Winchester Regeneration	Emma Taylor	5 Mar 2025	13 Mar 2025
3	Q3 Finance & Performance Monitoring	Simon Howson	5 Mar 2025	13 Mar 2025
4	Hobbs View, Southbrook Cottages, Micheldever - Lessons Learned	Caroline Egan	5 Mar 2025	13 Mar 2025
Future Items				

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Forward Plan of Key Decisions

1 February 2025 – 30 April 2025

This document sets out key decisions to be taken within the next 28 days, together with any key decision by individual Members of the Cabinet and officers. It also includes potential key decisions beyond that period, though this is not comprehensive and items will be confirmed in the publication of the key decisions document 28 days before a decision is taken.

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 Committees, Cabinet Members or Officers in accordance with the Officers' Scheme of Delegation, as agreed by the Council.

Whilst the majority of the Cabinet's business at the meetings listed in this document will be open to the public, there will be occasions when the business to be considered contains confidential, commercially sensitive or personal information. The items of business where this is likely to apply are indicated on the plan.

This is formal notice under The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 that part of the Cabinet meetings listed in this document may be held in private because the agenda and reports for the meeting will contain exempt information under Part 1 of Schedule 12A to the Local Government Act 1972 (as amended) and that the public interest in withholding the information outweighs the public interest in disclosing it.

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 . [Please follow this link to the Council's Constitution](#) which includes a definition of the **paragraphs** (Access to Information Procedure Rules, Part 4 paragraph 8.4) detailing why a matter may be classed as exempt from publication under the Local Government Acts, and not available to the public.

Anyone who wishes to make representations about any item included in the Plan please contact the Democratic Services Team prior to the meeting to make your request. Copies of documents listed in the Plan for submission to a decision taker are available for inspection on the Council's website. 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.

Please note that the decision dates are indicative and occasionally subject to change.

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

	Item	Cabinet Member	Key Decision	Wards Affected	Lead Officer	Documents submitted to decision taker	Decision taker (Cabinet, Cabinet Member or Officer)	Date/period decision to be taken	Committee Date (if applicable)	Open/private meeting or document? If private meeting, include relevant exempt paragraph number
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Section A

Decisions made by Cabinet & Cabinet committees

Page 177	1	Housing Strategy 23-28 progress and update	Cabinet Member for Housing	Yes	All Wards	Karen Thorburn	Cabinet report	Cabinet Committee: Housing	Feb-25	3-Feb-25	Open
		Social Housing Regulation	Cabinet Member for Housing	Yes	All Wards	Gillian Knight	Cabinet report	Cabinet Committee: Housing	Feb-25	3-Feb-25	Open
		Venta Living Ltd - Business Plan 2025-26	Cabinet Member for Housing	Yes	All Wards	Gillian Knight	Cabinet report	Cabinet Committee: Housing Cabinet	Feb-25 Mar-25	3-Feb-25 13-Mar-25	Part exempt 3
	4	Tenants' satisfaction measures reports	Cabinet Member for Housing	Yes	All Wards	Sarah Hobbs	Cabinet report	Cabinet Committee: Housing	Feb-25	3-Feb-25	Open
	5	New Homes at Woodman Close, Sparsholt	Cabinet Member for Housing	Yes	Wonston & Michel-dever	Caroline Egan	Cabinet report	Cabinet Committee: Housing	Feb-25	3-Feb-25	Part exempt 3

	Item	Cabinet Member	Key Decision	Wards Affected	Lead Officer	Documents submitted to decision taker	Decision taker (Cabinet, Cabinet Member or Officer)	Date/period decision to be taken	Committee Date (if applicable)	Open/private meeting or document? If private meeting, include relevant exempt paragraph number
6	General Fund budget 2025/26	Cabinet Member for Finance and Performance	No	All Wards	Liz Keys	Cabinet report	Cabinet Council	Feb-25 Feb-25	12-Feb-25 27-Feb-25	Open
7	Housing Revenue Account budget 2025/26	Cabinet Member for Housing	No	All Wards	Liz Keys	Cabinet report	Cabinet Council	Feb-25 Feb-25	12-Feb-25 27-Feb-25	Open
8	Capital investment Strategy 2025 – 2035	Cabinet Member for Finance and Performance	No	All Wards	Liz Keys	Cabinet report	Cabinet Council	Feb-25 Feb-25	12-Feb-25 27-Feb-25	Open
9	Treasury Management Strategy 2025/26	Cabinet Member for Finance and Performance	Yes	All Wards	Liz Keys	Cabinet report	Cabinet Council	Feb-25 Feb-25	12-Feb-25 27-Feb-25	Open
10	Sir John Moore Barracks Concept Masterplan	Cabinet Member for Place & Local Plan	Yes	Wonston & Micheldever	Julie Pinnock	Cabinet report	Cabinet	Feb-25	12-Feb-25	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
11	Land transaction (if required)	Cabinet Member for Asset Management	Yes	All Wards	Geoff Coe	Cabinet report	Cabinet	Feb-25	12-Feb-25	Part exempt 3
12	Air Quality Strategy	Cabinet Member for Place & Local Plan	Yes	All Wards	David Ingram	Cabinet report	Cabinet	Mar-25	13-Mar-25	Open
13	Risk Management Policy 2025/26	Cabinet Member for Finance and Performance	Yes	All Wards	Liz Keys	Cabinet report	Cabinet	Mar-25	13-Mar-25	Open
14	Q3 Finance & Performance Monitoring	Cabinet Member for Finance and Performance	Yes	All Wards	Simon Howson	Cabinet report	Cabinet	Mar-25	13-Mar-25	Open
15	Southbrook Cottages	Cabinet Member for Housing	Yes	Wonston & Micheldever	Caroline Egan	Cabinet report	Cabinet	Mar-25	13-Mar-25	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
16	Community Infrastructure Levy (CIL) Funding Allocations for 2024 BIDS	Cabinet Member for Place & Local Plan	Yes	All Wards	Steve Lincoln	Cabinet report	Cabinet	Mar-25	13-Mar-25	Open
Section B Decisions made by individual Cabinet Members										
17	Procurement of Insurance and Risk Services 2025-2030	Cabinet Member for Finance and Performance	Yes	All Wards	Liz Keys	Cabinet member decision report	Cabinet Member for Finance & Performance Decision Day	Feb-25	3-Feb-25	Open
18	Designated Protected Area Status	Cabinet Member for Housing	Yes	Central Meon Valley	Caroline Egan	Cabinet member decision report	Cabinet Member for Housing Decision Day	Feb-25	3-Feb-25	Open

	Item	Cabinet Member	Key Decision	Wards Affected	Lead Officer	Documents submitted to decision taker	Decision taker (Cabinet, Cabinet Member or Officer	Date/period decision to be taken	Committee Date (if applicable)	Open/private meeting or document? If private meeting, include relevant exempt paragraph number
Section C Decisions made by Officers										
19	Treasury Management - decisions in accordance with the Council's approved strategy and policy	Cabinet Member for Finance and Performance	Yes	All Wards	Designated HCC Finance staff, daily	Designated working papers	Designated HCC Finance staff, daily	Feb-25	Feb-25	Open

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