



<b>Meeting</b>	The Scrutiny Committee
<b>Date and Time</b>	Tuesday, 10th February, 2026 at 6.30 pm.
<b>Venue</b>	Walton Suite, Guildhall, Winchester and streamed live on YouTube at <a href="http://www.youtube.com/winchestercc">www.youtube.com/winchestercc</a>

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

A limited number of seats will be made available at the above named location however attendance must be notified to the council at least 3 working days before the meeting (5pm Wednesday, 4 February 2026). 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.

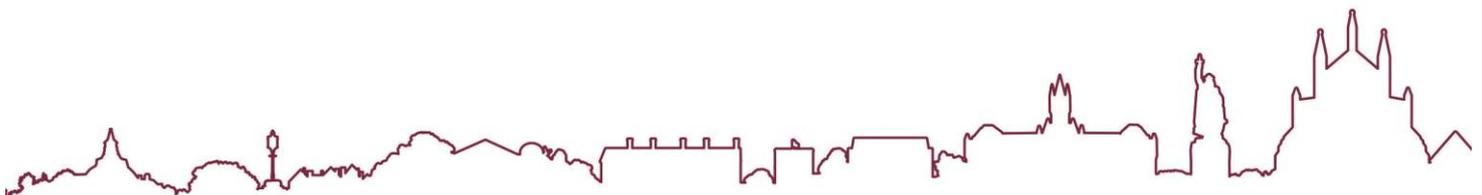
## AGENDA

- 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 or 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 19 January 2026 (Pages 5 - 8)**  
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 4 February 2026 or call (01962) 848 264 to register to speak and for further details.

6. **Planning Enforcement - Task and Finish Group - Feedback to Scrutiny Committee.** (Pages 9 - 20)

RECOMMENDATIONS:

1. That the Scrutiny Committee notes the report, including the recommendations set out on page 2.
2. That the Scrutiny Committee raises with the Cabinet member any issues arising from the information in the attached feedback report

7. **Housing Revenue Account (HRA) Budget 2026/27** (Pages 21 - 58)

RECOMMENDATION:

It is recommended that scrutiny committee comment on the proposals within the attached cabinet report, ref CAB3540 which is to be considered by cabinet at its meeting on the 12 February 2026.

8. **General Fund Budget 2026/27** (Pages 59 - 94)

RECOMMENDATION:

It is recommended that scrutiny committee comment on the proposals within the attached cabinet report, ref CAB3541 which is to be considered by cabinet at its meeting on the 12 February 2026.

9. **Capital Investment Strategy 2026-2036** (Pages 95 - 142)

RECOMMENDATION:

It is recommended that scrutiny committee comment on the proposals within the attached cabinet report, ref CAB3539 which is to be considered by cabinet at its meeting on the 12 February 2026.

10. **Treasury Management Strategy 2026/27** (Pages 143 - 176)

RECOMMENDATION:

It is recommended that scrutiny committee comment on the proposals within the attached cabinet report, ref CAB3538 which is to be considered by cabinet at its meeting on the 12 February 2026.

11. **To note the committees current Work Programme.** (Pages 177 - 178)

The latest version of the committee work programme can be found here:  
<https://democracy.winchester.gov.uk/mgPlansHome.aspx?bcr=1>

12. **To note the latest Forward Plan of Key Decisions** (Pages 179 - 184)

The forward plan for the period March 2026 to May 2026 is attached.

**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.



2 February 2026

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

Batho  
Laming  
Pett  
Clear  
Power  
Murphy  
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, 4 February 2026) 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](#)

# Public Document Pack Agenda Item 4

## THE SCRUTINY COMMITTEE

Monday, 19 January 2026

Attendance:

Councillors  
Brook (Chairperson)

Batho  
Laming  
Pett  
Clear

Power  
Murphy  
Bolton

Apologies for Absence:

Councillor Wallace

Deputy Members:

Councillor Lee (as deputy for Councillor Wallace)

Other members in attendance:

Councillors, Godfrey, Cutler, and Tod

[Video recording of this meeting](#)

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1. **APOLOGIES AND DEPUTY MEMBERS**

Apologies for the meeting were noted as above.

2. **DECLARATIONS OF INTERESTS**

No declarations were made

3. **CHAIRPERSON'S ANNOUNCEMENTS**

No announcements were made.

4. **MINUTES OF THE MEETING OF THE 13 NOVEMBER 2025**

RESOLVED:

That the minutes of the previous meeting held on 13 November 2025 be approved and adopted.

5. **APPOINTMENT OF VICE CHAIRPERSON**

Councillor Bolton was appointed Vice-Chairperson of the committee for this meeting.

6. **PUBLIC PARTICIPATION**

Councillor Stephen Godfrey and Ian Tait addressed the committee regarding item 6, Central Winchester Regeneration Scheme Update. A summary of their contributions were captured within the agenda item below.

7. **CENTRAL WINCHESTER REGENERATION SCHEME UPDATE**

Councillor Martin Tod, Leader and Cabinet Member for Regeneration introduced the report, ref CAB3536 which set out proposals for the Central Winchester Regeneration Scheme Update, (available here). The introduction included the following points.

1. The report detailed a change to the consortium partner, specifically that GKRL intended to withdraw and PFP Igloo, by replacing GKRL with another company in the PFP group, had agreed to assume 100% of the consortium responsibilities.
2. It was emphasised that while the consortium makeup was changing, the architects, urban designers, project managers, and the overall vision for the scheme remained unchanged.
3. The change in partnership structure was permitted under the existing development agreement with the Council's consent which should not be unreasonably withheld.
4. The project remained focused on moving towards a planning application later in the year, with a target to start on site in 2027.

Councillor Stephen Godfrey addressed the committee. He expressed disappointment regarding the progress of major projects and questioned the viability of the scheme given the withdrawal of one of the consortium partners. He raised concerns regarding the risks associated with changing the partnership structure, specifically regarding the replacement of skills, potential delays to the planning application, and financial implications. He also noted that the exempt paper provided limited detail on the way forward and asked the committee to ensure sufficient safeguards were in place.

Ian Tait addressed the committee. He requested clarification on the financial benefits of the proposals and the timeline for receiving them, drawing a comparison to the income generated by the Brooks Centre. He noted that the council website had not been updated regarding the changes to the consortium and felt that the public were not being fully informed about the status of the development partner.

The committee was recommended to comment on the proposals within the attached cabinet report, ref CAB3536 which was to be considered by cabinet at its meeting on 21 January 2026. The committee proceeded to ask questions and debate the report. In summary, the following matters were raised.

1. A question was asked regarding the skills and capacity of the remaining partner, and whether the council was satisfied that this change would not increase risk. Following this question, further clarification was sought on how any risks had shifted or been mitigated.
2. A question was raised regarding paragraph 11.2, asking if the withdrawal of one partner could be viewed as a positive move and a de-risking of the project.
3. Clarification was requested as to whether the parent company of Igloo had considered taking on the share of the project themselves.
4. A question was asked to identify what specific contributions GKRL brought to the consortium and whether the revised arrangements would fill those gaps.
5. Clarification was sought regarding an explanation for GKRL's withdrawal.
6. A question was asked whether there were likely to be any delays to the project as a result of the changes.
7. Information was requested on whether there were lessons to be learned to strengthen the consortium going forward.
8. A question was raised regarding paragraph 15.4 and the council's capacity to deliver, particularly considering Local Government Reorganisation.
9. A request was made for a visual timeline of predicted milestones to be shared with members.
10. Clarification was sought on how the process would proceed regarding the handover of council assets and the bank guarantee, and whether this change constituted a call on the guarantee.
11. A question was asked regarding the timing of the phased handover of assets and the existence of other financial guarantees.
12. Confirmation was sought regarding paragraph 13.9 and legal advice, specifically that the disclosure of information was satisfactory and the process was moving smoothly.
13. A question was asked regarding risk mitigation through the phased drawdown structure and performance bonds, and whether this would change.

The committee agreed to move into an exempt session to consider the exempt appendix, during which further questions were raised which included the following: the Council being a party to performance bond arrangements, further detail on the proposed replacement for GKRL, the potential transfer of risk to the Council, any loss of skills and capacity following GKRL's withdrawal, the Council's exposure in a worst -case scenario, matters relating to the financial assessment, and clarification on Parcel B referred to on page 39.

The points from the Open and Exempt sessions were responded to by Councillor Martin Tod, Leader and Cabinet Member for Regeneration, Councillor Neil Cutler, Deputy Leader and Cabinet Member for Finance and Transformation and Simon Hendey, Strategic Director, accordingly.

The committee returned to the open session to debate the report further and to agree the following:

RESOLVED:

The committee agreed to recommended to cabinet:

1. That a visual timeline of the project be provided for councillors and the public.
2. That the cabinet considers the committee's comments raised during the discussion of the item.

8. **TO NOTE THE COMMITTEES CURRENT WORK PROGRAMME.**

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.

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

RESOLVED

That the Forward Plan of Key Decisions for the period February 2026 to April 2026 be noted.

The meeting commenced at 6.30 pm and concluded at 8.10 pm

Chairperson

# Agenda Item 6

## SCRUTINY COMMITTEE

REPORT TITLE: PLANNING ENFORCEMENT – TASK AND FINISH GROUP  
FEEDBACK TO SCRUTINY COMMITTEE

10 February 2026

REPORT OF CABINET MEMBER: COUNCILLOR PORTER, CABINET MEMBER  
FOR PLACE AND LOCAL PLAN

Contact Officer: Julie Pinnock [jpinnock@winchester.gov.uk](mailto:jpinnock@winchester.gov.uk)

### RECOMMENDATIONS:

1. That the Scrutiny Committee notes the report, including the recommendations set out on page 2.
2. That the Scrutiny Committee raises with the Cabinet member any issues arising from the information in the attached feedback report

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# Planning Enforcement – Task and finish Group feedback to Scrutiny Committee

10th February 2026 - Scrutiny Committee

Contact officer: Julie Pinnock

[jpinnock@winchester.gov.uk](mailto:jpinnock@winchester.gov.uk)

## **Background**

A task and finish group was established to conduct a focused review of the Councils planning enforcement service, with part of its work to be reminded of the constitution and scheme of delegation and having regard to the updated Local Enforcement Plan adopted in July 2025.

## **Governance**

The recommendation was for four Members and the Cabinet Member to participate in the task and finish group.

Two sessions were convened and met on 30<sup>th</sup> September 2025 and 7<sup>th</sup> October 2025.

Attached at Appendix 1 are notes of the discussion and recommendations that were agreed at each of the task and finish group sessions.

## **Bench marking**

A key pillar of the task and finish group was to engage with other enforcement services. We have only received a limited response, 5 to our request for shared information. We asked:

- Whether triage at receipt - all confirmed they do
- Pro-active compliance monitoring – 2 of 5 respondents do not undertake pro-active compliance monitoring
- Number of open cases on hand, which ranged from 132 – 565
- Number of notices served, which ranged from 13 to 26
- Number of appeals against notices, which ranged from 1 to 16
- Staffing and vacancies
- Key challenges / prioritises were listed as:
  - Protecting trees
  - Gypsy and Traveller sites
  - Agricultural and tourism development
  - Householder breaches of permitted development rights
  - Major development breaches

Bench marking shows that Winchester is working within the range with high numbers of notices being served and a high success rate at appeal. Further work is needed to analyse the bench marking information received.

### **Recommendation**

That the task and finish group discussions and actions be noted with a summary of the key recommendations from both sessions:

- Communication with Members and Parish Councils at key stages and being realistic on what we can and cannot pursue as early as possible.
- Actively celebrate success and share that across the district so we show we are working on priority cases
- Make greater use of temporary stop notices noting these are lower risk
- Introduce a drone policy
- Continue to engage with the corporate digitalisation programme
- Councillor briefing post election on Local Enforcement Plan – 1 year on from adoption

These measures will strengthen the existing service building on trust, communication and responsiveness.

There remains a legacy of older long standing cases which the team are working through utilising an additional budget. Recruitment and retention remain challenging.

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**Task and Finish meeting - 30<sup>th</sup> September 2025**

Elected Members

Cllr Wallace – Vice Chair Scrutiny – Chaired meeting  
Cllr Laming – Scrutiny Member  
Cllr Murphy – Scrutiny Member  
Cllr Porter – Cabinet Member for Local Plan and Place

Officers

Cheryl Headon – Strategic Director  
Julie Pinnock – Corporate Head of Planning and Regulatory Services  
Sarah Armstrong – Service Lead: Built Environment

**Agenda**

Theme A – Effectiveness of Current KPIs

Do the current KPIs give a clear picture of service performance?  
Are these KPIs aligned with the objectives of the 2025 policy?  
Are there important gaps in what is measured (e.g. quality, timeliness, outcomes)?

Theme B – Data Presentation and Use

Is the data presented in a way Members and the public can easily understand?  
How often should Members receive performance updates?  
How could existing data be used more effectively to identify trends and risks?

Theme C – Benchmarking

Are we using the right comparator authorities?  
What benchmarking data would be most useful for scrutiny?  
How could benchmarking help identify best practice to adopt

**Key discussion, points arising and agreed actions**

Recap of Local Enforcement Plan July 2025 including purpose and principles:

- Protect communities, heritage, and the natural environment from harmful unauthorised development.
- Clear priorities (e.g. Priority 1 for immediate, substantial, or irreversible harm).
- Proportionality, transparency, and consistent decision-making.
- Investigation stages, triage process, and KPI reporting framework.

Outline key changes from the 2025 update (e.g. refined priority system, enhanced parish/member comms, new monitoring indicators).

Round table discussion on the following points:

- Adoption of Local Enforcement Plan 2025 generally positively received;
- Ward Councillors continue receive complaints about Planning Enforcement;

- There is a view that cases drag on and therefore people consider they can do works that require planning permission without first obtaining the necessary consent;
- Perception that cases are not being worked on as they remain on the list each month;
- Recognise recruitment challenging;
- Recognise that the staff and linked services i.e. legal are our biggest asset;
- We will explore apprenticeship opportunities and interim arrangements;
- We need to find a way to keep Ward Councillors and Parish Councils updated without affecting our case.
- Recognised hard to provide detailed update on each case as these are time consuming and can affect the Councils evidence gathering;
- Not about training – we don't expect our Parish Councils to be planning experts;
- Need to identify ways of engaging /collaborating with Councillors and Parish Councils;
- New Local Enforcement Plan is helping to change how new cases are recorded, triaged and dealt with;
- More cases being closed with early intervention;
- Noted that we have a legacy of older long standing cases;
- Required to accept / log cases all new reports, then our Local Enforcement Plan sets out how we deal with those including a triage at receipt to close cases that are;
  - i. Not a planning matter – we receive many enforcement complaints that are not planning matters (i.e. noise, highways, fly tipping)
  - ii. Not a breach of planning – some works may not require planning permission or is not development
  - iii. Some works are County Planning matters (minerals and waste) so re-direct to HCC
  - iv. Some development is minor and does not fall within category 1 or 2 – so will not be further investigated.

#### National legislation / guidance

Town and Country Planning Act 1990

Case Law

NPPF

NPPG

RTPI / NAPE

#### Planning Enforcement Handbook for England | Championing the power of planning

Enforcement action is intended to be **remedial** rather than **punitive** and should always be commensurate with the breach of planning control to which it relates.

- Is there development?
- Is there a breach?
- Can the breach be resolved through negotiation?
- Is the breach causing harm?
- Is enforcement expedient?
- Any decisions made should be accompanied by a report addressing all the issues and kept on file.

Majority of cases can be resolved through **negotiation**.

Care must be taken in such cases to ensure that **expediency** remains a planning decision and is not influenced by public opinion.

In addition, care must also be taken to ensure that the issues that were raised and dealt with during the planning application (and appeals) process, are not allowed to be resurrected.

Further pressure can be brought by threats to involve the Ombudsman, a local councillor or MP.

Notwithstanding the nature or the extent of complaints, expediency is still a matter for the Local Planning Authority and if it decides to exercise its discretion and take no action, its reasons for doing so should be explained.

Actions from first task and finish group meeting:

#### **Theme A – Effectiveness of Current KPIs**

- The only national KPI is the number of enforcement notices served;
- We produce monthly lists to Councillors and Parish Councils;
- Recognise it is difficult to provide detailed updates which takes officers away from work;
- Agreed to follow this up as part of the wider digitalisation programme
- 

#### **Theme B – Data Presentation and Use**

- Introduce quarterly reporting on:
  - Open / on hand
  - Open and closed at triage
  - Closed
- Profile of the age of the work to show the backlog and how this is reducing
- We will consider how and where to present the quarterly data
- Updates on historic cases

#### **Theme C – Benchmarking**

LEP sets out that we will monitor:

- number of new cases received
- The number of cases closed
- Current workload (a running total of live cases)
- The percentage of complaints acknowledge
- Cases closed at point of receipt and through triage
- Immunity dates of ongoing cases
- The percentage of cases closed within the timeframes of:
  - Less than 12 weeks;
  - More than 12 weeks;
  - Less than 6 months;
  - More than 6 months.

From the first task and finish group it was agreed:

- ✓ Review the timeliness of updates
- ✓ Report / celebrate appeal success
- ✓ Changes during the enforcement action /appeal process will be briefed to Ward Councillors and Parish Council
- ✓ Serve more temporary stop notices (TSN) – but recognise that it may not be possible to serve stop notices (SN) noting the risk is lower with TSN than SN.
- ✓ Introduce a drone policy / utilise drones
- ✓ Continue to engage with the Police for shared intelligence
- ✓ Add priority level to the monthly reports
- ✓ Continue to undertake risk assessments to ensure staff safety when visiting and serving notices at sites which have an identified risk to staff safety and well being;
- ✓ Continue with our digitalisation programme

## **Task and Finish meeting - 7<sup>th</sup> October 2025**

### **Elected Members**

Cllr Wallace – Vice Chair Scrutiny – Chaired meeting

Cllr Laming – Scrutiny Member

Cllr Murphy – Scrutiny Member

Cllr Porter – Cabinet Member for Local Plan and Place

### **Officers**

Julie Pinnock – Corporate Head of Planning and Regulatory Services

Sarah Armstrong – Service Lead: Built Environment

## **Agenda**

### **Theme A – Access to Information**

- Is it easy for the public to report and track enforcement matters?
- Are we providing the right balance of information for transparency without breaching confidentiality?

### **Theme B – Communication Timelines**

- Are updates to Members and parishes timely and consistent?
- Should there be a stated standard for initial acknowledgement or updates?
- How can we explain timeframes realistically, given legal and procedural complexities?

### **Theme C – Managing Expectations**

- How well do we manage public and Member expectations on case progress?
- Are we clear about constraints when delays occur?
- How could we improve understanding of the full enforcement process?

## **Key discussion, points arising and agreed actions**

Started with a recap of how the 2025 policy addresses communication and transparency:

- Acknowledgement of cases within 5 working days.
- Monthly lists of new/live/closed cases to Members and parishes.
- Case updates at key investigation stages (e.g. remedy underway, notice served).
- Clear explanation of planning harm vs perceived harm.
- Limits on setting fixed resolution timeframes due to legal/complex case factors.

Followed by a round table discussion the following points:

- Appetite for a drone policy to support enforcement investigations. Particularly on sites that pose a risk to staff for access. We continue to work with the

Police who have provided drone footage on difficult sites. There are issues with using drone footage as evidence in court (hence need for a policy) as well as GDPR and Data Protection.

- Acknowledge and note that the Council does not have an out of hours service for alleged breaches of planning control. This would require a team of staff to be on call 24/7 including legal resource. Most breaches are not a criminal offence and do not justify an out of hours service which would be difficult to resource. No other local councils have an out of hours enforcement service.
- Discussion around the flow charts in the Local Enforcement Plan, with a commitment to review these to check they were clear on the processes
- Discussion about transparency with the group acknowledging that reports of alleged breaches of planning control are not public information, and only when an enforcement notice is served is there a public record. The discussion was then around who we communicate to and how.
- Sharing monthly lists of new, open and closed cases with Ward Councillors and Parish Councils bearing in mind confidentiality was considered appropriate.
- However discussion on how to keep complainants, Ward Councillors and Parish updated on individual cases remains a concern, and with the councils current software cannot be automated. The group acknowledged that this was linked to digitalisation and whether the council would introduce CRM software which would link to the planning soft for case management updates. It was acknowledged that further digitalisation work is required in this respect.
- It was acknowledged that the appetite for information in some cases exceeds what the council can share.
- We discussed how aware each Parish / Ward Councillors are of other cases (outside their Ward/Parish) that the enforcement team are handling. It was acknowledged that if our efforts are focused on one case in one Ward/Parish we cannot also be working on other cases. We agreed to consider how we communicate wider work across the district, which would dispel the perception that we are not working cases through. Appeals and Prosecutions require significant resources and must follow national process / procedure. A few case studies were suggested.
- We should celebrate success, and consider what success really looks likes.

## **Actions**

### **Theme A – Access to Information**

- The reporting tool on the Council web site which directs how to report an alleged breach of planning controls is regularly used and we are not receiving complaints around ease of reporting.
- Accepted that it is not possible to share more information on cases which would undermine the council's case, particularly before we serve notices or take prosecutions.

### **Theme B – Communication Timelines**

- Updates to Members and parishes are timely, sent monthly and consistent but there is a recognised desire for more detailed updates which it is not possible to provide on each open case on a monthly basis.
- There are standards for acknowledge and guiding principles on case updates.

### **Theme C – Managing Expectations**

- Agreed to consider more wider comms for significant cases (to demonstrate that the team are actively working on priority cases).
- Discussed appropriate language to include in monthly updates
- Celebrate success
- Briefing for all Councillors post election – 1 year on from adoption of the updated Local Enforcement Plan
- Regular briefings for Parish Councils
- A key take away was that we need to be honest about what we can and can't do sooner in the process. This is already underway with new cases which are triaged on receipt and closed when they are not a breach of planning control or we are not going to take action on what is a technical or minor breach.
- Review our statement of community involvement (SCI) – this is a larger piece of work and is linked to wider planning service. It also needs to include drone usage, CRM (if progressed), digitalisation and use of AI.

From the second task and finish group it was agreed:

- ✓ Councillor briefing post election on Local Enforcement Plan – 1 year on from adoption
- ✓ Regular briefings for Parish Councils and how we use Parish Connect.
- ✓ Be honest on cases we cannot pursue
- ✓ Recognise recruitment challenges and risk to staff at difficult sites
- ✓ Agree a drone policy
- ✓ Communication around strategy and priorities in the team to reduce perception that we are not actively working on cases.
- ✓ Celebrate success

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# Agenda Item 7

## SCRUTINY COMMITTEE

REPORT TITLE: HOUSING REVENUE ACCOUNT (HRA) BUDGET 2026/27

10 FEBRUARY 2026

REPORT OF CABINET MEMBER: Councillor Mark Reach, Cabinet Member for Good Homes

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

WARD(S): ALL

### RECOMMENDATIONS:

It is recommended that scrutiny committee comment on the proposals within the attached cabinet report, ref CAB3540 which is to be considered by Cabinet on the 12 February 2026.

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REPORT TITLE: HOUSING REVENUE ACCOUNT (HRA) BUDGET 2026/27

12 FEBRUARY 2026

REPORT OF CABINET MEMBER: CLLR MARK REACH - CABINET MEMBER FOR GOOD HOMES

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 2026/27, and the 10 year indicative capital programme to 2035/36, 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 2025, and further pressures arising since the November report, this report proposes a budget for 2026/27 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 £1.1m of savings in 2026/27 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 4.8% increase in rents, based on September CPI of 3.8% plus 1%. No additional increase for rent convergence is currently proposed as, at the time of writing the report, no announcement from government had been made and

therefore insufficient time to properly consult and implement such a change for 2026/27 and will therefore be considered for 2027/28.

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.

The timetable for local government reorganisation means that the council is expected to become part of a unitary council from 1 April 2028. Therefore, forecast capital expenditure beyond that date only includes projects to which the council will be contractually committed as well as estimated future capital works to the housing stock beyond the transition. Also included are the council's forecast housing new build programme, and commitment to achieving EPC-C ratings on all properties by 2030/31. Similarly, the HRA Business Plan continues to show the expected revenue income and expenditure for managing the housing stock beyond the transition date. However, decisions relating to the HRA after April 2028, unless contractually committed, will be the decisions of the new unitary authority.

#### 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 2026/27 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 £162.7m.
4. Approve capital expenditure and delegate to the Strategic Director with responsibility for housing authority to enter into necessary contracts for the 2026/27 capital programme of £22.8m, as detailed in Appendix 3 of the report in accordance with Financial Procedure Rule 7.4.
5. Approve a change in approach to delivery of retrofit installation of solar panels and batteries to achieve best value for money following the decision by the Department for Energy Security and Net Zero to withhold Social Housing Decarbonisation Fund grant on battery installations, as outlined at para 11.56 to 11.63.
6. Approve the proposed 10 year capital programme for new homes totalling £202.8m, and expenditure of £21.8m in 2026/27, 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 £1.13m at appendix 7, which was outlined to Cabinet in November 2025 (CAB3523) and includes additional savings as outlined at para 11.32-11.38.
9. Authorise the Section 151 Officer, in consultation with the Strategic Director with responsibility for Housing to approve buybacks of individual former HRA properties sold under the Right to Buy during 2026/27, 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 4:
  - 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.
  - 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 £12m to purchase up to 30 properties between 2026/27 and 2029/30 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 30 properties. (Para 11.74-11.78)
11. Approve the average rent increase for 2026/27 for all affordable, Shared Ownership and social housing of 4.8% based on the September 2024 CPI figure of 3.8% +1% (Para 11.6-11.8).
12. Approve amendments to HRA tenant service charges in 2025/26 to reflect cost recovery based on 2024/25 actual costs (see para 11.41 to 11.45).
13. 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 OUTCOME

#### 1.1 Greener Faster

Carbon reduction measures are in place through investment of over £40m in the existing stock, ensuring that all properties meet EPC-C or above by 2031; that energy efficiency measures are incorporated in the design and construction of new build properties; and that energy efficiency is a key criteria when considering acquisitions of new properties.

#### 1.2 Thriving Places

Delivering affordable accommodation allows people to live and work within the district and contribute to the local economy.

#### 1.3 Healthy Communities

The wellbeing of residents is considered within the design of new properties and new homes are designed to be energy efficient and to ensure needs of residents are met. Tenant satisfaction measures are in place and regularly monitored.

#### 1.4 Good Homes for All

The HRA business plan, and its links with the Housing Development Strategy aims to increase the stock of affordable homes across the Winchester district, meeting the council's objective to provide a range of tenures to meet demand.

#### 1.5 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.

#### 1.6 Listening and Learning

Housing tenants are directly involved in decisions regarding services provided, through the work of Tenants and Council Together (TACT), the councils tenant involvement group and through regular tenant and leaseholder digital surveys, capturing wider tenant views. The service continues to review options to provide improved customer experience, better engagement and increased satisfaction with services provided.

### 2 FINANCIAL IMPLICATIONS

#### 2.1 Financial implications 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 additional savings proposals being brought forward, a vacancy management target of 2% is being introduced to the HRA. This will require careful management to achieve with minimal impact on services, as it may impact on, for example, ability to engage interim resources. Some minor changes to the existing establishment are also noted which are intended to make better use of resources while providing a small saving to the HRA. 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, three meetings have taken place with TACT members to explain the challenges the HRA is facing including a meeting held on 4<sup>th</sup> February which is after the dispatch date of this report to Scrutiny Committee. Relevant outcomes from this meeting will be provided verbally. TACT members were consulted on options to address these pressures which assisted with the formulation of the savings plan. The TACT Board meeting in November also covered the proposed rent increase of 4.8%.

- 6.2 In addition, a consultation paper was circulated to over 4,000 tenants and leaseholders to seek views on how the HRA should prioritise expenditure, and the proposed measures to address cost pressures. The survey was advertised and drop-in sessions were held in sheltered housing schemes and city offices to assist tenants. A total of 291 responses were received, a significant improvement on the response rate in 2025/26 (13 responses).
- 6.3 The results of the survey demonstrated that tenants were generally in favour of most of the savings identified in the Options report. A small number of savings, in particular those relating to sewerage charges and cost recovery, demonstrated that approximately half of respondents were in favour and approximately half disagreed. Tenants were also asked for their ideas on potential future savings, to which there were a number of responses which will be considered in more detail in 2026/27.

## 7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 This year's 30-year business plan maintains significant resources to fund the retrofit programme of works. As of December 2025, 71% of the housing stock is EPC C and above. A further 125 properties (2.5% of the stock) are expected to be upgraded to an EPC C by 31st March 2026. 280 properties in 2026/27 and 378 in 2027/28 are expected to be upgraded, meaning that at least 87% of stock will meet EPC-C or above by March 2028. This forecast is based on a review of retrofit delivery and a proposed change in the way in which Retrofit will be delivered (paragraph 11.57 to 11.62 refers).
- 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 PUBLIC SECTOR EQUALITY DUTY

- 8.1 This document is part of the budget consultation process, and the public sector equality duty is considered alongside any relevant budget options. The housing service holds data in respect of its tenants' protected characteristics. Whilst there is no evidence to suggest the budget proposals and services within it would adversely affect those with protected characteristics, it is recognised that some tenant households will be impacted differently by the same budget objectives and associated services.
- 8.2 The 2026/27 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 proposals set out in this report and the Capital Programme will be subject to individual data protection impact assessments where required.

## 10 RISK MANAGEMENT

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
<p>Financial Exposure</p> <p>Risks, mitigation, and opportunities are managed through regular project monitoring meetings.</p> <p>Insufficient new build sites are identified to assign RTB 1-4-1 receipts financing to and RTB receipts are required to be repaid to Central Government with a compounded interest penalty based on current rates.</p>	<p>New build Schemes are financially evaluated and must pass financial hurdles and demonstrate VFM. Total Scheme Costs contain provision for contingency on build costs and on fees for new build developments that take account of potential residual development and sales risk.</p> <p>RTB 1-4-1 are closely monitored so in-year targets for new builds are known.</p>	<p>The HRA holds annual minimum levels of reserves based upon operating turnover and capital programme spend.</p> <p>Government introduced measures during 2025 to improve flexibility in the use of RTB receipts, and proposed changes to the scheme which minimise this risk.</p>
Exposure to challenge		

<p>The provision of social housing is a statutory requirement. Changing Government priorities place a greater emphasis on social housing which must be monitored and considered both for existing stock and also within planning of future new build projects</p>	<p>Government statutory requirements and policy changes are being monitored to identify any new risks or opportunities that they may bring.</p>	<p>To create new housing developments within new guidelines and drawing on innovative thinking.</p> <p>To take advantage of new legislative requirements to improve service delivery</p>
<p>Reputation</p> <p>Failure to put resources in place to meet minimum requirements within the legislative framework; failure to provide resource for new legislative requirements will adversely impact reputation</p> <p>Failure to complete major housing projects due to lack of resources would have a direct impact on both customer satisfaction and the Council's reputation.</p>	<p>Business planning tools with regular updates are utilised to make sure resources are available to complete projects. Budgeting for the HRA is closely linked to service planning and all service heads are involved in the budget setting process. Regular monitoring against budgets ensures new issues are picked up early.</p>	
<p>Property</p> <p>That Council owned dwellings fail to meet decent home standards That more robust standards are introduced but not effectively implemented</p>	<p>An effective programme of future works and sound financial planning ensures that resources are available to ensure standards are met and then maintained. A full stock condition survey is being undertaken to ensure a full understanding of the stock and to inform future works and business plans That repairs staff are</p>	<p>Self-Financing provides certainty around future resource allocations and facilitates better supply chain management</p>

	adequately qualified to ensure legislation is understood and planned in.	
<p>Community Support</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 are maintained with tenants and leaseholders on a variety of housing issues. 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>Timescales</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>Project capacity</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>Local Government Reorganisation</p> <p>The impact of local government reorganisation on the HRA specifically is not yet known. However, there is a risk that decision making beyond September 2026 may be delayed if authorisations</p>	<p>Capacity exists in the Business Plan working balance to ensure planning for transition of the HRA to a new authority is resourced, and consideration will be given to the resource</p>	<p>Being part of a larger unitary authority may present new opportunities such as additional potential sites for new build housing projects.</p>

are required from Secretary of State and/or the new organisation.	requirement during 2025/26.	
Other		

## 11 SUPPORTING INFORMATION:

- 11.1 The HRA Business Plan and budget options report 2026/27 provides the background to the 2026/27 HRA budget. This report was reviewed by Scrutiny on 13 November 2025 and subsequently approved by the Cabinet at its meeting on 19 November 2025. 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:**

- 11.2 At the beginning of 2025, CPI inflation had reduced to 2.8%, and subsequently increased over the course of the year, to 3.8% in September 2025, largely driven by food and energy prices, before easing back to 3.2% in November 2025. This is in line with Bank of England expectation that the increase in inflation during 2025 was temporary and, in the medium term, will fall back to the target rate of 2%. Construction industry BCIS inflation during 2025 has been relatively stable at 2.3% as at Quarter 2 2025
- 11.3 Bank of England base rate at the beginning of the year was 4.25%, and over the course of the year has fallen back to 3.75% as at December 2025. Although further base rate reductions are possible, 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. The preferential rate for HRA borrowing is to be extended to 31<sup>st</sup> March 2027. The Government has committed as part of its spending review to making available low interest loans for housebuilding and this will be considered when more detail becomes available.
- 11.4 The investment required for new homes remained high during 2025/26. Ongoing development of business cases for new build, particularly for complex sites, demonstrated construction costs, excluding overheads, of up to £5,500 per square metre for complex sites, making the cost of construction (excluding land) for an average 90sqm 3-bedroom property between £450,000 and £500,000. 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 The economic outlook causes the annual HRA Business planning process to remain 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 2026/27, a 4.8% rent increase for all tenants as outlined in CAB3523.
- 11.7 Rent setting policy, specifically for convergence of social rents to address the disparity between formula rents and actual social rents was consulted on by the government during summer 2025. An announcement was initially due in the November budget however this was delayed to January 2026. The government have now announced that registered providers will be able to increase weekly rents for Social Rent properties below formula by up to an additional £1 on weekly rents each year over and above CPI+1% from 1 April 2027, and by up to an additional £2 on weekly rents each year over and above CPI+1% from 1 April 2028, until formula rent is reached. Convergence will therefore be addressed as part of the business planning process for 2027/28.

**Table 1- indicative weekly rents in 2026/27 compared to 2025/26 for existing tenants.**

#### **Social Rents**

Size	Bedsit	Bedroom 1	Bedroom 2	Bedroom 3	Bedroom 4	Bedroom 5	Bedroom	Total
Avg Wkly Rent 2025-26	91.34	111.16	127.77	144.33	155.23	188.09	176.1	127.14
Avg Wkly Rent 2026-27	95.91	116.73	134.09	151.36	162.82	197.11	184.55	133.43
increase per week @ 4.8%	5.00%	5.01%	4.95%	4.87%	4.89%	4.80%	4.80%	4.95%

#### **Affordable Rents**

Size	Bedsit	Bedroom 1	Bedroom 2	Bedroom 3	Bedroom 4	Bedroom 5	Bedroom	Total
Avg Wkly Rent 2025-26		162.71	199.69	235.94	266.84	259.08	254.6	200
Avg Wkly Rent 2026-27		171.6	210.21	248.57	279.91	271.51	266.82	210.66
increase per week @ 4.8%		5.46%	5.27%	5.35%	4.90%	4.80%	4.80%	5.33%

- 11.8 The average HRA social rent for new tenancies from April 2026 will reflect the fact that new rents will converge to the current formula rent. 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**

Size	Bedsit	Bedroom 1	Bedroom 2	Bedroom 3	Bedroom 4	Bedroom 5	Bedroom 6	Total
Avg Wkly Rent 2025-26	98.23	116.24	133.94	151.53	165.11	187.32	182.65	133.39
Avg Wkly Rent 2026-27	102.94	121.82	140.35	158.79	173.04	201.39	191.41	139.756748
increase per week @ 4.8%	4.79%	4.80%	4.79%	4.79%	4.80%	7.51%	4.80%	4.77%

### **Repairs and maintenance**

- 11.9 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. A full stock condition survey is underway, and the outputs of this survey will be available in mid-2026, for inclusion in the 2026/27 business planning process.
- 11.10 In addition to planned major repairs, reactive repairs and void refurbishment costs are budgeted for as a revenue expense. Challenges associated with repairs and maintenance were outlined in detail in the budget options report CAB3523, but in summary arise from the procurement of the repairs contract in 2026 and changes to the regulatory environment.
- 11.11 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 £41.8m remains within the capital programme.

### **Interest on borrowing**

- 11.12 Interest rates are a key cost driver in the HRA business plan and, as at 31 March 2025, the HRA's Capital Financing Requirement (unfinanced prior spend) was £212.6m, of which £154.5m is external debt, fixed at PWLB interest rates averaging 3.2%, and the balance of £58.1m is internally borrowed (offset against reserve balances and working capital). PWLB rates are not directly linked to the Bank of England base rate but are set at a margin over government gilt yields, which continue to remain higher than the period of historically low rates since 2008. The current cost of financing external debt is £5.2m per annum, and internal borrowing estimated at £2.8m in 2025/26.
- 11.13 This debt came about through self-financing arrangements for the HRA introduced in 2012. A proportion of this existing debt, £85m, will need to be refinanced between now and 2042, of which £35m falls within the next 5 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.
- 11.14 In addition to existing debt, the proposed plan includes provision to meet the Council's objective of delivering 1000 homes by 2031/32, a significant proportion of which will be funded by prudential borrowing. The HRA business plan currently assumes contributions will be made to the repayment of debt associated with 1000 homes programme following completion in 2031/32, to

demonstrate that the additional new build is affordable to the HRA in the long term.

- 11.15 The cost of long-term government borrowing has softened slightly since the compilation of the Options paper in November, with a reduction in the Bank of England base rate to 3.75% on 18<sup>th</sup> December. At the time of writing, PWLB rates varied between 4.75% for 5 year borrowing and 6.1% for 50 year borrowing. As a result, the long term cost of borrowing assumption has reduced from 6% to 5.75%. However, the cost of borrowing remains elevated when compared to the previous ten years and remains a key risk to the HRA. The table below demonstrates the impact of an increase or decrease in the borrowing rates on the working balance.

	2026.27	2027.28	2028.29	2029.30	2030.31
Deficit / surplus 6% borrowing	-3,589,563	-2,069,087	-1,339,234	-1,304,474	-328,048
Deficit / surplus 5.75% borrowing	-3,526,694	-1,920,814	-1,116,871	-1,002,922	-219,106
Deficit / surplus 5.5% borrowing	-3,469,886	-1,778,793	-900,963	-708,035	197,270
Deficit / surplus 5.25% borrowing	-3,410,047	-1,633,646	-681,827	-409,815	617,087

- 11.16 The current discount of 0.2% on HRA borrowing expires on 31<sup>st</sup> March 2026. To date no announcement has been made on whether this rate will be extended and the business plan model therefore makes no assumption that this will continue. The current assumption for the average cost of borrowing over the life of the business plan at 5.75% is therefore considered prudent.

### **Digitisation and Customer Journey**

- 11.17 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. There is a need to modernise the provision of services to customers through the introduction of better digital access. Over the last 2 years a total of £1.6m has been made available in the business plan to resource the repairs procurement contract, and to ensure resources are available to facilitate investment in systems to enable this objective to be achieved.,
- 11.18 Following feasibility works, the proposal is to invest in the existing MRI software to move to a cloud hosted solution, and to implement additional modules for reporting (Agora), Customer Central, which is a purpose built Customer Relations Management system to better manage customer data, Safer Communities for more effective management and reporting of Anti-Social Behaviour and Domestic Abuse, and Service Charging, to better collate cost data and ensure greater accuracy and transparency in setting service charges. The anticipated ongoing additional cost is £0.16m, which has been built into the budget and ongoing in the business plan. Although there is an ongoing cost, there will be associated savings of £0.11m as the existing Keystone system and IMS reporting systems will no longer be required added to the business plan. This is reflected in the savings table at appendix 7.

- 11.19 In addition to the system investment, there will be a corresponding requirement for internal resource to assist with data migration, training, project management and other related costs. The expected cost of this resource is £0.15m, to be funded from the one-off investment budget of £2m agreed in the 2023/24 business plan.
- 11.20 In addition, work on the re-procurement of the repairs and maintenance contract is ongoing as the current contract expires in 2026 and is subject to a separate report (CAB3473). The business plan allows for associated costs of £0.3m for mobilising the contract following expected award in early 2026/27.
- 11.21 The remaining balance of the £2m one-off investment fund agreed in 2023/24, after accounting for the above commitments, is £0.25m.

### **Rising Costs of New Build Housing**

- 11.22 The cost of building new homes remains high 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.
- 11.23 Under the self-financing regime, prior to the escalation in construction cost and when interest rates were low and stable, and construction costs more affordable, it was possible to construct or acquire properties financed through rents. However, this is no longer possible without heavy subsidy from Right to Buy receipts, s106 affordable housing contributions or government grants, and ultimately, once these funding streams are exhausted, it will fall to wider rent payers to subsidise new build. It is therefore important that proposed new build projects are affordable to the HRA.
- 11.24 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 as the discount factor. In addition, the council's standard model includes the residual social value of the housing at the end of the business plan period 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.
- 11.25 Given the expected long term reduction in Right to Buy sales, the business plan forecasts the level of borrowing increasing in the medium term. The changes to RTB and retention of more stock, combined with the extension of CPI+1% rent policy gives more capacity within the business plan to borrow.

- 11.26 The following principles are therefore 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) Modelling at Social rent in line with the Housing Development Strategy; but where this is detrimental to the HRA, that affordable rent level at the greater of LHA rates or 70% market rents or, where relevant energy efficiency criteria are met, to a maximum of 80% market rent.
  - 3) 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
  - 4) 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.
- 11.27 Since 2024/25, the Council has been placing a greater emphasis upon acquiring s106 affordable housing. This has proved successful, with a number of acquisitions agreed in 2024/25 and reflected in the capital programme between 2025/26 and 2027/28. The indicative capital programme includes unallocated budget for developments for which business cases are currently being developed, and in addition, assumed costs for both potential acquisitions and new build properties for which business cases have not yet commenced.
- 11.28 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. Since 2024/25, two buybacks have been completed and specific budget for two further purchases remains. Further buybacks, subject to meeting criteria for strategic fit, housing need and financial viability, can be funded from the unallocated New Homes budget.
- 11.29 In the 2025/26 HRA budget report, authority was delegated to the S151 Officer, in consultation with the Strategic Director with responsibility for Housing, to ensure the council can make timely decisions where the process for acquiring buybacks is time constrained, with decisions required within a set timescale. It is proposed to maintain that delegation in 2026/27.
- 11.30 Although there are sufficient projects in the capital programme between 2025/26 and 2027/28 to ensure retained Right to Buy 141 receipts are fully utilised, 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, however restrictions are now significantly less than in previous years and were outlined in detail in the Options report in November.

- 11.31 The HRA business plan has capacity to fund delivery of the 1,000 homes programme by 2032/33. Consideration will be given to the future delivery of new homes beyond 2032 in the 2026/27 business plan, but 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**

- 11.32 The budget options report presented to Cabinet in November 2025 (CAB 3523) detailed significant cost pressures within the HRA, particularly for repairs and maintenance. At that time, a savings requirement of £1m was identified.
- 11.33 In addition to the cost pressures identified in the Options report, additional investment requirements in the MRI system, including a specific module for Service Charging to improve accuracy and transparency in setting service charges, and the Agora reporting module, have been built into the business plan and budget.
- 11.34 No further significant cost pressures have been identified since November.
- 11.35 One of the key savings proposed in the November options report (CAB3523) concerned rent convergence, for which an announcement was expected in the November budget. However, this has been postponed to January 2026, which means it will be too late to properly consult and implement for 2026/27. This has therefore been removed from the proposed business plan savings for 2026/27 for consideration for the 2027/28 budget instead. However, this has meant that further savings were also required to compensate for this.
- 11.36 Some of these savings (£0.45m) have been achieved through changes to assumptions, particularly reducing the assumed cost of borrowing following the base rate reduction in December 2025, and reprofiling of the capital programme following review of the retrofit SHF programme (paras 11.57 to 11.62 refers).
- 11.37 In addition to assumption changes, a number of additional budget savings totalling £0.35m have also been identified, outlined and explained at appendix 7. The most significant is the introduction of a vacancy management target of £0.1m, based on vacancy rates experienced over the preceding years. Achievement of this target will require careful monitoring of vacant posts and a restriction on the use of agency staff funded from vacant posts. These additional savings to be discussed with TACT board in February and expected to have minimal impact on services provided.

11.38 The identified savings were consulted on more widely, through a tenant survey and TACT board. 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 2026/27, and further proposals explored if the current proposals are not delivered.

### **Asset disposals**

11.39 The business plan includes proceeds of disposals to date in 2025/26. These disposals relate to the disposal of Barnes House in December 2025, and the expected disposal of Cornerhouse expected by March 2026. The disposals of these sites have provided valuable capital receipts to support the HRA, with a consequent reduction in borrowing cost.

11.40 The business plan assumes that the HRA will identify and dispose of £2.5m of surplus social housing assets over the next six years, an average of £0.5m per annum. 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.

### **Service charges**

11.41 The HRA has been moving towards cost recovery since the principle was agreed in the 2024/25 budget setting process, and charges were set in 2025/26 to reflect cost recovery unless this would result in excessive increases, for which a 5%/£5 cap was applied.

11.42 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 the proposed service charges.

Cost Category	Explanation of charge	No. of Properties	Proposed average charges pw	actual cost incurred 24/25	Leasehold income 2026/27	Tenants/Shared Ownership income 2026/27	Total Income 2026/27
Alarm charge	Service, Maintenance and callouts for telecare alarms	810	£0.94	£39,565	£0	£39,593	£39,593
Grounds Maintenance	Contribution to grass cutting and grounds maintenance in communal areas	1605	£0.91	£78,941	£3,431	£76,159	£79,591
Water Charges	Water supply charge for general needs communal kitchens; water utility costs for sheltered housing and temporary accommodation	322	£4.31	£70,533	£0	£72,093	£72,093
Cleaning	Cleaning costs for communal areas across General Needs, Temporary accommodation and Sheltered Housing	1560	£1.67	£156,699	£19,414	£135,734	£155,148
Utilities	Electricity and gas for communal areas in sheltered housing and temporary accommodation	1655	£3.20	£290,270.30	£12,772	£275,005.87	£287,777
Estate Visits	Charges for planned inspections of blocks	1554	£1.61	£161,335.32	£20,598	£138,677.39	£159,276
Sheltered Charges	Management charges for sheltered and extra care	459	£8.10	£208,498.00	0.00	£208,907.29	£208,907
Furniture, Fittings etc.	For new and replacement furniture in sheltered and temporary accommodation	537	£1.19	£34,923	£0	£33,109	£33,109
Contracts	Servicing and repair contracts for communal amenities such as appliances, bin chutes, doors, lifts, gutters etc	1006	£2.65	£140,000	£27	£138,477	£138,503
Heating	Heating charges for Eastacre, Milford, Whitewing and Matilda houses	143	£5.48	£38,615	£0	£40,731	£40,731
Fire safety	For fire risk assessments, fire extinguishers in specific blocks	382	£1.38	£28,000	£0	£27,353	£27,353
TA Charges	Management charges for temporary accommodation	79	£18.61	£74,061	£0	£76,440	£76,440
Walpole Road service charges	Council Tax charges for Walpole Road properties	2	£9.07	£943	£0	£943	£943
WHT for pump	For services provided by Winchester Housing Trust at Barron Close	4	£14.18	£3,686	£0	£2,949	£2,949
Affordable service charges	Grounds Maintenance and management charges for affordable rented properties	82	£5.70	£24,288	£0	£24,288	£24,288
Affordable pump charges	Contribution to running costs of pumps at Kiln Cottage and Symonds close, properties with basement water storage where pump is used to circulate water within the properties	14	£7.86	£5,727	£0	£5,725	£5,725
Council tax	Charge for Council Tax on specific Temporary Accommodation sites	39	£5.04	£11,128	£0	£10,228	£10,228
Average Insurance	Service charge for average insurance costs on shared ownership properties	119	£2.62	£38,092	£30,166	£16,209	£46,375
Management Fee	Charge for management costs associated with shared ownership properties	71	£1.72	£73,753	£59,033	£6,342	£65,375
Pump	Contribution to running costs of pumps for social rent properties with basement water storage where pump is used to circulate water within the properties	69	£1.05	£3,778	£0	£3,778	£3,778
Catering Costs	Service charge to leaseholders and shared owners for catering provision at Chesil Lodge	8	£43.76	£18,204	£0	£18,204	£18,204
Kitchen Equipment	Service charge for maintaining and replacing kitchen equipment at Chesil Lodge	8	£0.11	£308	£0	£47	£47
Evinox	Heating and hot water provision at Chesil Lodge	8	£1.86	£719	£0	£774	£774

- 11.43 The table demonstrates that the proposed service charges for 2026/27 recover the costs incurred in
- 11.44 24/25 (the last full year for which costs are available). The average proposed charge across all chargeable properties for each charge category is provided in the table above.
- 11.45 It is recognised that a move to full cost recovery could result in an excessive increase between years. However, there are no significant increases at an individual property level and some charges will reduce where costs have reduced, or where over-recovery would otherwise have resulted.
- 11.46 The table above also demonstrates the level of income receivable from leaseholders where applicable.

### **Housing Revenue Account Budget 2025/26**

- 11.47 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:
- 11.48 Employees – The 2026/27 budget is £6.6m, an increase of £0.43m on the 2025/26 budget. The employee budget includes the full year effect of the 2025/26 pay award, and a provision of 3.5% for the 25-26 pay award. The staffing budget takes into account amendments to the staffing structure during 2025/26, and capitalisation of staff time to retrofit and the Woodman Close new build project where relevant. Vacancy management savings of £0.1m has been built in as a working assumption as part of additional savings required following the government decision to postpone rent convergence decision. This will require careful management of vacancies and use of temporary staff to ensure target is met. There is also one-off budget in 2026/27 relating to the implementation of the new repairs contract, and fixed term resource to support upgrades to the Housing Management IT systems.
- 11.49 Premises – The 2026/27 budget is £10.8m, an increase of £0.88m on the 2025/26 budget. The main changes relate to repairs and voids of £1m, which reflects increasing costs associated with an increase in void turnover, and reflecting legislative changes such as Awaab's Law as outlined in the Options report (CAB3523). This is partially offset by savings on utility costs as identified in the savings at appendix 7. Inflationary increases on council tax on void properties are also factored in.
- 11.50 Supplies & Services and Third Party Payments – The Supplies and Services line is £2.85m, an increase of £0.4m over the 2025/26 budget. The increase is largely associated with one off consultancy costs for the repairs procurement mobilisation, and housing management system upgrades. The 2026/27 budget also reflects savings on tenant engagement and reductions in supported housing advertising and hospitality budgets. The Third Party Payment budget is reduced by £0.05m reflecting the anticipated saving to hoarding budget, both of which are outlined in appendix 7.
- 11.51 Support Services – The support services budget has increased by £0.03m to £3.43m. General inflationary increases have been accounted for and are largely offset by a reduction in the cost of procurement support following the completion of procurement input into the repairs contract procurement process in early 2026/27.
- 11.52 Net Interest – The 2025/26 budget reflects the net interest cost of anticipated HRA borrowing of £7.9m. It assumes gross interest costs of £8.8m, of which £6.4m relates to external borrowing and £2.4m relates to internal borrowing. Gross costs are offset by interest on balances of £0.9m. Borrowing costs have increased by £0.85m on the 2025/26 budget. Although there is no new

borrowing anticipated in capital financing for 2026/27, the estimates reflect a reduction in cash balances as capital receipts and major repairs allowance are used up to fund the capital programme, and refinancing of loans in 2026/27 at a higher rate. The estimate also assumes that the unallocated budget for new build, for which business cases are still being developed, will be utilised. However, if the unallocated budget is not utilised, anticipated borrowing costs will reduce. Anticipated interest rates for new borrowing are currently assumed at 5.75%. The impact of changes to borrowing rates are outlined from paragraph 11.12.

- 11.53 Depreciation – The depreciation charge estimated on the basis of the prior year charge and anticipated increase in the current year. The budget for 2026/27 is £11.08m, an increase of £0.52m on the budget for 2025/26. 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.
- 11.54 External Income – The 2026/27 budget is £39.5m, an increase of £1.56m on the budget for 2025/26. This largely reflects the proposed rent increase of 4.8% from April 2026, together with associated changes in service charges and other income.

## **HOUSING SERVICES CAPITAL PROGRAMME**

### **Major Repairs**

- 11.55 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.
- 11.56 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 £89.9m towards major repairs to HRA dwellings based on the investment requirements of the asset management plan between 2025/26 and 2035/36.

### **Climate Emergency**

- 11.57 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 £41.874m, including provision for inflation.

- 11.58 In December 2025 the Department for Energy Security and Net Zero (DESNZ) issued an announcement, requesting that no Solar Batteries are installed under the Wave 3 funding scheme until further notice due to a review of battery certification. Following this announcement the Retrofit team carried out a review of the Social Housing Decarbonisation Fund (SHF) Programme and associated costs. The review investigated the efficiency of the PAS 2035 delivery, the costs incurred due to the administration required to abide formally to PAS 2035, costs incurred by procurement, design, and specification of the improvements. Various delivery options were profiled including
- Removal of batteries as an improvement within Wave 3 and the impact this has on the 'Solar Use and Maintenance' payment
  - Move towards a Single measure delivery due to the complexities associated with multiple improvements within a home at the same time
  - Review of the enabling works associated with Retrofit and their escalating costs
  - Review of the additional costs associated with the administration for PAS 2035 reports and surveys
- 11.59 It has been proposed by the Retrofit team that Winchester City Council relinquish the funding from DESNZ due to the loss in revenue caused by the hold on battery installations. This decision will allow Retrofit and Planned Maintenance to collaborate in a more rational manner without the pressure to deliver at pace to meet funding milestones, and in particular avoid large costs associated with ad hoc enabling works with Retrofit Contractors. This strategy provides an opportunity for Planned Maintenance to undertake Retrofit enabling works under a dedicated programme and procurement exercise, unlocking hard to treat homes. This allows the Retrofit team to focus on the easier to treat homes and move to a single measure delivery on the harder to treat properties.
- 11.60 Delivering improvements that can incrementally be installed based on ease of installation and points gained to achieve EPC e.g. Solar and Ventilation installed first prior to Cavity Wall insulation and Loft Insulation which requires a substantial amount of enabling works. This will allow Planned Maintenance team more time to prepare harder to treat properties Ready for Retrofit.
- 11.61 The single measure programme allows the team to procure contractors that are experts within their fields avoiding the larger contractors who use non-local SME's and increase costs to do this. The larger contractors also tend to utilise a lot of time to recruit sub-contractors which causes unnecessary delays. The most significant benefit of this change is that there is an estimated saving of £400k despite the loss of the SHF funding, this saving will allow Retrofit to increase delivery and retain staff to support this increase. The table below demonstrates the loss of funding and the way in which savings are achieved:

	Year1	Year2	Year3	Project
	£'m	£'m	£'m	£'m
<b>Loss of Funding received</b>	<b>1</b>	<b>1.2</b>	<b>1.2</b>	<b>3.5</b>
Savings on PAS 2035 Contractors	(0.7)	(0.9)	(0.8)	(2.4)
Reduced measures & defects	(0.1)	(0.3)	(0.3)	(0.6)
CLC Uplifts on PAS 2035, measures removed & defects	(0.2)	(0.3)	(0.3)	(0.7)
Administration allocated to Dept Energy Security and Net Zero reporting	0.0	0.0	0.0	(0.1)
Renegotiation of contract frameworks	(0.2)	(0.2)	(0.2)	(0.6)
<b>Funding shortfall / (savings)</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.4)</b>

- 11.62 The Retrofit Team will continue to use PAS 2035 as a quality standard but will not require the intense admin associated with SHF Funding therefore saving time and costs. The targets for the next 3 years will incrementally increase which is made possible through the enabling works that will take place under Planned Maintenance. Targets are 125 properties in the remainder of 2025/26, 280 properties in 2026/27 and 378 properties in 2027/28. This equates to 15.5% of the stock that is EPC D and below as opposed to the original 13% originally associated with SHF.
- 11.63 Procurement within the Retrofit Team for the capital spend scheduled in appendix 3 and in relation with the revised delivery strategy proposed, will be in accordance with Financial Procedure Rule 7.4, suitable Frameworks will be utilised in accordance with the Public Contract Regulations and the council's Contract Procedure Rules.
- 11.64 The proposed approach forecasts a further 125 properties (2.5% of the stock) to be upgraded to an EPC C by 31st March 2026, 280 properties in 2026/27 and 378 in 2027/28, meaning that at least 87% of stock will meet EPC-C or above by March 2028.

### **Sewage Treatment Works**

- 11.65 Following the delivery of upgrades at Northington and The Goodens sewage treatment plants, the Council has secured nutrient credits and is in the process of selling credits to developers. At the time of writing this report, a total of £0.272m cash receipts had been received from sales to date, with a further £0.63m committed, and these proceeds will be reinvested in the sewerage treatment plants, generating further credits.
- 11.66 Investment in the first wave of sewage treatment plants designed to reduce the high running costs of specific plants were built into the 2024/25 budget

and are currently being progressed, with one site (Check which) completed, and further sites expected to progress in 2026/27.

- 11.67 Further provision for improvement works, funded through both the generation of nutrient credits and funding from Partnership for South Hampshire (PfSH), 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, subject to agreement of business cases.

### **New Build Capital Programme**

- 11.68 The “Good Homes for All” council plan priority emphasises the council’s commitment to new homes and the HRA New Build Programme is key to delivering this objective. A new Housing development strategy has also been adopted during 2025/26, which has informed the HRA business planning process.
- 11.69 The New Homes capital programme includes approved budgets for the development of properties at Woodman Close, and ongoing acquisitions of new properties at Hazeley Road and Kings Barton.
- 11.70 The programme also includes the remaining provision for buy backs of former Council Houses agreed at Cabinet in September 2024, which agreed to the purchase of up to 4 properties, of which two properties have been acquired. A delegation is in place for the s151 Officer, in consultation with the Strategic Director with responsibility for Housing, to acquire further buy backs subject to viability assessment utilising the unallocated new homes budget.
- 11.71 The budget assumption for unapproved schemes includes provision for acquiring new affordable housing within the Central Winchester Regeneration site. This represents an opportunity for the HRA to acquire up to 40 units of affordable housing and meet a housing need. However, to facilitate this an appropriation of the existing car park site at St Peters will be required.
- 11.72 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.
- 11.73 To date, 333 new homes have been delivered, and a further 151 are currently in progress at Kings Barton, Woodman Close and Hazeley Road. The 10-year forward financial projection has identified a capital expenditure requirement of £202.8m, including approved schemes totalling £39.2m and an unapproved provision of £163.6m to cover schemes for which business cases are currently being developed, or schemes as yet unidentified. Application for additional housing grant will be considered for all future developments where appropriate.

- 11.74 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 £4.3m for 2026/27, but if required additional funding may be brought forward from future years subject to robust business case.
- 11.75 In December 2025, the Council was offered the opportunity to submit an expression of interest to secure further funding from the Local Authority Housing Fund (LAHF) for additional homes for resettlement and temporary accommodation, for delivery between April 2026 and March 2030.
- 11.76 An expression was submitted, and a response to the expression of interest is expected in March 2026. The expression of interest would support the acquisition of up to 30 properties over 4 years of which 20 intended for temporary accommodation and 10 for Afghanistan resettlement scheme and for which the WCC contribution would be budgeted for by utilising the unallocated budget line.
- 11.77 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.
- 11.78 Expenditure would be subject to meeting criteria, including financial viability, and suitability of the property in terms of location and size, level of refurbishment required and suitability for conversion to Temporary Accommodation.
- 11.79 Confirmation of successful application is not expected until March 2026, and therefore the exact award is not yet known. It will be confirmed in the finalised Memorandum of Understanding. Proposed spend is based on estimates of property purchases to a maximum of 30 put forward in the expression of interest.
- 11.80 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, which demonstrates that there is capacity in the business plan to repay the associated borrowing, thereby demonstrating that the programme is affordable and sustainable. The principle of future new build, in the context of other key HRA priorities, will be debated at the EHP Committee in February 2026, which will inform the business planning process for 2026/27.

### **HRA Capital Programme Funding**

11.81 Appendix 5 gives full details of how it is proposed to fund the Housing Services & New Build Budgets from 2025/26 to 2035/36. This shows a prudential net borrowing requirement of £141.4m (or 39% of total programme funding), the planned reinvestment of RTB receipts £27.8m (8%), the application of Major Repairs Allowance £138.9m (recycled depreciation funding of 37%), the investment of shared ownership receipts and other asset sales £39m (11%), the application of S106 funding £15m (4%) and grants/contributions of £2.4m (1%).

### **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: -**

**CAB3523 – HRA Business Plan and Budget Options – November 2025**

**CAB3516 – HRA Outturn 2024/25 – September 2025**

**CAB3490 – HRA Budget 2025/26 – February 2025**

**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**

APPENDICES:

## Appendix 1 – 2026/27 HRA Budget Service Summary

	25/26	25/26	26/27
<b>Housing Revenue Account:</b>	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Original Budget</b>
	<b>per CAB3490</b>		
<b>Service Summary</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Housing Management General</b>			
Housing Management	(584,691)	(584,691)	(695,183)
Tenant Welfare	(548,277)	(548,277)	(430,026)
HRA General	(3,221,111)	(3,221,111)	(3,027,772)
HRA Policy	(564,373)	(564,373)	(543,883)
HRA IT Projects	(210,000)	(210,000)	(320,000)
Income Services	(457,929)	(457,929)	(489,361)
Tenants Involvement	(243,706)	(243,706)	(236,821)
Vacant Dwellings	(174,400)	(174,400)	(202,273)
New Build Programme Support	(813,235)	(813,235)	(810,879)
	<b>(6,817,722)</b>	<b>(6,817,722)</b>	<b>(6,756,199)</b>
<b>Housing Management Special</b>			
Communal Services	147,379	147,379	126,331
Foxglove House	406,340	406,340	433,000
Disabled Adaptations	(193,009)	(193,009)	(194,029)
Estate Maintenance	(843,473)	(843,473)	(909,620)
Community Safety (HRA)	(291,415)	(291,415)	(208,122)
Homelessness	(109,213)	(109,213)	11,185
Home Ownership	502,040	502,040	520,174
Sewage Works	(433,371)	(433,371)	(414,433)
Sheltered Housing	(276,948)	(276,948)	(628,103)
	<b>(1,091,670)</b>	<b>(1,091,670)</b>	<b>(1,263,618)</b>
<b>Repairs</b>			
Responsive Maintenance	(4,322,318)	(4,322,318)	(4,389,985)
Voids	(1,764,950)	(1,764,950)	(2,497,900)
Cyclic	(1,463,867)	(1,463,867)	(1,743,647)
Retrofit (Revenue)	(110,393)	(110,393)	(705,157)
Assets & Planned Maintenance	(1,015,633)	(1,015,633)	(900,117)
Sub - total Repairs Works	<b>(8,677,161)</b>	<b>(8,677,161)</b>	<b>(10,236,806)</b>
Repairs Administration	(2,012,394)	(2,012,394)	(2,197,157)
	<b>(10,689,555)</b>	<b>(10,689,555)</b>	<b>(12,433,963)</b>
Debt Management Expenses	(12,576)	(12,576)	(12,576)
Interest Payable	(8,322,000)	(8,322,000)	(8,823,000)
Depreciation of Fixed Assets	(10,562,055)	(10,562,055)	(11,087,199)
	<b>(18,896,631)</b>	<b>(18,896,631)</b>	<b>(19,922,775)</b>

<b>Rents and Other Income</b>			
Dwelling Rents	33,965,769	33,965,769	35,680,067
Garage Rents	56,092	56,092	56,092
Investment Properties	199,656	199,656	199,656
Other Rents and Income	74,047	74,047	84,047
Interest Receivable	1,170,000	1,170,000	830,000
	<b>35,465,564</b>	<b>35,465,564</b>	<b>36,849,862</b>
<b>(Surplus)/Deficit for year on HRA Services</b>	<b>(2,030,014)</b>	<b>(2,030,014)</b>	<b>(3,526,694)</b>
<b>(Increase)/ decrease in HRA Balance</b>	<b>(2,030,014)</b>	<b>(2,030,014)</b>	<b>(3,526,694)</b>
<b>HRA Working Balance</b>			
Opening Balance	15,950,672	15,950,672	13,648,672
Add Q2 forecast Deficit/(Surplus)	(2,302,000)	(2,302,000)	(3,526,694)
<b>Projected Balance at Year End</b>	<b>13,648,672</b>	<b>13,648,672</b>	<b>10,121,978</b>

## Appendix 2 – HRA 2026/27 Budget Subjective Summary

<b>Housing Revenue Account:</b>	<b>25/26 Original Budget per CAB3490</b>	<b>25/26 Revised Budget</b>	<b>26/27 Original Budget</b>
<b>Subjective Summary</b>	<b>£</b>	<b>£</b>	<b>£</b>
Employees	(6,207,476)	(6,207,476)	(6,637,980)
Premises	(9,940,886)	(9,940,886)	(10,820,060)
Transport	(150,817)	(150,817)	(163,396)
Supplies & services	(2,467,210)	(2,467,210)	(2,855,964)
Third party payments	(142,600)	(142,600)	(91,500)
Support Services	(3,401,277)	(3,401,277)	(3,431,342)
Net Interest	(7,152,000)	(7,152,000)	(7,993,000)
Depreciation on Fixed Assets	(10,562,055)	(10,562,055)	(11,087,199)
External income	37,994,307	37,994,307	39,553,747
<b>Surplus/(Deficit) for year on HRA Services</b>	<b>(2,030,014)</b>	<b>(2,030,014)</b>	<b>(3,526,694)</b>
<b>Increase / (decrease) in HRA Balance</b>	<b>(2,030,014)</b>	<b>(2,030,014)</b>	<b>(3,526,694)</b>
<b>HRA Working Balance</b>			
Opening Balance	15,950,672	15,950,672	13,648,672
Add Projected (Deficit)/Surplus	(2,030,014)	(2,030,014)	(3,526,694)
<b>Projected Balance at Year End</b>	<b>13,920,658</b>	<b>13,920,658</b>	<b>10,121,978</b>

Appendix 3 – Housing Management Capital Programme 2025/26 to 2035/36

Housing Services Programme	2025/26	2025/26	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	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
<b>Scheme Name/Description</b>														
Major Repairs	(8,570)	(7,492)	(6,309)	(10,653)	(8,766)	(9,480)	(9,582)	(9,735)	(5,665)	(7,416)	(6,874)	(8,114)	(7,371)	(89,965)
<b>Major Repairs</b>	<b>(8,570)</b>	<b>(7,492)</b>	<b>(6,309)</b>	<b>(10,653)</b>	<b>(8,766)</b>	<b>(9,480)</b>	<b>(9,582)</b>	<b>(9,735)</b>	<b>(5,665)</b>	<b>(7,416)</b>	<b>(6,874)</b>	<b>(8,114)</b>	<b>(7,371)</b>	<b>(89,965)</b>
														0
Estate Improvements	(432)	(432)	(350)	(104)	(108)	(111)	(114)	(118)	(118)	(121)	(125)	(128)	(132)	(1,528)
Sheltered Housing	(74)	(248)	0	(953)										(953)
Chesil Lodge Solar Panels				(60)										(60)
<b>Improvements &amp; Upgrades</b>	<b>(506)</b>	<b>(680)</b>	<b>(350)</b>	<b>(1,117)</b>	<b>(108)</b>	<b>(111)</b>	<b>(114)</b>	<b>(118)</b>	<b>(118)</b>	<b>(121)</b>	<b>(125)</b>	<b>(128)</b>	<b>(132)</b>	<b>(2,541)</b>
														0
Disabled Adaptations	(719)	(719)	(700)	(751)	(773)	(796)	(820)	(845)	(870)	(896)	(923)	(951)	(979)	(9,305)
Asbestos and Fire rectification (reactive)	(300)	(300)	(300)	(150)	(150)									(600)
Fire remedial works (Planned)	(1,000)	(1,250)	(1,000)	(500)	(547)	(554)	(570)	(588)	(605)	(623)	(642)	(661)	(681)	(6,971)
Fire Safety Compartmentation	(2,001)	(2,001)	(2,001)	(2,012)	(2,045)	0	(0)	0	(0)	(0)	0	(0)	(0)	(6,059)
Climate Change Emergency	(5,936)	(5,506)	(3,100)	(6,055)	(7,818)	(7,659)	(8,765)	(8,478)						(41,874)
Victoria House Sewerage Connection	(516)	(516)	0	0										0
Sewerage Treatment Works (STW)	(479)	(479)	(250)	(810)	(725)	(796)	(125)	(129)	(133)	(137)	(141)	(145)	(150)	(3,542)
STW - Nutrient Mitigation	(407)	(407)	0	(407)										(407)
STW - Nutrient Mitigation (PFSH)	(700)	(700)	(136)	(350)	(350)									(836)
<b>Other Capital Spending</b>	<b>(12,058)</b>	<b>(11,878)</b>	<b>(7,487)</b>	<b>(11,035)</b>	<b>(12,408)</b>	<b>(9,804)</b>	<b>(10,281)</b>	<b>(10,039)</b>	<b>(1,608)</b>	<b>(1,657)</b>	<b>(1,706)</b>	<b>(1,758)</b>	<b>(1,810)</b>	<b>(69,594)</b>
<b>Unapproved Schemes</b>														
Sewerage Treatment works additional schemes						(600)								
<b>Total Housing Services Capital Programme</b>	<b>(21,134)</b>	<b>(20,050)</b>	<b>(14,146)</b>	<b>(22,805)</b>	<b>(21,282)</b>	<b>(19,995)</b>	<b>(19,976)</b>	<b>(19,892)</b>	<b>(7,391)</b>	<b>(9,194)</b>	<b>(8,705)</b>	<b>(10,000)</b>	<b>(9,313)</b>	<b>(162,700)</b>

## Appendix 4 New Build Capital Programme 2025/26 to 2035/26

New Build Programme & Other Capital	2025/26 Original Budget.	2025/26 Sep Revised.	2025/26 Latest Forecast	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.	2035/36 Budget.	Total Budget.
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Scheme Name/Description</b>														
<b>Approved Schemes</b>														
LAHF Property Acquisition		(531)	(531)											(531)
Lower Brook St car park		(40)												
Southbrook Cottages														
Woodman Close		(978)	(200)	(1,957)										(2,157)
Property Buybacks	(980)	(1,048)	(210)	(838)										(1,048)
Hazeley Rd Twyford	(915)	(915)	(915)	(915)										(1,830)
Kings Barton all Phases	(3,360)	(20,000)	(20,000)	(8,600)	(5,000)									(33,600)
<b>Total Approved Schemes</b>	<b>(5,255)</b>	<b>(23,512)</b>	<b>(21,856)</b>	<b>(12,310)</b>	<b>(5,000)</b>									<b>(39,166)</b>
<b>Unapproved Schemes</b>														
CornerHouse	(900)													
Woodman Close	(978)													
Minden Rd						(3,400)								(3,400)
Appropriation St Peters Car Park							(3,400)							(3,400)
Affordable Housing Central Winchester							(5,500)							(5,500)
Morgans Yard					(115)	(1,763)								(1,878)
Unallocated 1000 homes	(6,065)	(6,434)		(4,292)	(18,603)	(13,765)	(31,817)	(44,890)	(36,098)					(149,465)
<b>Total Unapproved Schemes</b>	<b>(7,943)</b>	<b>(6,434)</b>		<b>(4,292)</b>	<b>(18,718)</b>	<b>(18,928)</b>	<b>(40,717)</b>	<b>(44,890)</b>	<b>(36,098)</b>					<b>(163,643)</b>
<b>Total All Schemes</b>	<b>(13,198)</b>	<b>(29,946)</b>	<b>(21,856)</b>	<b>(16,602)</b>	<b>(23,718)</b>	<b>(18,928)</b>	<b>(40,717)</b>	<b>(44,890)</b>	<b>(36,098)</b>					<b>(202,809)</b>

## Appendix 5 Capital Financing 2025/26 to 2035/36

	2025/26	2025/26	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	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	3,338	0	0	19,682	15,084	40,103	46,274	20,272	0	0	0	0	141,415
RTB 141 Receipts	3,673	5,500	8,884	1,436	1,479	1,524	1,570	1,618	1,666	1,716	1,768	1,821	1,875	25,358
Other RTB Receipts	549	2,112	2,112	14	21	28	35	43	51	59	68	77	86	2,595
Capital Receipts - Shared Owner	4,000	1,659	1,659	351	4,543	4,753	2,914	3,176	7,720	7,416	2,328	0	0	34,860
Capital Receipts Other	623	1,753	1,753	500	500	500	500	500	0	0	0	0	0	4,253
Nutrient Credits				400	400									800
LAHF Grant		934	934	0	0	0	0	0	0	0	0	0	0	934
Homes England Grant				645										
PfSH Grant	700	700	135	350	215									700
S106	0		0	1,050	6,000	5,000	3,000	0	0	0	0			15,050
Major Repairs Reserves	24,787	34,000	20,526	34,660	12,160	12,034	12,570	13,171	13,780	2	4,541	8,102	7,352	138,897
<b>Funding Total</b>	<b>34,332</b>	<b>49,996</b>	<b>36,003</b>	<b>39,406</b>	<b>45,000</b>	<b>38,923</b>	<b>60,693</b>	<b>64,782</b>	<b>43,489</b>	<b>9,194</b>	<b>8,705</b>	<b>10,000</b>	<b>9,313</b>	<b>365,507</b>
Housing Services	21,134	20,050	14,146	22,805	21,282	19,995	19,976	19,892	7,391	9,194	8,705	10,000	9,313	162,700
New Build	13,198	29,946	21,856	16,602	23,718	18,928	40,717	44,890	36,098	0	0	0	0	202,809
<b>Capital Programme Total</b>	<b>34,332</b>	<b>49,996</b>	<b>36,002</b>	<b>39,407</b>	<b>45,000</b>	<b>38,923</b>	<b>60,693</b>	<b>64,782</b>	<b>43,489</b>	<b>9,194</b>	<b>8,705</b>	<b>10,000</b>	<b>9,313</b>	<b>365,509</b>

Appendix 6 – Operating Account summary

**Winchester City Council**  
**HRA Business Plan**  
**Operating Account**  
 (expressed in money terms)

		Income				Expenditure							Net Operating (Expenditure)	Repayment of loans	Surplus (Deficit) for the Year	Surplus (Deficit) b/fwd	Interest payable	Surplus (Deficit) c/fwd
Year	Year	Net rent Income	Other income	Misc Income	Total Income	Managt.	Depreciation	Responsive & Cyclical	Other Revenue spend	Misc expenses	Total expenses	Capital Charges						
1	2025.26	36,087	204	1,406	37,697	(12,905)	(10,592)	(8,081)	(765)	(580)	(32,924)	(8,052)	(3,279)	(0)	(3,279)	15,950	978	13,649
2	2026.27	38,066	228	1,334	39,628	(13,237)	(11,087)	(8,754)	(1,411)	(680)	(35,169)	(8,822)	(4,362)	0	(4,362)	13,649	835	10,122
3	2027.28	40,848	235	1,394	42,476	(13,559)	(11,547)	(8,963)	(436)	(680)	(35,186)	(9,514)	(2,224)	0	(2,224)	10,122	303	8,201
4	2028.29	43,428	242	1,457	45,126	(13,958)	(12,034)	(9,191)	(176)	(691)	(36,049)	(10,438)	(1,361)	0	(1,361)	8,201	244	7,085
5	2029.30	46,305	249	1,500	48,054	(14,368)	(12,570)	(9,415)	(179)	(701)	(37,233)	(12,035)	(1,213)	0	(1,213)	7,085	211	6,082
6	2030.31	50,837	256	1,545	52,639	(14,791)	(13,171)	(9,661)	(183)	(712)	(38,517)	(14,532)	(410)	0	(410)	6,082	191	5,862
7	2031.32	53,613	264	1,592	55,468	(15,226)	(13,780)	(10,091)	(187)	(722)	(40,006)	(16,706)	(1,244)	0	(1,244)	5,862	170	4,789
8	2032.33	57,720	272	1,639	59,631	(15,674)	(14,480)	(10,534)	(190)	(733)	(41,611)	(17,660)	360	(731)	(371)	4,789	385	4,803
9	2033.34	60,401	280	1,688	62,369	(16,135)	(15,203)	(10,936)	(194)	(744)	(43,212)	(17,599)	1,558	(1,752)	(195)	4,803	797	5,405
10	2034.35	61,668	289	1,739	63,695	(16,610)	(15,477)	(11,355)	(198)	(755)	(44,394)	(17,494)	1,807	(2,442)	(635)	5,405	1,102	5,872
11	2035.36	64,166	297	1,791	66,255	(17,098)	(15,755)	(11,789)	(202)	(766)	(45,611)	(17,662)	2,982	(3,921)	(939)	5,872	1,369	6,301
12	2036.37	64,265	306	1,845	66,417	(17,602)	(16,039)	(12,240)	(206)	(778)	(46,864)	(17,464)	2,088	(3,277)	(1,188)	6,301	1,593	6,706
13	2037.38	65,598	315	1,900	67,813	(18,120)	(16,328)	(12,709)	(210)	(790)	(48,156)	(17,493)	2,165	(3,614)	(1,449)	6,706	1,769	7,027
14	2038.39	66,953	325	1,957	69,235	(18,654)	(16,621)	(13,195)	(214)	(802)	(49,486)	(17,271)	2,478	(4,086)	(1,607)	7,027	1,951	7,370
15	2039.40	68,332	334	2,016	70,682	(19,203)	(16,920)	(13,699)	(219)	(814)	(50,855)	(17,020)	2,808	(4,656)	(1,848)	7,370	2,193	7,715
16	2040.41	69,735	344	2,077	72,156	(19,769)	(17,225)	(14,223)	(223)	(826)	(52,266)	(16,740)	3,151	(5,078)	(1,927)	7,715	2,391	8,179
17	2041.42	72,532	355	2,139	75,026	(20,351)	(17,535)	(14,767)	(227)	(838)	(53,719)	(16,391)	4,916	(7,195)	(2,279)	8,179	2,593	8,493
18	2042.43	72,617	365	2,203	75,186	(20,951)	(17,850)	(15,332)	(232)	(851)	(55,216)	(16,227)	3,742	(6,190)	(2,448)	8,493	2,892	8,937
19	2043.44	74,097	376	2,269	76,742	(21,568)	(18,171)	(15,919)	(237)	(863)	(56,759)	(15,856)	4,128	(6,742)	(2,614)	8,937	3,079	9,402
20	2044.45	75,603	388	2,337	78,328	(22,204)	(18,498)	(16,528)	(241)	(876)	(58,348)	(15,446)	4,534	(7,491)	(2,957)	9,402	3,235	9,679
21	2045.46	77,137	399	2,407	79,944	(22,859)	(18,831)	(17,160)	(246)	(890)	(59,986)	(15,001)	4,958	(8,015)	(3,058)	9,679	3,480	10,101
22	2046.47	78,700	411	2,480	81,591	(23,533)	(19,170)	(17,817)	(251)	(903)	(61,674)	(14,524)	5,393	(8,700)	(3,307)	10,101	3,774	10,568
23	2047.48	81,835	424	2,554	84,812	(24,227)	(19,515)	(18,499)	(256)	(916)	(63,413)	(14,184)	7,215	(10,737)	(3,522)	10,568	4,093	11,139
24	2048.49	81,911	436	2,631	84,978	(24,941)	(19,866)	(19,207)	(261)	(930)	(65,206)	(13,586)	6,186	(10,055)	(3,869)	11,139	4,352	11,622
25	2049.50	83,562	449	2,710	86,721	(25,677)	(20,223)	(19,943)	(267)	(944)	(67,054)	(12,984)	6,683	(10,890)	(4,206)	11,622	4,635	12,051
26	2050.51	85,244	463	2,791	88,498	(26,435)	(20,587)	(20,706)	(272)	(958)	(68,958)	(12,340)	7,200	(11,518)	(4,319)	12,051	4,901	12,633
27	2051.52	86,957	477	2,875	90,309	(27,215)	(20,957)	(21,499)	(277)	(973)	(70,921)	(11,655)	7,733	(12,445)	(4,712)	12,633	5,116	13,038
28	2052.53	90,409	491	2,961	93,861	(28,018)	(21,334)	(22,322)	(283)	(987)	(72,945)	(11,096)	9,821	(14,631)	(4,811)	13,038	5,355	13,582
29	2053.54	90,482	506	3,050	94,037	(28,845)	(21,717)	(23,177)	(288)	(1,002)	(75,031)	(10,668)	8,339	(235)	8,104	13,582	5,780	27,465
30	2054.55	92,288	521	3,141	95,950	(29,697)	(22,108)	(24,065)	(294)	(1,017)	(77,181)	(10,661)	8,108	0	8,108	27,465	6,426	41,999

Appendix 7 - Proposed Savings 2026/27

Savings proposal title	Revenue	Capital		Notes
Lower Brook Street car park	10			Formation of 5 car parking spaces following demolition of dilapidated garage. License income in respect of those new spaces, once completed ins expected to generate circa £10k per annum which is currently not budgeted,
Sheltered housing / advertising	20			Reducing non essential spends that wider HRA tenants are subsidising, and can be achieved by making smarter decisions around what, when and where adverts are placed.
Tenant welfare / hoarding budgets	60			Currently there is £141k budgeted for CAB money advice and for hoarding support. In 2024/25, total expenditure against that budget line was £80k, with similar level of spend in 2025/26 forecast. The proposal is to reduce the existing budget to match the existing level of spend, and to ensure that maximum value is being obtained where support is given.
Sewerage charges increase	25			The wider HRA currently subsidises the cost of providing sewage treatment to a number of properties not connected to mains sewers. The intention is to move to cost recovery through a managed increase in fees of 10% per annum until cost recovery is achieved site by site to reduce and eventually eliminate the wider subsidy.
Neighbourhoods budgets	52			These budgets were built into the HRA budget to support neighbourhood wardens. However it is not clear what these budgets were specifically set up for (as the officers concerned have now left), there has been no expenditure against them since 2023/24 and are therefore demonstrably not required. It is proposed to delete these budgets, there will be no impact on services provided as a result of this proposal.
Tenant engagement budgets to match current spend	20			The tenant engagement budget currently stands at £244k, which covers the tenant partnership team, and a wider budget of £50k for wider tenant engagement activity, which covers costs Covers costs linked to tenant engagement activities such as Housing Improvement workshops, TACT Board, community and digital hubs, ongoing training support for involved tenants (assume this comes out of this budget for things like South Coast training), marketing and design work to promote events. The underspend on the wider budget in 2024/25 was £20k, and forecast for 2025/26 is similarly underspent. The proposal is to realign the budget into line with current spend activity.
Utility	100			This proposal relates to utilities budgets for electricity, gas, water and cleaning. Following the ukriane war in 2022, energy prices increased significantly. Utility budgets for communal electricity and gas were significantly increased, however there was at the time significant uncertainty about the longer term cost of energy and how this would impact on the cost of communal electricity and gas. However, with the benefit of two full years costs since then, the utility budgets have been reassessed in line with those outturns and has allowed a reduction in cost budget of £0.1m.
Westgate Place	40			Westgate Place was previously leased at a peppercorn to A2 Dominion. The property will be brought back into use as TA, which will bring in a rent stream of £40K per annum not currently budgeted. This will also reduce a pressure on the General Fund housing budget through mitigation of demand for bed and breakfast emergency accommodation.
Estates Improvements		250		bike stores, bin sheds etc. However it is a discretionary budget and the HRA needs to focus its resources on meeting statutory obligations for building safety and maintaining decent homes standards. In reducing the budget we will be focussing on projects that deliver outcomes to a wider cohort of residents rather than scheme specific activities that benefit just those living at that specific scheme.

<b>Savings and changes to budget assumptions identified since November Options report</b>			
Vacancy Management Target	100		Historic turnover in the HRA has equated to 2% of salary budget.
New Homes Feasibility Budget	50		The New Homes feasibility budget has been reduced to match the planned activity for 2026/27.
Keystone software budget	40		The associated cost for Keystone will no longer be required following the upgrade of MRI to include an asset management module. This saving will be applied to meet ongoing additional costs MRI following upgrades planned for 2026/27.
IMS reporting system	70		The associated cost for IMS reporting will no longer be required following the proposed purchase of Agora reporting solution. This saving will be applied to meet ongoing additional costs MRI following upgrades planned for 2026/27.
Vacant posts review	24		Two vacant posts in Tenancy Sustainment and New Homes delivery are to be reviewed and regraded at a lower grade to enable more cost effective delivery.
Discretionary Housing Payments topup	30		The UK government is replacing the current Discretionary Housing Payment (DHP) scheme and the Household Support Fund (HSF) in England with a new, combined Crisis and Resilience Fund (CRF) from April 2026. A topup from the HRA is therefore no longer required in future.
Capitalisation of staff time	25		Following the agreement of the new build at Woodman Close, a proportion of officer time relating to the delivery of the project may be capitalised.
Sewerage plant cost reductions	20		Progression of works commencing at Furzeley Corner is expected to reduce running costs by £20k from 2026/27.
Reprofiling of the capital programme	450		The retrofit budget has been reprofiled in accordance with the review outlined at paragraph 11.57. This has reduced the associated net borrowing cost in 2026/27.
Reduced cost of borrowing assumed			The cost of borrowing assumed for the November options report was 6%. This has been reduced to 5.75% following base rate reduction in December 2025 and securing refinanced borrowing at a more favourable rate during December 2025.
<b>Savings proposed but not yet built in to the budget:</b>			
Service charge cost recovery	100		The HRA has committed to a model of full cost recovery through service charging. However, full cost recovery has not yet been achieved and, although charges were increased in 2025/26, some charges were capped at £5 / 5%. The estimated gap between costs and income is £0.1m currently.
Reducing frequency of external redecoration	50		Currently the frequency for external redecorations is 5 years. The annual cost of redecorations is approximately £0.5m average per annum. Reducing the cyclical frequency of redecorations may be possible through, for example, better quality materials than were historically available, and would result in a significant cost saving that can be reinvested to support damp & mould or other essential safety upgrades.
Section 20 review process	TBC		The purpose of reviewing the section 20 process is to ensure the process is working effectively to ensure adequate notice is given to leaseholders, and to ensure the HRA is maximising cost recovery from leaseholders and thus reducing the cost impact on the wider HRA. The £20k is a broad estimate at this stage.
Rent convergence	TBC		In June 2025, the government announced that it will implement a convergence mechanism as part of the new rent settlement. The details of precisely how, and at what level, this mechanism will be implemented will be confirmed at Autumn Budget on 26th November, taking account of the benefits to the supply and quality of social housing, the impact on rent payers and the impact on the government's fiscal rules. During the summer, the government consulted on how convergence will be implemented, with options for this being capped at £1, £2 or £3 per week. Decision on rent convergence was expected



# Agenda Item 8

## SCRUTINY COMMITTEE

REPORT TITLE: GENERAL FUND BUDGET 2026/27

10 FEBRUARY 2026

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 CAB3541 which is to be considered by cabinet at its meeting on the 12 February 2026.

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REPORT TITLE: GENERAL FUND BUDGET 2026/27

12 FEBRUARY 2026

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

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 2026/27 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 Council Plan 2025-2030.

The Medium-Term Financial Strategy (report CAB3522 in November 2025) 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 financial position to 2029 is stable, there are increasing forecast deficits in the longer term.

Forecast deficits from 2029/30 are largely due to the impact of the Government's funding settlement 'Fair Funding 2.0' which included their long-promised full baseline reset of business rates. Strong business growth in the district over the last decade has mean the district benefitted from retaining a greater proportion of business rates locally. The reset will see much of that growth now shared nationally rather than retained locally.

As set out in the Medium Term Financial Strategy report in November (CAB3522) this budget for 2026/27 has limited 'budget options'. Instead, it focusses on continuing to deliver greener faster initiatives and maintaining the council's existing, high quality and resilient services. At the same time, it includes provision for preparing the council for the implementation of the Government's Local Government Reorganisation (LGR) plans. The council's 'unitary ready' transition plan is being formed around three themes:

- **Focusing** on the delivery of our Council Plan priorities, ensuring service stability and delivering continuous improvement through our established transformation challenge programme.
- **Preparing** our systems, processes and services for a smooth transition and continuing our digital transformation.
- **Developing** and supporting our workforce to adapt confidently and thrive in change.

The implementation cost to Winchester of Local Government Reorganisation cannot be known until the Government decides the final configuration in March 2026. The LGR submissions highlighted costs to the entire Hampshire & Isle of Wight area of between £128m and £132m. The Transitional Reserve will be the first funding source for the council's contribution towards these implementation costs.

#### RECOMMENDATIONS:

That Cabinet recommend to Council to:

1. Agree the level of General Fund Budget for 2026/27 and recommend the summary as shown in Appendix A.
2. In relation to the Greener Faster Council Plan priority:
  - a. Approve a growth of £30,000 to increase the annual Town Account tree maintenance budget as a result of risks associated with the effects of climate change and associated tree disease.
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 2026.
4. In relation to the Efficient and Effective priority:
  - a. Approve a growth to the annual expenditure budget of £89,000 for improvements to make the way our residents' contact us is easier and faster.
5. Approve other service expenditure annual budgets be amended as follows, in response to revised estimates:
  - a. Utility budget increased by £150,000 in order to cover the additional forecast utility costs from 2026/27.
  - b. An additional budget of £115,000 per annum from 2026/27 for the Corporate Head of Resources.
  - c. A growth of £130,000 to reflect the net budget pressure of the migration of the Land Charges service to HM Land Registry.

- d. A net budget saving of £215,000 per annum to reflect changes to forecast employers' pension contributions and rates.
6. Approve one-off service expenditure budgets as follows:
  - a. A £470,000 digital transformation budget, relating to the implementation of improvements to make our residents' digital contact with us easier and faster, with £400,000 funded from the digital transformation reserve and £70,000 funded from the transitional reserve.
  - b. A Town Account budget of £15,000 for feasibility work related to speed indicators within the town area, funded by the town reserve.
  - c. £1.7m for essential structural and repair works to the Guildhall to maintain this listed civic building (and required prior to further decision making on the future operating model of the Guildhall and Abbey House) funded from Property - Asset Management Reserve, and delegates authority to:
    - i. the Strategic Director to appoint, in accordance with the council's Contract Procedure Rules (CPRs), all necessary consultants to prepare design work for the works required to the Guildhall through a competitive bid process or framework;
    - ii. the Strategic Director to undertake a procurement exercise to obtain bids or use of a framework to appoint a contractor(s) for the works required to the Guildhall, in accordance with the council's CPRs;
    - iii. the Strategic Director to appoint the relevant contractors and to negotiate and agree contractual heads of terms with the contract appointment; and
    - iv. the Service Lead: Legal to prepare and enter into all relevant agreements, negotiate the contractual agreements and see them to completion to enable the Guildhall works.
7. Following a review of earmarked reserves, that they be amended as follows:
  - a. £2m of the Major Investment Reserve be re-allocated to the Property Reserve to fund maintenance requirements of corporate properties.
  - b. £1m from the Major Investment Reserve be re-allocated to the Car Parks Property Reserve to fund maintenance of and investment in parking.
  - c. An additional £500,000 per annum be set aside into the Property Reserve, for the maintenance of and investment in operational assets.
8. That the sum of £1,434,779 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 17 and Appendix D.
9. That the Council Tax for the Special Expenses in the Winchester Town area at Band D for 2026/27 be increased by 5% (£4.50) to £94.58.
10. That the surplus balance on the Council Tax Collection Fund for distribution to this Council, calculated in January 2026 of £107,910, be approved.
11. Recommend the level of Council Tax at Band D for City Council services for 2026/27 be increased to £168.49, an increase of £4.83 reflecting an average

Council tax increase of 2.95% (the maximum allowed under the referendum limit of 2.99% when combined with the increase to the Special Expenses for the town area).

12. Approve the carry forward of the balance of the Council Tax Exceptional Hardship Fund in 2025/26 to 2026/27 in order to extend this vital support for those on low income.

That Cabinet approve:

13. Delegate authority to the Director (Finance), in consultation with the Cabinet Member for Finance and Transformation, to procure, award and enter into any necessary contract(s) required to progress the Customer Experience Digital Project, within the approved budget envelope.
14. Approve the proposal to write-off the three individual outstanding Non-Domestic Rate debts totalling £228,435.25, listed in Appendix F, in accordance with Financial Procedure Rule 12.7(f).
15. Approve the proposal to write-off the debt of £53,649.94 owed by Provident Asset Management in connection with rent arrears of £27,649.94 and dilapidation liabilities for external repairs of £26,000.

## 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 Whilst the new Council Plan was being developed in late 2024, the Government announced a major programme of reform for local government, including the creation of new unitary authorities to replace the current two-tier structure of a County Council working with District and Borough Councils – ‘Local Government Reorganisation’ (or ‘LGR’).
- 1.3 In September, 11 councils across Hampshire submitted a joint business case to Government, proposing the creation of four new unitary authorities for mainland Hampshire. It became clear from drawing up the business case, that implementing LGR (including the amalgamation of some and disaggregation of other existing services) will require a huge amount of time and resources from all existing local authorities in the county.
- 1.4 Maintaining the council’s existing high quality and resilient services at the same time as delivering LGR will require prioritisation of resources to focus on key priorities. A series of ‘Preparing for Change’ meetings with Cabinet members and senior officers has helped to shape both the priority projects list and formed the basis of the service plans. These service plans focus on the delivery of key outcomes and now span the remaining two municipal years until Winchester City Council hands over to a new unitary authority.
- 1.5 It is expected that Government will announce the outcome of the recent LGR consultation exercise and the Minister’s decision about the form of the new unitary councils in early spring.

### 2 FINANCIAL IMPLICATIONS

- 2.1 The proposals set out in this report represent a balanced budget for 2026/27 and for 2027/28.
- 2.2 A significant deficit of £3.6m is forecast for 2029/30, increasing to £7.2m by 2034/35. However, it should be noted that not only are forecasts after 2028/29 subject to a high degree of uncertainty, but they also relate to the period beyond LGR, and therefore to the planning window for the new unitary council.

### 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 both the Council Plan priorities, and LGR. Employees are critical to the delivery of these services and priorities as at 31 March 2025 the council had a workforce of 415 FTEs.
- 4.2 The report sets out the current challenges in local government finances and proposals for the council to deal with some of these locally. 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 for the TC25 project. The union are also briefed on LGR proposals and will continue to be as more detail become known about the formation and shape of the new councils.

#### 5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 The council's General Fund has a property portfolio valued at £176.2m as at 31 March 2025 of which £69m 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

- 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.

### Budget consultation 2026/27

- 6.2 The Chief Financial Officer attended the January meeting of the Chamber of Commerce and Winchester BID's Winchester and District Business Strategy Group to present an overview of the financial position of the council, along with details of the budget proposals for 2026 and beyond.
- 6.3 The Scrutiny Committee discussed the Budget Options and Medium-Term Financial Strategy report (CAB3522) and raised several queries including clarification of the £2.28m estimated Local Government Reorganisation costs; projected rental income risks; and whether the solar PV programme could be accelerated. Concern was raised about the deteriorating condition of the former River Park Leisure Centre site and the need for provisions to secure and maintain the area; questions about TC25 delivering only half of its £3m annual savings target and suggestions to recommit to the programme while protecting local benefits ahead of LGR; alongside concerns that a proposed long-term grounds maintenance contract represented a continuation of the status quo. This budget has been prepared considering all these points.
- 6.4 Scrutiny Committee is due to consider this report at its meeting on 10 February 2026, 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 £2m over 4 years, provisionally funded by prudential borrowing, has been allocated in the capital programme for energy management projects that would at least 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. 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 a building may include 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.

## 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

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
<p><i>Property</i> Commercial tenants unable to pay rents or subject to business failure.</p> <p>Slowdown in commercial property investment, meaning that the council's development schemes achieve less interest or less income than expected.</p>	<p>Close monitoring of rent position by property team with support to tenants through effective working relationships.</p> <p>The council's advisors are reviewing the property investment market and will provide advice as to timing of any marketing.</p>	<p>Potential to increase commercial property income when rent reviews are carried out.</p>
<p><i>Legal</i> The council is unable to balance the revenue budget resulting in the issuing of a S114 notice.</p>	<p>Proposals set out in this report, including the strategy for management of reserves mitigate against this.</p>	<p>Present a balanced budget in difficult circumstances.</p>
<p><i>Timescales</i> An economic environment which may impact on income received by the council.</p> <p>Local Government Reorganisation (LGR) – failure to budget effectively, and ensure sufficient resources are available to support both ongoing baseline</p>	<p>The council has set aside an Exceptional Inflation reserve of £1m to mitigate higher than expected inflation and an economic environment which may impact on income. Other uncommitted revenue reserves are available to support further increases to the projected deficit.</p> <p>Production of forward looking 10-year financial projections including reserve forecasts.</p>	<p>Being part of a larger unitary authority will present new opportunities for both funding and further efficiencies.</p>

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
requirements and one-off revenue projects.		
<p><i>Financial</i> The council is unable to balance the revenue budget.</p> <p>Risk of lower than projected demand for income generating services.</p>	<p>Proposals set out in this report, including the strategy for management of reserves mitigate against this.</p> <p>The council has uncommitted revenue reserves available which can be utilised as a last resort as above.</p>	<p>Streamlining of services and digitalisation provides opportunities to improve the customer experience as well as making savings.</p>

## 11 SUPPORTING INFORMATION:

- 11.1 As set out in the November Medium Term Financial Strategy (MTFS) report (CAB3522), 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.

### Local Government Reorganisation

- 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.
- 11.3 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.
- 11.4 This budget has been prepared on the basis that the council's Medium Term Financial Strategy (MTFS) is required as-is for the delivery of services to Winchester residents for the foreseeable future.

- 11.5 The development and implementation of proposals for both Devolution and Local Government Reorganisation are expected to have significant 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

- 11.6 The provisional settlement details were received from the Ministry for Housing, Communities and Local Government (MHCLG) on 17 December. This settlement will result in more redistribution of funding within the sector than any other settlement in the last 25 years. Funding distribution was last updated in 2013-14 and, since 2020, has been via a series of one-year settlements. The potential for redistribution was significant, even if the only changes had been to update key datasets and council tax levels.
- 11.7 For 2026/27, Government have brought in the long-promised full baseline reset of business rates (for the first time since the BRRS was introduced in 2013-14); major changes to all the Relative Needs Formulas (RNFs); and the simplification of many grants into either SFA or into one of four Consolidated Grants. However, this is a 3-year settlement, which gives certainty in the second and third year of the settlement. Each of these latter two years will still be subject to an annual settlement process, but any changes will be upwards, with the 3-year settlement representing a minimum level of funding. However, the lateness of the 2026-27 settlement - and the lack of certainty about its outcome - effectively means that authorities have had no certainty in advance of budget setting for this coming year.
- 11.8 The provisional settlement is in line with the November MTFS estimates for the three years 2026/27 to 2028/29 but this relies heavily on damping, whereas the November MTFS did not include any short-term damping funding. In 2028/29 damping funding of £3.761m is due to be received and this reflects the long-term reduction of funding over and above the forecasts within the MTFS.
- 11.9 Forecast deficits from 2029/30 are significantly increased compared to the November MTFS. This is due to changes in government plans (districts saw significant reductions in the settlement) and the latest forecast assumes no food waste new burdens. This results in a 2029/30 forecast deficit of £3.60m compared to the £1.85m forecast in the November MTFS. However, 2028/29 forecasts are for after the Government's planned LGR implementation date, so will be considered by the new unitary council as part of preparing their Medium Term Financial Plan.
- 11.10 Council chief financial officers (CFOs) must set a balanced budget for the financial year ahead and this report focusses on the budget for 2026/27.

- 11.11 The MTFP is showing a sound and stable position for Winchester for the next three financial years through to April 2029.

	2026/27	2027/28	2028/29	2029/30	2030/31
	£m	£m	£m	£m	£m
Budget surplus / (shortfall)	0.000	0.000	(0.050)	(3.598)	(3.500)

Table 2 Medium Term Financial Forecast

## 12 Forecast outturn position for 2025/26.

- 12.1 The latest forecast for the 2025/26 general fund budget is a surplus of £1.881m and is due to be reported in the Quarter 3 Performance Report. Out of the forecast surplus, £0.846m is related to the additional Extended Producer Responsibility funding confirmed for 2025/26. 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 variances relate to;

- a) Increased Utility costs - £150,000
- b) Reduced Guildhall Income - £60,000
- c) Parking overtime costs - £30,000

### 12.3 Favourable service variances relate to;

- a) Employees - £400,000 – relating to lower than budgeted pay inflation and additional vacancy management savings
- b) TC25 - £310,000 – additional in-year savings which are also recognised as ongoing baseline savings from 2026/27
- c) Car Parking income higher than forecasted - £200,000
- d) Savings against the planned price of purchasing Hydrotreated Vegetable Oil (HVO) for vehicles not yet fully electric - £160,000

- 12.4 The forecast surplus for 2025/26 is assumed in the MTFP (appendix 1) as being transferred to the Major Investment Reserve.

## 13 Update on Transformation Challenge 2025 (TC25)

- 13.1 The organisation-wide TC25 transformation programme has continued to successfully deliver savings. A further net £0.056m of ongoing savings have been removed from the revenue budget set out in appendix 1. This is over-and-above those reported in the November 2025 General Fund Budget Options and Medium Term Financial Strategy report (CAB3522) and they are summarised below:

Review	Budget Reduction
Courier Van lease	£5,000
HR savings	£3,000
Public Health Burials	£5,000
Bar end forecast delisting (tbc) – NNDR saving	£100,000
Less: Reduction in community grants savings	-£57,000
<b>Total.</b>	<b>£56,000</b>

13.2 To date, TC25 has secured total budget reductions of £1,675,000 (£927,000 identified prior to this report, of which £857,000 was reported in February 2025, CAB3494).

#### 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 19 November and the budget has been prepared in accordance with those as set out in the MTFS report.

14.2 Since the MTFS was approved in November, the following adjustments have been made to the proposals in this paper.

##### Council Tax increase:

- a) An inflation-linked increase to council tax of 2.95% equating to an increase of £4.83 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 expenditure:

- b) A net budget pressure of £130,000 to reflect the net cost of the migration of the Land Charges service to HM Land Registry.
- c) A growth of £89,000 from 2026/27 for improvements to our customers' digital experience.
- d) A growth of £30,000 from 2026/27 to increase the Town Account tree maintenance budget as a result of risks associated with the effects of climate change and associated tree disease.

## One-off budgets:

- 14.3 An additional one-off budget of £470,000 has been included for the Digital Customer Experience (Digital CX) project. Following extensive discovery work, this project is in a position to procure a CRM and digital telephony platform to improve council customers' experience of interacting with us or requesting services digitally. Existing forms of digital contact with the council can be 'clunky', slow, and frustrating for users. This project aims to make quick, easy, 24/7 digital services; bringing us in-line with many of our neighbouring authorities (including potential LGR partners) and preparing our systems and workforce for a smooth transition to a new Unitary Authority. It supports delivery of our Digital Strategy by modernising core customer-facing systems and enabling consistent, user-centred digital services across the organisation.
- 14.4 This project will bring in a modern cloud-based platform that connects systems end-to-end, so customers can book, pay, and get updates online easily. It aims to save time, cut costs, reduce carbon, and provide a smooth, more efficient experience for those whose prefer digital channels. A modern system will also free up customer service support to help those who need face-to-face or telephone support to access services.
- 14.5 A revenue budget of £1.7m has been included for essential works to the Guildhall. This is part of a package of capital and revenue works totalling £5m and identified in a recent condition survey. The forecast revenue costs are:
- Roof Repairs                    £600k
  - Stonework Repairs        £300k
  - Window Repairs            £300k
  - Internal Decorations      £200k
  - External Decorations    £100k
  - Professional Fees        £100k
  - Carpets                        £100k

## TC25 savings:

- 14.6 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 6 years ago. This reserve has an uncommitted balance of c£8m 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. Going forward, this reserve will be the first funding source for the council’s contribution towards the implementation costs of LGR.
- 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 £5.6m 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 change in contributions to earmarked reserves is included within this paper:
- a) An increase in contribution to the property reserve (assets) from £500,000 to £900,000 per annum. This takes into account forecast maintenance requirements over the next 10 years.
- 15.6 The following one-off transfers within earmarked reserves are included within this paper:
- a) A transfer of £2,000,000 from the Major Investment Reserve to the Property Reserve to support Asset Management expenditure plans.
  - b) A transfer of £1,000,000 from the major investment reserve to the Car Parks Property Reserve in order to support capital expenditure plans.
- 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 surplus of £873,566 is forecast for 2025/26, to be distributed in 2026/27. This is shared between the County Council (£624,680), the Police & Crime Commissioner (£106,890), the Fire & Rescue Authority (£34,086) and this Council (£107,910).
- 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 2026 or setting a lower increase than the 2.5% baseline assumption in CAB3522 Budget Options report in November. Given the increasing deficits forecast it is recommended that council tax be increased by the below-inflation amount of 2.95%. This increase would 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 budget requirements, the proposed budget set out in Appendix A assumes a 2.95% increase in council tax for the district along with a town forum recommended increase of 5% for the Winchester town area, in 2026/27.
- 16.5 The current level of tax for the district is £163.66 (Band D equivalent). The proposed tax for 2026/27 is £168.49, an increase of £4.83.
- 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 £90.08 (Band D equiv.). An increase of 5% would increase this to £94.58.
- 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 2026/27. 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 2025/26 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 £1,434,779 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 22 January 2026 and recommended the budget which is set out in Appendix D, including a proposal that the town precept increases by 5%.

18 Discretionary Housing Payments (DHP)

- 18.1 Council approved on 14 January 2026 that 'All Armed Forces compensation and War Pension income is fully disregarded when assessing eligibility or award levels for Discretionary Housing Payments (DHP).

- 18.2 In the event of the DHP fund being exhausted, consideration will need to be given to a top up from reserves.

19 Council Tax Reduction (CTR) Scheme – revised income bands for 2026/27

- 19.1 To reflect the inflationary increases of the economy, the government will increase working age benefits (most elements of Universal Credit and Housing Benefit (applicable amounts)) by CPI at 3.8% with effect from 1 April 2026. 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 the majority of people on the standard rates of Universal Credit receive sufficient assistance with their Council Tax liability. This rate is set at 100%. Claimants in receipt of the enhanced rate of Universal Credit due to disability generally receive CTR of 75% of their Council Tax liability.

- 19.3 Income bands have been revised to ensure that CTR for the majority of working age applicants continue to receive a similar level of support through 2026/27. While the scheme aims to protect vulnerable households and limit reductions in entitlement, additional safeguards remain in place for those experiencing exceptional hardship. Any claimant who experiences hardship following the award of CTR may apply for support from the Exceptional Hardship Fund. Applications are assessed on an individual basis, taking account of household income and essential expenditure.

- 19.4 It is recommended that the council's CTR scheme for working age applicants is approved for amendment to take account of the proposed changes described above, with effect from 1 April 2026. A copy of the new proposed income bands for 2026/27 can be viewed at Appendix E.

## 20 Exceptional Hardship Fund for 2026/27

- 20.1 As referred to at section 18.3, any CTR claimant suffering with financial difficulties can apply for assistance through the council's Exceptional Hardship Fund. This will be met by using the existing balance of funding from 2025/26 (currently £45k) carried forward to 2026/27.
- 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 income bands within the CTR scheme.

## 21 Debt Write-Off

- 21.1 The Council adopts a robust but supportive approach to managing debt. Formally writing off debt is always only considered a last resort. As a result, some older debts remain in the accounts for as long as it is considered a possibility to recover them (including the completion of administration decisions in the event of business closure). However, there are a small number of debts which should now be written off.

### NNDR Debts

- 21.2 There are three debts included at Appendix F, for uncollected Non-Domestic Rates. Cabinet approval for the write-off of these debts is sought in accordance with Financial Procedure Rule 12.7(f), as there are no longer options available to the council to recover any payment. The debts have all gone through an insolvency process, of one variation or another.
- 21.3 This is a summary of the debts. Further details are contained in Appendix F:

Case	Debt period	Total debt for Write-Off	Insolvency Action
1	01 Apr 2025 - 31 Mar 2026	£105,910.00	Restructuring (Insolvency)
2	25 Sep 2021 - 09 May 2023	£60,840.92	Liquidation (Insolvency)
3	01 Apr 2023 - 01 May 2025	£61,684.33	Dissolved (Insolvency)
		<b>£228,435.25</b>	

### Sundry Debts

- 21.4 Cabinet is asked to approve the write-off debt of £53,649.94 owed by Provident Asset Management. The debts are in connection with rent arrears of £27,649.94 and dilapidation liabilities for external repairs of £26,000. The tenant has agreed to pay a further £49,000 of dilapidation liabilities, and

settling this case will expedite finalising a new lease with a new tenant and bringing the building back into use.

## 22 Earmarked Reserves

- 22.1 The strategy for managing reserves was set out in CAB3522 in November 2025 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 £49.5m at 1 April 2025 to £30.3m 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 (£8.0m), 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 (£10.7m), 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 (£2.4m), 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 (£9.2m), 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 initially mitigate the risk of future budget shortfalls and then later to also fund the council's transformation programme. 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. However, this reserve will be the first funding source for the council's contribution towards the implementation costs of LGR. Whilst the amount of the necessary contribution is yet to be estimated, it is almost certain this will be multiple millions of pounds, leaving none for further investment by the existing council.

## 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 £3.5m 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 OTHER OPTIONS CONSIDERED AND REJECTED

25.1 Consideration has been given to not increasing Council tax in 2026/27. However, it should be noted that the Government settlement and resulting forecasts still indicate increasing deficits in future years and therefore this cannot be recommended.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

CAB3522 General Fund Budget Options & Medium-term Financial Strategy dated 19 November 2025  
CAB3494 General Fund Budget 2025/26 dated 12 February 2025  
CAB3495 Capital Investment Strategy 2025-2035 dated 12 February 2025  
CAB3514 General Fund Outturn 2024/25 dated 10 September 2025

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: NNDR Write-offs

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Council Tax Base	1.2%			1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%
Council Tax - Band D £	2.7%		2.95%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Contractual Inflation	4.0%		4.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Pay Inflation	4.0%		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
<b>General Fund Revenue (£m)</b>	<b>Budget</b>	<b>Forecast</b>									
	2025/26	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
Council Tax (excluding Parish Precepts)	10.347	10.347	10.873	11.353	11.854	12.377	12.923	13.493	14.089	14.711	15.360
Retained Business Rates	7.931	7.931	4.695	5.188	5.698	6.193	6.654	5.443	5.606	5.774	5.947
Hampshire Pooling Forecast	1.250	1.055									
Revenue Support Grant	0.212	0.212	8.025	5.734	3.375	3.476	3.581	3.688	3.799	3.913	4.030
New Homes Bonus	1.811	1.811									
Employers National Insurance increase Funding	0.200	0.153									
3% Guarantee	0.575	0.575									
Damping Forecast			0.355	2.096	3.761						
Introduction of Food Waste											
Extended Producer Responsibility Allowance	0.834	1.680	1.680	1.512	1.361	1.225	1.102	0.992	0.893	0.804	0.723
Homelessness Funding	0.878	0.878	0.762	0.860	0.886	0.886	0.886	0.886	0.886	0.886	0.886
New Burdens Funding	0.081	0.199	0.119	0.119	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	<b>24.119</b>	<b>24.841</b>	<b>26.509</b>	<b>26.862</b>	<b>26.935</b>	<b>24.157</b>	<b>25.146</b>	<b>24.502</b>	<b>25.272</b>	<b>26.087</b>	<b>26.947</b>
<b>Investment Activity</b>	2.110	2.510	1.392	1.355	0.951	1.169	1.437	1.404	1.367	1.330	1.364
<b>Resources available</b>	<b>26.229</b>	<b>27.351</b>	<b>27.901</b>	<b>28.217</b>	<b>27.886</b>	<b>25.326</b>	<b>26.583</b>	<b>25.906</b>	<b>26.640</b>	<b>27.417</b>	<b>28.311</b>
<b>Baseline Net Expenditure</b>											
Gross Income	17.674	17.524	17.319	17.061	17.111	17.320	17.375	17.380	17.435	17.467	17.500
Gross Expenditure	-38.055	-37.247	-41.107	-42.292	-43.411	-44.651	-45.928	-47.242	-48.596	-49.990	-51.377
<b>Baseline resource requirements</b>	<b>-20.381</b>	<b>-19.723</b>	<b>-23.788</b>	<b>-25.231</b>	<b>-26.301</b>	<b>-27.331</b>	<b>-28.553</b>	<b>-29.863</b>	<b>-31.161</b>	<b>-32.523</b>	<b>-33.877</b>
One-off net expenditure	-4.015	-7.668	-6.001	-5.113	-0.451	-0.406	-0.460	-1.795	-1.090	-1.077	-1.045
Reserve Related Movements	-1.832	0.041	1.888	2.128	-1.184	-1.187	-1.071	0.265	-0.440	-0.453	-0.485
<b>Total net resource requirements</b>	<b>-26.229</b>	<b>-27.350</b>	<b>-27.900</b>	<b>-28.217</b>	<b>-27.936</b>	<b>-28.924</b>	<b>-30.083</b>	<b>-31.393</b>	<b>-32.691</b>	<b>-34.053</b>	<b>-35.407</b>
<b>Budget Surplus / (Shortfall)</b>	<b>-0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>-0.000</b>	<b>-0.050</b>	<b>-3.598</b>	<b>-3.500</b>	<b>-5.486</b>	<b>-6.052</b>	<b>-6.637</b>	<b>-7.097</b>

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**Baseline Revenue Proposals**

<u>General Fund Revenue (£m)</u>	2025/26	2026/27	Forecasts 2027/28	2028/29
<b>Budget Growth</b>				
Increased Utility costs	-0.150	-0.150	-0.150	-0.150
Democratic Services costs		-0.085	-0.085	-0.085
Corporate Head of Resources		-0.115	-0.115	-0.115
Additional annual contribution to the Asset Management Reserve		-0.500	-0.500	-0.500
Town Council - removal of Democratic Support and Community Safety			-0.085	-0.085
Migration of Land Charges services		-0.130	-0.130	-0.130
CRM System baseline net cost increases		-0.089	-0.089	-0.089
Winchester Town - Tree Works	-0.060	-0.030	-0.030	-0.030
Reduced Guildhall Income - closure of Bapsy Hall	-0.060			
Parking Overtime	-0.030			
	<b>-0.300</b>	<b>-1.099</b>	<b>-1.184</b>	<b>-1.184</b>

**Budget Options / Savings**

Employers Pension Contribution reduced from 18% to 15.9%		0.300	0.300	0.300
Central car parking charges only - increase by inflation		0.085	0.150	0.150
Lower than budgeted HVO costs (Waste & Recycling)	0.160			
Employees - Vacancy Management, forecast savings of £0.8m (4%) vs £0.4m (2%) budget	0.400			
Increase in Garage maintenance budgets, linked to TC25 savings option		-0.120	-0.120	-0.120
*Total TC25 Savings (in addition to those approved Feb 2025)	0.300	0.690	0.740	0.748

	<b>0.860</b>	<b>0.955</b>	<b>1.070</b>	<b>1.078</b>
<b>Baseline Budget Proposals</b>	<b>0.560</b>	<b>-0.144</b>	<b>-0.114</b>	<b>-0.106</b>

**One-off Proposals**

CGR - funding and implementation costs		0.300		
LGR - readiness cost / implementation cost		1.175	1.105	
Digital Transformation		0.400		
Winchester Town - Speed camera feasibility study		0.015		
Guildhall Design Works	0.050			
<b>One-off Budget Proposals</b>	<b>0.050</b>	<b>1.890</b>	<b>1.105</b>	<b>0.000</b>

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**WINCHESTER TOWN ACCOUNT - Medium Term Forecasts**

	2025/2026 Forecast	2026/2027 Forecast	2027/28 Forecast	2028/29 Forecast	2029/30 Forecast
<b>Assumptions:</b>					
Contract inflation	4%	4%	3%	3%	3%
Utilities	5%	5%	5%	5%	5%
Percentage increase in tax	5.5%	5%	3%	3%	3%
Tax Base	15,143	15,170	15,443	15,721	16,004
	£	£	£	£	£
<b>Cost of Services</b>					
<b>Recurring Budgets:</b>					
Allotments	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)
Bus Shelter Cleaning / Maintenance / New Provision	5,000				
Cemeteries	91,199	97,345	102,222	107,252	112,439
Christmas Lights	7,500	7,500	7,500	7,500	7,500
Neighbourhood Service Officers (Contribution)	45,000	45,000	45,000	45,000	45,000
Footway Lighting	32,607	33,536	34,513	35,538	36,614
Grants and Vision Delivery	60,000	<b>60,000</b>	<b>60,000</b>	<b>60,000</b>	<b>60,000</b>
Support Costs for Grant Scheme	2,000	2,000	2,000	2,000	2,000
Maintenance Work to Council Owned Bridges	5,500	5,500	5,500	5,500	5,500
Night Bus Contribution	3,500				
Public Conveniences (Contribution)	50,000	<b>82,000</b>	<b>84,460</b>	<b>86,994</b>	<b>89,604</b>
Recreation Grounds & Open Spaces	908,691	934,153	956,208	978,944	1,002,383
<b>BUDGET GROWTH - Tree Works</b>	<b>60,000</b>	<b>30,000</b>	<b>30,000</b>	<b>30,000</b>	<b>30,000</b>
Town Forum Support	17,500	18,025	18,566	19,123	19,696
<b>One-off Budgets:</b>					
Additional grant 2025/26	2,500				
Speed Camera Fesibility Study		15,000			
<b>Total Recurring Budgets</b>	<b>1,286,997</b>	<b>1,326,060</b>	<b>1,341,968</b>	<b>1,373,850</b>	<b>1,406,736</b>
<b>Total Cost of Services</b>	<b>1,286,997</b>	<b>1,326,060</b>	<b>1,341,968</b>	<b>1,373,850</b>	<b>1,406,736</b>
<b>Taxation and Non-specific grant income</b>					
Council Tax Income	(1,364,045)	(1,434,779)	(1,504,308)	(1,577,134)	(1,653,535)
Interest on Balances	(8,951)	(5,994)	(5,835)	(9,380)	(13,060)
<b>Total Taxation and Non-specific grant income</b>	<b>(1,372,996)</b>	<b>(1,440,772)</b>	<b>(1,510,143)</b>	<b>(1,586,514)</b>	<b>(1,666,595)</b>
<b>Transfers to/(from) Earmarked reserves</b>					
Reserves	(86,000)	(114,712)	(168,175)	(212,665)	(259,859)
Capital Expenditure funded by Town Reserve	110,000	120,000	50,000	90,000	90,000
Reserve					
<b>Opening Reserve Balance (at 1st April)</b>	<b>(223,785)</b>	<b>(199,785)</b>	<b>(194,497)</b>	<b>(312,673)</b>	<b>(435,337)</b>
<b>Closing Reserve Balance (carried forward)</b>	<b>(199,785)</b>	<b>(194,497)</b>	<b>(312,673)</b>	<b>(435,337)</b>	<b>(605,196)</b>
Closing Reserves forecast as % of net expenditure	<b>16%</b>	<b>15%</b>	<b>23%</b>	<b>32%</b>	<b>43%</b>

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2026/27 Council Tax Reduction Income Bands

These tables show the Universal Credit (UC) rates for the current financial year (2025/26) and the new financial year (2026/27), as determined by the Department for Work & Pensions (DWP)

UC Standard Allowance	2025/2026	
	Monthly	Weekly
Single	£ 400.14	£ 92.34
Couple	£ 628.10	£ 144.95
First child	£ 339.00	£ 78.23
Second Child	£ 292.81	£ 67.57
Disabled child	£ 495.87	£ 114.43
LCFW* - existing claimants	£ 423.27	£ 97.68
LCFW* - new claimants from 2026/27	£ 423.37	

2026/2027	
Monthly	Weekly
£ 424.90	£ 98.05
£ 666.97	£ 153.92
£ 351.88	£ 81.20
£ 303.94	£ 70.14
£ 514.71	£ 118.78
£ 429.80	£ 99.18
£ 217.26	£ 50.14

% Inflationary Increase
6.2%
6.2%
3.8%
3.8%
3.8%
1.5%
-48.7%

\*Limited capability for work

This table compares the current income bands (for 2025/26), and proposed new income bands (for 2026/27), with the Universal Credit (UC) rates for 2026/27, 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 2026/2027.

CTR Award	Income Bands	Comparison of current Income Band to 2026/27 UC rate			Comparison of proposed Income Band to 2026/27 UC rate			Comparison of 2025/26 Income Band to proposed 2026/27 Income Band	
		Current (2025/26) Income Band	NEW UC rate	Difference	Proposed Income Band	NEW UC rate	Difference	Change to band	% change
100%	Single	£ 100.00	£ 98.05	£ 1.95	£ 100.00	£ 98.05	£ 1.95	£ -	0.0%
	Single +1	£ 171.00	£ 179.26	£ -8.26	£ 179.50	£ 179.26	£ 0.24	£ 8.50	5.0%
	Single +2	£ 238.50	£ 249.40	£ -10.90	£ 249.50	£ 249.40	£ 0.10	£ 11.00	4.6%
	Couple	£ 145.00	£ 153.92	£ -8.92	£ 154.00	£ 153.92	£ 0.08	£ 9.00	6.2%
	Couple +1	£ 223.50	£ 235.12	£ -11.62	£ 235.50	£ 235.12	£ 0.38	£ 12.00	5.4%
	Couple +2	£ 291.00	£ 305.26	£ -14.26	£ 305.50	£ 305.26	£ 0.24	£ 14.50	5.0%
75%	Single	£ 190.50	£ 197.24	£ -6.74	£ 197.50	£ 197.24	£ 0.26	£ 7.00	3.7%
	Single +1	£ 268.50	£ 278.44	£ -9.94	£ 278.50	£ 278.44	£ 0.06	£ 10.00	3.7%
	Single +2	£ 336.00	£ 348.58	£ -12.58	£ 349.00	£ 348.58	£ 0.42	£ 13.00	3.9%
	Couple	£ 243.00	£ 253.10	£ -10.10	£ 253.50	£ 253.10	£ 0.40	£ 10.50	4.3%
	Couple +1	£ 321.00	£ 334.30	£ -13.30	£ 334.50	£ 334.30	£ 0.20	£ 13.50	4.2%
	Couple +2	£ 388.50	£ 404.44	£ -15.94	£ 404.50	£ 404.44	£ 0.06	£ 16.00	4.1%
		Add £68 to 75% award to calculate Band			Add £68 to 75% award to calculate Band				
45%	Single	£ 256.50	£ 265.24	£ -8.74	£ 265.50	£ 265.24	£ 0.26	£ 9.00	3.5%
	Single +1	£ 334.50	£ 346.44	£ -11.94	£ 346.50	£ 346.44	£ 0.06	£ 12.00	3.6%
	Single +2	£ 402.00	£ 416.58	£ -14.58	£ 417.00	£ 416.58	£ 0.42	£ 15.00	3.7%
	Couple	£ 309.00	£ 321.10	£ -12.10	£ 321.50	£ 321.10	£ 0.40	£ 12.50	4.0%
	Couple +1	£ 387.00	£ 402.30	£ -15.30	£ 402.50	£ 402.30	£ 0.20	£ 15.50	4.0%
	Couple +2	£ 454.50	£ 472.44	£ -17.94	£ 472.50	£ 472.44	£ 0.06	£ 18.00	4.0%
		Add £68 to 45% award to calculate Band			Add £68 to 45% award to calculate Band				
25%	Single	£ 322.50	£ 333.24	£ -10.74	£ 333.50	£ 333.24	£ 0.26	£ 11.00	3.4%
	Single +1	£ 400.50	£ 414.44	£ -13.94	£ 414.50	£ 414.44	£ 0.06	£ 14.00	3.5%
	Single +2	£ 468.00	£ 484.58	£ -16.58	£ 485.00	£ 484.58	£ 0.42	£ 17.00	3.6%
	Couple	£ 375.00	£ 389.10	£ -14.10	£ 389.50	£ 389.10	£ 0.40	£ 14.50	3.9%
	Couple +1	£ 453.00	£ 470.30	£ -17.30	£ 470.50	£ 470.30	£ 0.20	£ 17.50	3.9%
	Couple +2	£ 520.50	£ 540.44	£ -19.94	£ 540.50	£ 540.44	£ 0.06	£ 20.00	3.8%

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Ratepayer	Year	Debt o/s	Costs	NEC Screenshot	Reason for Write off	
<b>River Island Clothing Co Limited</b> 783785	2025	£105,910.00	£0.00	<div style="background-color: #e0e0e0; padding: 2px;"> <p>Account Ref: 783785 - 2  Period: 23/05/2023 to 31/03/2026  Liable Parties: River Island Clothing Co Limited  Status: CALC_FTR  Property Address: Unit A4, Whiteley Shopping Centre, Whiteley Way, Whiteley, Fareham, Hants. PO15 7PD</p> </div>	<div style="background-color: #e0e0e0; padding: 2px;"> <p>Key Details  Balance: 105,910.00  Designation: Commercial  Description: SHOP AND PREMISES  Valuation: RV 229000</p> </div>	<p>Restructuring (Insolvency)</p> <p>The company has been under a court-approved restructuring plan since 8 August 2025. As part of this High Court process, the court has determined that any debt relating to this property up to 31 March 2026 is deemed uncollectable.</p>
Unit A4, Whiteley Shopping Centre, Whiteley Way, Whiteley, Fareham, Hants, PO15 7PD	Debt for write off	£105,910.00	£0.00		No further action can be taken by the council to recover this debt.	
<b>RV 229,000</b>	<b>Total</b>	<b>£105,910.00</b>				
<b>Heartbreakers (So15) Ltd (Liquidation)</b> 798099	2021	£19,514.92	£0.00	<div style="background-color: #e0e0e0; padding: 2px;"> <p>Account Ref: 798099 - X  Period: 25/09/2021 to 09/05/2023  Liable Parties: Heartbreakers (So15) Ltd (Liquidation)  Status: STATIC-SU  Property Address: 5 Bridge Street, Winchester, Hampshire, SO23 0HN  Property Ref: NN0918056005000A</p> </div>	<div style="background-color: #e0e0e0; padding: 2px;"> <p>Key Details  Balance: 60,840.92  Designation: Commercial  Description: PUBLIC HOUSE AND PREMISES  Valuation: RV 61000</p> </div>	Liquidation (Insolvency)
5 Bridge Street, Winchester, Hampshire, SO23 0HN	2022	£37,888.00	£0.00			
<b>RV 61,000 (74,000 2023)</b>					<p>Attempts were made to recover the outstanding debt, including enforcement agents visiting various properties. Contact was also made with Southampton City Council, where the company's main venue, Heartbreakers, is located. They confirmed that the company also owed them business rates.</p> <p>In February 2025, the company entered liquidation. The total amount owed to creditors was £972,000, and there was no prospect of a dividend being paid.</p>	
	2023	£3,328.00	£110.00			
	Debt for write off	£60,730.92	£110.00		No further action is available to council to recover this debt.	
	<b>Total</b>	<b>£60,840.92</b>				
<b>Winchester Catering Limited</b> 797062	2023	£11,750.82	£0.00	<div style="background-color: #e0e0e0; padding: 2px;"> <p>Account Ref: 797062 - 4  Period: 01/08/2022 to 01/05/2025  Liable Parties: Winchester Catering Limited (Dissolved)  Status: STATIC-SU  Property Address: Loch Fyne Restaurant, 18 Jewry Street, Winchester, Hampshire, SO23 8RZ  Property Ref: NN0928676180005</p> </div>	<div style="background-color: #e0e0e0; padding: 2px;"> <p>Key Details  Balance: 61,684.33  Designation: Commercial  Description: RESTAURANT AND PREMISES  Valuation: RV 84000</p> </div>	Dissolved (Insolvency)
Loch Fyne Restaurant, 18 Jewry Street, Winchester, Hampshire, SO23 8RZ	2024	45864	£0.00			
<b>RV 84,000</b>	2025	3959.51	£110.00			
	Debt for write off	£61,574.33	£110.00		No further action can be taken by the council to recover this debt.	
	<b>Total</b>	<b>£61,684.33</b>				
<b>Total</b>		<b>£228,435.25</b>				

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## SCRUTINY COMMITTEE

REPORT TITLE: CAPITAL INVESTMENT STRATEGY 2026-2036

10 FEBRUARY 2026

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 CAB3539 which is to be considered by cabinet at its meeting on the 12 February 2026.

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REPORT TITLE: CAPITAL INVESTMENT STRATEGY 2026-2036

12 FEBRUARY 2026

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

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. The timetable for local government reorganisation means that the council is expected to become part of a unitary council from 1 April 2028. Therefore, forecast capital expenditure beyond that date only includes projects to which the council will be contractually committed as well as estimated required capital works to, for example, maintain existing assets or programmes such as disabled facilities grants (DFG) which are expected to continue beyond the transition. Also included are the council's forecast housing new build programme in the HRA based on existing targets; however, decisions as to which projects will ultimately proceed beyond that date, unless contractually committed, will be the decision of the new unitary authority.

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:
  - IMT equipment in 2026/27 (£154,000) as detailed in paragraph 11.8.6;
  - Repairs to the Guildhall clocktower in 2026/27 (£250,000); and
  - Capital improvements to the Guildhall in 2026/27 and 2027/28 (£3,300,000)
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 2035/36 totals £385.6 million of which £56.1 million is General Fund and £329.5 million is Housing Revenue Account.
- 2.2 The proposed financing is made up of £150.7 million of prudential borrowing, £131.0 million from revenue including earmarked reserves, £54.7 million of capital receipts, and £49.2 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 (CAB3538).
- 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 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 2026/27

- 6.1 Stakeholder engagement is an important part of the council's budget planning process. Feedback from the Residents' Survey provided 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 Discussions have also been had with local business representatives through the Chamber of Commerce and the BID at their Winchester District Strategy Group business briefing in January 2026. No comments were made.
- 6.3 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.
- 6.4 Scrutiny Committee is due to consider this report at its meeting on 10 February 2026 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.

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
<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	Consideration of a wide base of potential capital / investment schemes to

	are available to deliver the projects.	enable a balanced risk portfolio and other schemes to be chosen should any schemes not progress
<i>Local Government Reorganisation</i> Failure to budget effectively, and ensure sufficient resources are available for capital requirements in the district both prior to LGR and post LGR	Production of a forward looking 10-year capital strategy taking account of forecast need.	In the shorter-term delivering projects that benefit the citizens of the district up to LGR and beyond.  Being part of a larger unitary authority may present new opportunities such as additional potential sites for new build housing projects.
<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

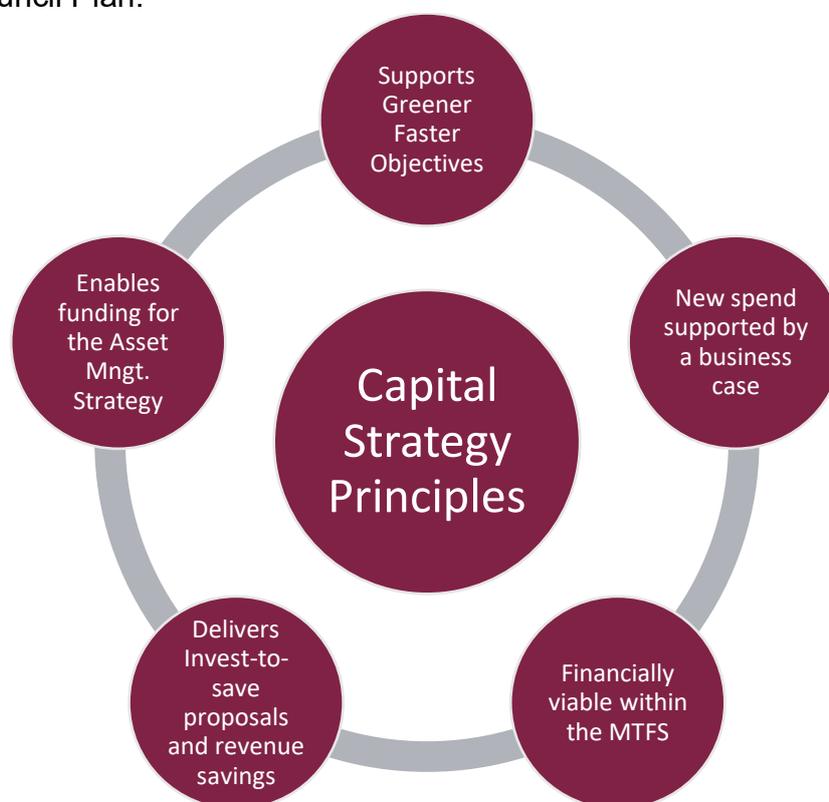
## 11 SUPPORTING INFORMATION:

### 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.

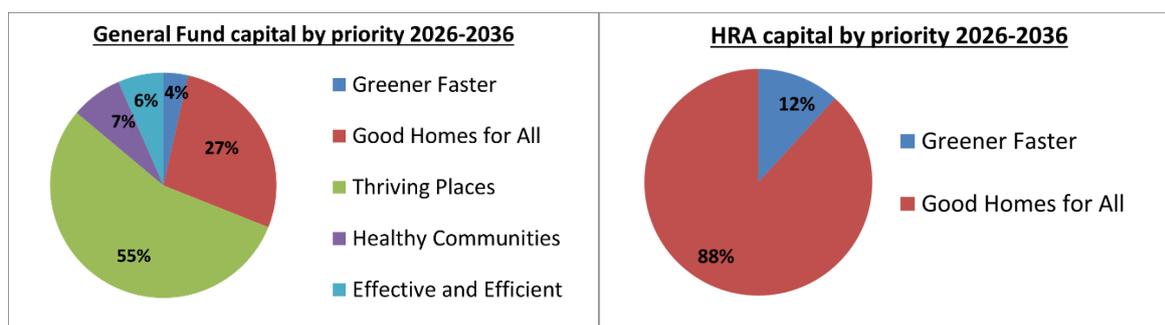
- 11.1.2. However, financial pressures across the sector mean that the principles which underpin the strategy are carefully considered when prioritising schemes in the Capital Strategy. The Strategy sets out the council's capital spending programme and the principles which underpin this to deliver the 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. It is vital therefore that the council maximises the use of its capital investment in the district. 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 2025/26 in delivering its capital programme. In the General Fund, projects completed or substantially complete this year include:

- River Park pavilion. Work on the new pavilion is expected to be completed in early 2026. By providing high quality facilities, increased community sport outcomes can be achieved across a wider demographic, and the pavilion can be used to support users of River Park, not just cricket, by providing changing and club house facilities to support their events or sports.
- The purchase of vehicles and caddies in order to roll out the new food waste service. The collection of food waste commenced in October. Food waste recycling has the potential to reduce the district's carbon footprint by an estimated 1,900 tonnes of CO<sub>2</sub>e per year by recycling this waste to generate clean green energy and nutrient dense soil improver. In addition, the vehicles purchased run on HVO fuel reducing emissions by more than 90%.
- The award of capital grants totalling £0.6m (as at 31 December 2025) via the UK shared prosperity and Rural prosperity fund programmes, and CIL funded community projects. Grants to community groups, parish councils, and small businesses include:

the playground and public convenience refurbishments; an air source heat pump; an electric van for bee cultivation and honey production; and solar panel installations.

- Other projects include clubhouse improvements at Winchester City FC, replacement of the 3G pitch at Meadowside Leisure Centre, the replacement of diesel animal welfare vans with electric vehicles, and a grant toward the life size Jane Austen sculpture in the Cathedral's grounds.

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:

- Acquisition of 10 units (6 for affordable rent, 4 for shared ownership) at Hazeley Road Twyford, construction between 2024/25 and 2026/27
- Acquisition of 146 units (95 for affordable rent, 51 for shared ownership) at Kings Barton (three phases to be constructed between 2024/25 and 2027/28). As at December 2025, a total of 10 units had been completed and handed over, of which four units shared ownership and six units general needs
- Construction of 5 social rented units at Woodman Close, between January 2026 and February 2027

11.2.3. Over the period 2026 to 2036, the council's total estimated capital expenditure is £381.1m of which £51.6m is General Fund and £329.5m 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 2026 - 2036	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	TOTAL Est.
	£m										
General Fund	18.0	12.6	10.9	2.4	2.2	1.9	1.9	2.1	1.9	2.2	56.1
HRA	39.4	45.0	38.9	60.7	64.8	43.5	9.2	8.7	10.0	9.3	329.5
<b>Total Expenditure</b>	<b>57.4</b>	<b>57.6</b>	<b>49.8</b>	<b>63.1</b>	<b>67.0</b>	<b>45.4</b>	<b>11.1</b>	<b>10.8</b>	<b>11.9</b>	<b>11.6</b>	<b>385.6</b>

11.2.4. The programme includes the following key projects (quoted budget figures are for the period 2026-2036 and do not include prior years):

### Priority: Greener Faster (£40.8m)

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

- £38.8 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 2026/27 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 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.
- In addition to the projects outlined above, measures to tackle the climate emergency are included in other projects. For example, the design of a new building may include 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 (£306.2m)

- Over the next 10 years, £181.0 has been budgeted for the council's **New Build programme** to enable the delivery of its ambitious programme.
- An estimated £96.2m will be spent on **major repairs** and maintenance of our existing housing stock including £10.3m to improve fire safety; £6.8m on roof replacements for dwellings; £13.3m on windows & doors for dwellings; £2.2m for estate improvements; £18.6m for major works to blocks; £11.5m on electrical, heating and hot water systems to all properties; and £13.5m on new kitchens to all properties. In addition, allowance of £20m is made for unplanned major works over the period. A full stock condition survey is currently underway, which will provide more accurate data to inform the major repairs programme assumptions in the 2026/27 business plan cycle.
- An estimated £4.4m will be spent on **sewage treatment works** plants over the ten-year period between 2026/27 and 2025/36, of which £1.3m relates to routine major works. To achieve a longer-term ambition of running the sewage treatment plants at cost recovery, investment of £2m is planned to upgrade the four highest cost sites to reduce associated running costs to ensure charges to tenants and leaseholders are not excessive. In addition to the cost reduction works, investment of £1.1m (of which £0.7m on behalf of Partnership for South Hampshire) is planned to

reduce nitrate & phosphate pollution and generate nutrient credits, which can be sold to developers, and the proceeds utilised to fund further upgrades to sewage treatment plants.

- An estimated £15.3m 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 £8.6m for adaptations to the council's own stock.

### **Priority: Thriving Places (£30.9m)**

- A provisional budget of £2.6m, funded by prudential borrowing, has been set aside for the potential purchase of properties in the **Central Winchester Regeneration (CWR)** area. The properties will be held by the council and passed on to the developer at the relevant phase of the delivery plan which is currently being developed in line with the development agreement. Whilst the council holds the assets, it will incur costs including lost interest in the region of £80,000 to £100,000 per annum depending on the interest rates available to the council at the time. It is anticipated that some of the additional costs such as business rates and security will be offset by identifying meanwhile uses for the properties. A capital grant of £4.5m, to be funded by CIL receipts, has also been included and is required to support the successful delivery of the CWR development by enabling the provision of essential infrastructure work. The grant, subject to a successful CIL application, would assist in addressing a range of baseline constraints on the site, including environmental, structural, and preparatory works necessary to bring forward high quality public realm and create a development ready environment. In addition, a £0.25m provisional budget is included for bus and accessibility improvements as a consequence of the scheme. 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. Working with a development partner to bring the scheme forward, the council will be investing in the redevelopment, including transferring its own assets into it.
- The council is actively applying for **LEP Legacy Reserves grant funding**, working with partners to promote and develop our unique cultural, heritage and natural environment assets across the district, and to support new business needs and opportunities, including agriculture and other rural businesses. The specific projects are still being determined and the outcomes, including whether bids are successful, are expected in the spring. A provisional budget of £10m, funded by LEP grant should the bids be successful, has been included over the next 3 years.

- 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 2026/27.
- A recent condition survey has indicated that works of up to £5m are required to **the Guildhall** of which an estimated £3.3m are capital. These important works will ensure that this important and historic listed civic building is maintained to a good standard for many years to come. It will also address the quality of some utilities so that letting potential is improved.
- **Community Infrastructure Levy (CIL) – Community projects.** A total of £1.3m has been set aside to award CIL funded capital grants. 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 £4.1m has been identified for various car park improvements throughout the district including a new lift at **Chesil car park**, replacement of the Air Handling unit at **the Brooks**, and provision of a new **car park at the Dean in Alresford**.

#### **Priority: Healthy Communities (£4.1m)**

- A capital grant of £1.2m (including £0.1m in 2025/26), funded by S106 developer contributions, has been included for the construction of a **sport pavilion at North Whiteley** as well as a £160,000 capital grant toward **Wickham Recreation Ground**.
- Over the next 3 years, £0.26m has been included for the **replacement or refurbishment of several play areas** that are the responsibility of Winchester Town Forum as well as £0.15m for the **perimeter footpath at River Park**.

- £0.45m is included in the 10-year programme for: replacement equipment, including gym and group exercise equipment; replacement lift and windows; and roofing works at **Meadowside Leisure Centre**.
- Marketing of **the former River Park Leisure Centre site** commenced in November 2025 with a request for Expressions of Interest (EoI). Several EoIs were received, and the council held a public event on the 27 January to inform the community about the types of uses showing interest. It is intended to request formal bids from the market in February with a bid deadline set for early April 2026. In February 2020, a provisional budget of £2m for the leisure centre's demolition was added to the capital programme. If this expenditure is required, it will be funded from the capital receipts reserve and offset by the capital receipt from the sale of the site.

#### **Priority: Effective and Efficient (£3.6m)**

- A number of budgets are for long term capital maintenance works to the council's operational assets. This includes, for example, the replacement of the 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:

- The council needs to ensure that sufficient reserves are in place to maintain and refurbish its existing estate up to and beyond **Local Government Reorganisation**.
- Ongoing work continues on **Greener Faster energy schemes** such as installing solar PV on the council's assets. 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.

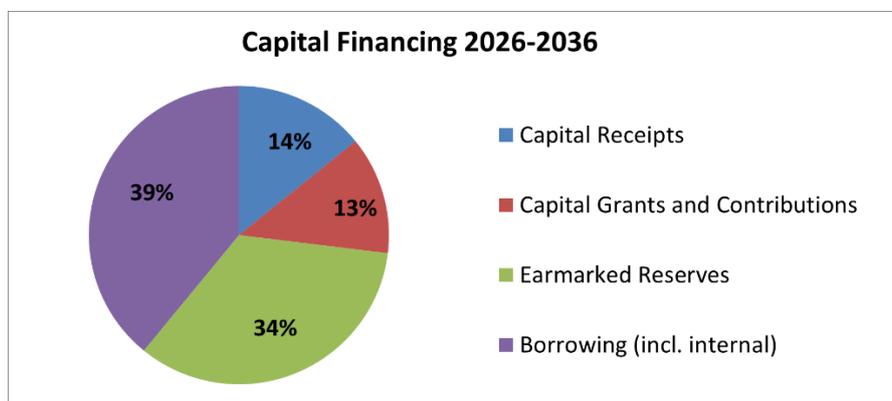
- **Community Infrastructure Levy** will be applied to relevant and appropriate projects to ensure a legacy of new and improved infrastructure ahead of LGR. This might be our major projects for place making and regeneration), the Winchester Movement Strategy (referred to above), and other projects which improve active travel and public transport around our district, or projects aligned with Council Plan priorities. Projects coming forward under these CIL funds will all be authorised through the council's usual governance route.
- 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 2025 were between 5% and 6%). This, coupled with significant construction inflation, challenges the viability of potential build projects.
- 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 2026-2036 capital programme are provided in Appendix B and is summarised in the following graph:



- 11.3.4. Borrowing (or Capital Financing Requirement (CFR)) makes up a significant element of the council’s proposed financing over the next 10 years. The council has had sufficient cash and investment balances to be able to internally borrow a significant element of its CFR but will, need to increase its external borrowing in addition to the £159.4m (as at 31 December 2025) of borrowing the council has currently externalised 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 given 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

	2024/25 actual	2025/26 forecast	2026/27 budget	2027/28 budget	2028/29 budget
Minimum Revenue Provision (GF)	1.7	1.8	1.9	1.9	1.7
Reserves (HRA)	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>1.7</b>	<b>1.8</b>	<b>1.9</b>	<b>1.9</b>	<b>1.7</b>

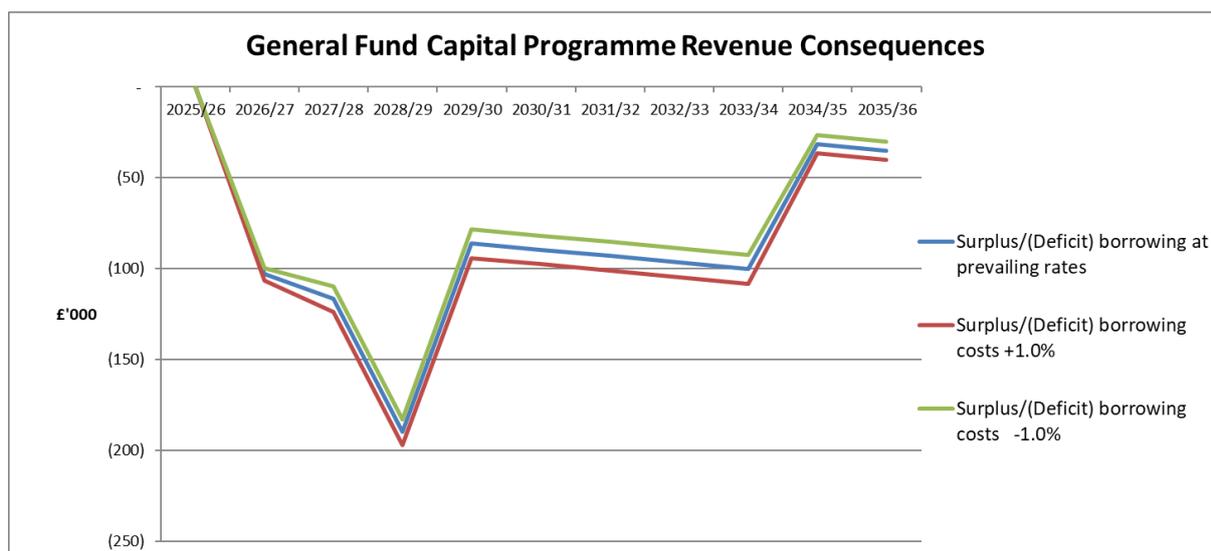
The council's full MRP statement is available at Appendix E.

- 11.3.6. The council's cumulative outstanding amount of debt finance (borrowing need) is measured by the Capital Financing Requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and voluntary contributions from revenue or capital receipts. CFR is estimated to increase by up to £3.1m during 2026/27 subject to full delivery of the Capital Programme.

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

	31.3.2025 actual	31.3.2026 forecast	31.3.2027 budget	31.3.2028 budget	31.3.2029 budget
General Fund	70.4	69.4	72.5	71.4	69.2
Housing Revenue Account	212.5	212.5	212.5	232.2	247.3
<b>TOTAL CFR</b>	<b>282.9</b>	<b>281.9</b>	<b>285.0</b>	<b>303.6</b>	<b>316.5</b>

- 11.3.7. Further information including borrowing forecasts and borrowing limits are set out in the Treasury Management Strategy (CAB3538).
- 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.
- 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

	2024/25 actual	2025/26 forecast	2026/27 budget	2027/28 budget	2028/29 budget
GF financing costs (£m)	1.8	1.9	2.0	2.0	1.9
GF proportion of net revenue stream	8.1%	7.7%	7.7%	7.6%	7.1%
HRA financing costs (£m)	5.2	5.1	5.3	6.7	7.7
HRA proportion of net revenue stream	13.9%	13.5%	13.3%	15.8%	17.0%

11.4.4. **Sustainability** – due to the long-term nature of capital expenditure and financing, the revenue implications of the expenditure in the next few years will extend up to 50 years in the future. It is imperative therefore that the council ensures that the proposed programme is prudent, affordable, and sustainable. This is achieved by ensuring that the governance and procedures outlined in this strategy are followed; by incorporating and

considering the revenue impact in the context of the medium-term financial strategy (MTFS); by undertaking financial appraisals of individual projects as part of their business cases on a whole life basis; and, for HRA expenditure, incorporating the impact in the 30 year business plan.

#### 11.5. Capital Receipts

11.5.1. When a capital asset is sold the proceeds, known as capital receipts, can be spent on new assets or to reduce debt from prior year capital expenditure. Repayments of capital grants, loans, and investments also generate capital receipts. Forecast capital receipts and their use in funding capital expenditure is detailed in Appendix D.

11.5.2. Ordinarily capital resources, such as capital receipts, can only be used to finance capital expenditure (i.e. the creation or enhancement of a capital asset). However, in 2018 the MHCLG Secretary of State issued a direction to local authorities in order to give 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 can 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 has been extended and expires on 31 March 2030. 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.

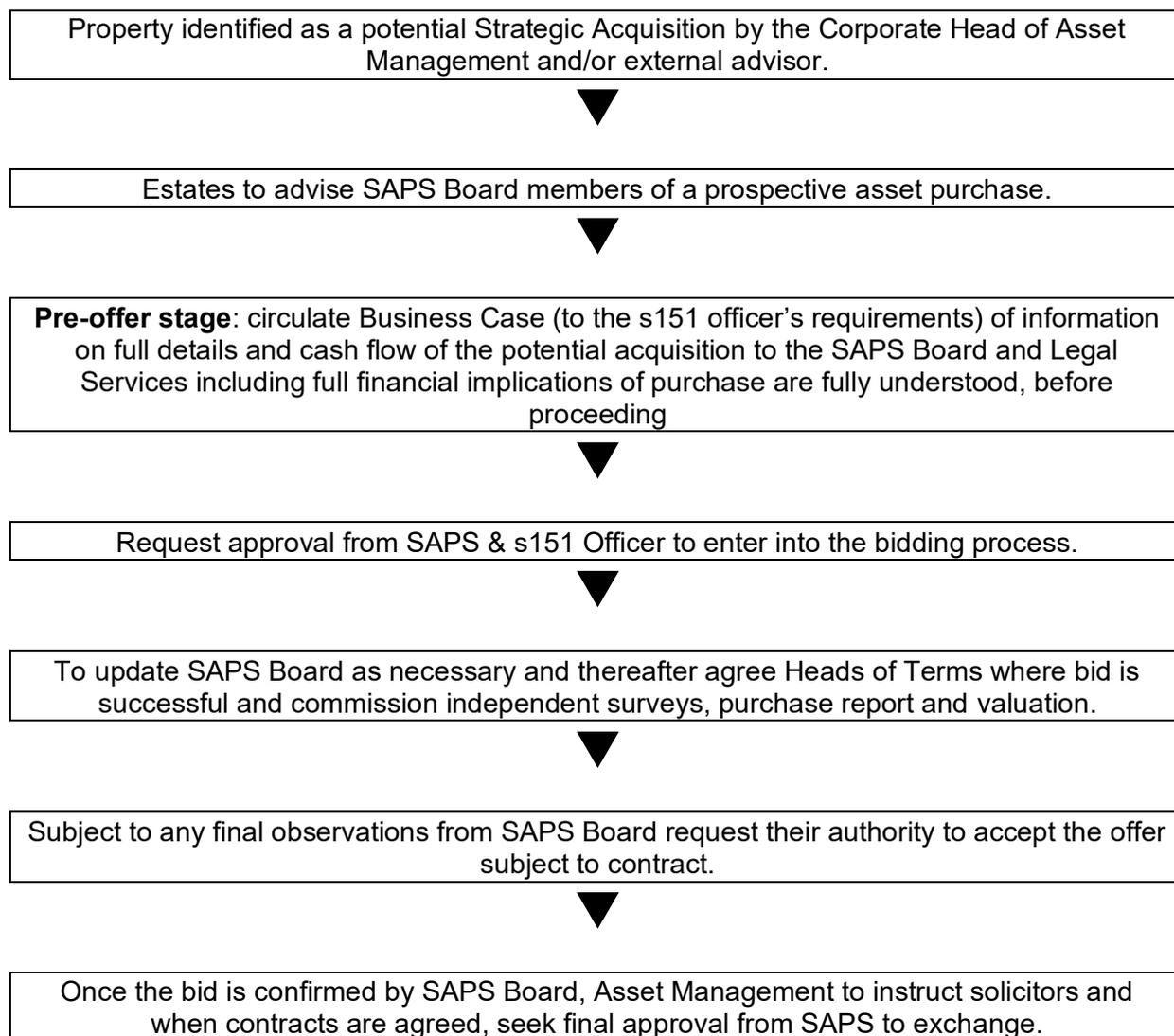
- 11.8.3. The Asset Management Plan for IT infrastructure recognises this requirement for fit-for-purpose equipment through a programme of continuous investment. Generally, equipment will require refreshment after 4-5 years, at intermittent intervals due to the practical constraint of delivery and implementation. The plan previously assumed the need to refresh infrastructure items on a like-for-like basis. However, as the council moves towards cloud-based solutions, the requirement for hardware replacement is reduced and this is reflected in the capital strategy with lower future investment required replaced with ongoing costs in the IMT revenue budget.
- 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 2026/27 to be financed from the IMT reserve:

<b>IMT Capital</b>	<b>2026/27</b>
	<b>£'000</b>
Corporate network	125
Multi-functional device (MFD) replacement	29
<b>Total</b>	<b>154</b>

- 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 2026/27 and forecasts to 2035/36. Further detailed information can be found in the Housing budget paper (CAB3540).
- 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 CAB3538. 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 2025 (CAB3500). 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 2025) and guiding principles are set out below.

Council Plan Priority	Risk Appetite	
Greener Faster	Open	Reflecting the urgency of the climate crisis we will consider options with elevated levels of risk if they deliver required outcomes faster.
Good 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"> <li>• Affordable</li> <li>• safe</li> <li>• sustainable</li> </ul>

		<ul style="list-style-type: none"> <li>• with low energy usage and low bills</li> <li>• built in the right areas for our changing communities.</li> </ul>
Healthy Communities	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.
Thriving Places	Moderate	We will tend towards exposure to modest levels of risk in order to deliver positive outcomes for our local economy and communities in these challenging times.
Efficient and Effective	Moderate	We will, in order to ensure resilience, enhance our services and make the best use of our resources and explore alternative delivery models and digital solutions. We will tend towards moderate risk exposure to deliver good levels of service.
Listening and Learning	Moderate	We will tend towards exposure to modest levels of risk in order to improve engagement and satisfaction with our services.

## 11.12. Knowledge, capacity, and skills

- 11.12.1. In order to deliver the Capital Programme, it is essential that the council has access to the right knowledge and skills.
- 11.12.2. Internally the council employs fully qualified and experienced staff such as accountants, solicitors, and surveyors. It is fully supportive in providing access to training, both internal and external, to enable those staff to complete their Continuing Professional Development (CPD) requirements.
- 11.12.3. Where the council does not have the knowledge, capacity, or skills required, use is made of external advisors and specialists in their field. The council currently employs Arlingclose Ltd as their Treasury advisers, 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 2025: “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 2026-2036

Appendix B – Capital Programme Financing 2026-2036

Appendix C – Revenue Consequences of General Fund Capital Programme 2026 to 2036

Appendix D – Capital Receipts Reserve Forecast

Appendix E – Minimum Revenue Provision Statement 2026/27

Appendix F – Investment activities

Appendix G – Flexible Use of Capital Receipts Strategy

## Capital Programme 2026-2036

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

	Priority	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	TOTAL	
		Revised forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	2026-2036 Forecast
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>General Fund</b>														
<b>Approved*</b>														
Disabled Facility Grants	Good Homes for All	1,528	1,528	1,528	1,528	1,528	1,528	1,528	1,528	1,528	1,528	1,528	15,280	
Car Parks - various	Thriving Places	467	916	-	-	-	-	-	-	-	-	-	916	
IMT Assets	Effective and Efficient	132	154	65	226	16	51	79	21	196	21	21	850	
Chesil Multi Storey car park - replacement lifts	Thriving Places	-	500	-	-	-	-	-	-	-	-	-	500	
SAPS - Car Park at the Dean, Alresford	Thriving Places	-	425	-	-	-	-	-	-	-	-	-	425	
CIL funded HCC projects	Thriving Places	664	282	-	-	-	-	-	-	-	-	-	282	
Wickham Recreation Ground - grant of S106 monies to parish	Healthy Communities	30	160	-	-	-	-	-	-	-	-	-	160	
Public conveniences improvements	Thriving Places	137	140	-	-	-	-	-	-	-	-	-	140	
Meadowside Leisure centre - new equipment	Healthy Communities	-	-	-	101	-	-	-	-	-	-	-	101	
Open Spaces & Recreational Facilities - various sites	Healthy Communities	110	70	-	-	-	-	-	-	-	-	-	70	
<b>River Park Pavilion</b>	Healthy Communities	2,261	-	-	-	-	-	-	-	-	-	-	0	
<b>Food waste collection - capital investments incl. vehicles &amp; caddies</b>	Greener Faster	1,804	-	-	-	-	-	-	-	-	-	-	0	
CIL funded community projects	Thriving Places	1,234	-	-	-	-	-	-	-	-	-	-	0	
Special maintenance vehicle replacements	Effective and Efficient	278	-	-	-	-	-	-	-	-	-	-	0	
Rural Prosperity Fund - approved projects	Thriving Places	203	-	-	-	-	-	-	-	-	-	-	0	
<b>Car parks - public convenience improvements</b>	Healthy Communities	170	-	-	-	-	-	-	-	-	-	-	0	
UK Shared Prosperity Fund - approved projects	Thriving Places	131	-	-	-	-	-	-	-	-	-	-	0	
<b>Winchester Football Club clubhouse improvements</b>	Healthy Communities	100	-	-	-	-	-	-	-	-	-	-	0	
<b>Meadowside Leisure centre - 3G pitch refurbishment</b>	Healthy Communities	82	-	-	-	-	-	-	-	-	-	-	0	
<b>Guilford fire safety improvement works</b>	Effective and Efficient	71	-	-	-	-	-	-	-	-	-	-	0	
Meadowside Leisure centre - solar PV	Greener Faster	60	-	-	-	-	-	-	-	-	-	-	0	
<b>59 Colebrook Street - shared accommodation</b>	Good Homes for All	51	-	-	-	-	-	-	-	-	-	-	0	
<b>Electric animal welfare vans</b>	Effective and Efficient	51	-	-	-	-	-	-	-	-	-	-	0	
<b>Partial demolition at site of former leisure centre at River Park</b>	Healthy Communities	50	-	-	-	-	-	-	-	-	-	-	0	
<b>Winchester Sport &amp; Leisure Park</b>	Healthy Communities	32	-	-	-	-	-	-	-	-	-	-	0	
<b>Jane Austen Statue - capital grant</b>	Thriving Places	10	-	-	-	-	-	-	-	-	-	-	0	
<b>Total Approved*</b>		<b>9,656</b>	<b>4,175</b>	<b>1,593</b>	<b>1,855</b>	<b>1,544</b>	<b>1,579</b>	<b>1,607</b>	<b>1,549</b>	<b>1,724</b>	<b>1,549</b>	<b>1,549</b>	<b>18,724</b>	

Capital Programme 2026-2036

	Priority	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	TOTAL	
		Revised forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	2026-2036 Forecast
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Subject to Appraisal*</b>														
LEP grant fund applications - TBD	Thriving Places	-	2,000	4,000	4,000	-	-	-	-	-	-	-	10,000	
CWR - CIL funded infrastructure works	Thriving Places	-	1,000	1,750	1,750	-	-	-	-	-	-	-	4,500	
Guildhall capital improvements	Thriving Places	-	825	2,475	-	-	-	-	-	-	-	-	3,300	
CWR - potential asset purchases for regeneration	Thriving Places	-	30	255	2,325	-	-	-	-	-	-	-	2,610	
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	-	-	180	180	180	180	180	180	180	180	180	1,620	
Asset Management Plan	Effective and Efficient	50	150	150	150	150	150	150	150	165	200	200	1,615	
CIL funded community projects - unallocated	Thriving Places	-	650	650	-	-	-	-	-	-	-	-	1,300	
North Whiteley Sports Pavilion - grant of S106 monies to parish	Healthy Communities	100	500	600	-	-	-	-	-	-	-	-	1,100	
Brooks car park - air handling unit & replacement lighting	Thriving Places	-	1,000	-	-	-	80	-	-	-	-	-	1,080	
City Offices - refurbishments inc. new lifts and lighting	Effective and Efficient	-	-	170	-	-	250	-	-	-	-	-	420	
Meadowside Leisure centre - replacement lift and windows, roofing works	Healthy Communities	-	45	-	-	-	-	-	-	-	-	310	355	
CWR Bus & Accessibility Improvements	Thriving Places	-	250	-	-	-	-	-	-	-	-	-	250	
Guildhall capital repairs to clock tower	Effective and Efficient	-	250	-	-	-	-	-	-	-	-	-	250	
Open Spaces & Recreational Facilities - various sites	Healthy Communities	-	50	50	90	-	-	-	-	-	-	-	190	
Ciphon House roof replacement	Effective and Efficient	-	160	-	-	-	-	-	-	-	-	-	160	
Perimeter footpath at River Park Recreation Ground	Healthy Communities	-	153	-	-	-	-	-	-	-	-	-	153	
Stable Yard Conversion rear of 59 Colebrook St	Good Homes for All	-	150	-	-	-	-	-	-	-	-	-	150	
West Wing refurbishment - replacement lift	Effective and Efficient	-	-	140	-	-	-	-	-	-	-	-	140	
Special maintenance vehicle replacements	Effective and Efficient	-	100	-	-	-	-	-	-	-	-	-	100	
Replacement printers	Effective and Efficient	-	-	93	-	-	-	-	-	-	-	-	93	
City Offices annexe - replacement windows	Effective and Efficient	-	20	-	-	-	-	-	-	-	-	-	20	
North Walls - cricket nets (Town)	Healthy Communities	50	-	-	-	-	-	-	-	-	-	-	0	
Rural England Prosperity Fund - unallocated	Thriving Places	20	-	-	-	-	-	-	-	-	-	-	0	
<b>Subject to Appraisal*</b>		<b>220</b>	<b>9,833</b>	<b>11,013</b>	<b>8,995</b>	<b>830</b>	<b>660</b>	<b>330</b>	<b>330</b>	<b>345</b>	<b>380</b>	<b>690</b>	<b>33,406</b>	
<b>Total General Fund</b>		<b>9,876</b>	<b>14,008</b>	<b>12,606</b>	<b>10,850</b>	<b>2,374</b>	<b>2,239</b>	<b>1,937</b>	<b>1,879</b>	<b>2,069</b>	<b>1,929</b>	<b>2,239</b>	<b>52,130</b>	
* 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.														
<b>The Strategic Asset Purchase Scheme (SAPS) is subject to separate governance procedures as outlined in the Capital Investment Strategy</b>														
SAPS - unallocated	Thriving Places	-	4,000	-	-	-	-	-	-	-	-	-	4,000	
<b>Total SAPS - unallocated</b>		<b>-</b>	<b>4,000</b>	<b>-</b>	<b>4,000</b>									
<b>Housing Revenue Account</b>														
New build	Good Homes for All	21,856	16,602	23,718	18,928	40,717	44,890	36,098	-	-	-	-	180,953	
Major repairs	Good Homes for All	6,309	10,653	8,766	9,479	9,582	9,735	5,665	7,416	6,874	8,114	7,371	83,655	
Improvements & conversions	Good Homes for All	350	1,117	108	111	114	118	118	121	125	128	132	2,191	
Disabled adaptations	Good Homes for All	700	751	773	796	820	845	870	896	923	951	979	8,605	
Fire Safety provision	Good Homes for All	3,301	2,662	2,742	554	570	588	605	623	642	661	681	10,329	
Climate Change Emergency	Greener Faster	3,100	6,055	7,818	7,659	8,765	8,478	-	-	-	-	-	38,774	
Other capital spend	Good Homes for All	386	1,567	1,075	1,396	125	129	133	137	141	145	150	4,999	
<b>Total Housing Revenue Account</b>		<b>36,002</b>	<b>39,407</b>	<b>45,000</b>	<b>38,923</b>	<b>60,693</b>	<b>64,782</b>	<b>43,489</b>	<b>9,194</b>	<b>8,705</b>	<b>10,000</b>	<b>9,313</b>	<b>329,506</b>	
<b>Grand Total</b>		<b>45,878</b>	<b>57,415</b>	<b>57,606</b>	<b>49,773</b>	<b>63,067</b>	<b>67,021</b>	<b>45,426</b>	<b>11,073</b>	<b>10,774</b>	<b>11,929</b>	<b>11,552</b>	<b>385,636</b>	

**Capital Programme Financing 2026 to 2036**

	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>General Fund</b>												
<i>Externally Funded</i>												
Government Grants	1,924	3,528	5,528	5,528	1,528	1,528	1,528	1,528	1,528	1,528	1,528	25,280
External Contributions												
Non governmental grants	1,512	0	0	0	0	0	0	0	0	0	0	0
Open Space Fund	229	0	0	0	0	0	0	0	0	0	0	0
Developer's Contributions	130	690	600	0	0	0	0	0	0	0	0	1,290
<b>Total Externally Funded</b>	<b>3,795</b>	<b>4,218</b>	<b>6,128</b>	<b>5,528</b>	<b>1,528</b>	<b>26,570</b>						
<i>Earmarked Reserves</i>												
Car Parks Property	562	2,166	180	180	180	260	180	180	180	180	180	3,866
Community Infrastructure Levy (CIL)	3,562	2,225	2,400	1,750	0	0	0	0	0	0	0	6,375
Town CIL	495	0	0	0	0	0	0	0	0	0	0	0
Information, Management, and Technology	67	134	65	226	16	51	79	21	196	21	21	830
Homelessness Risk Prevention reserve	0	150	0	0	0	0	0	0	0	0	0	150
Major Investment Reserve	50	0	0	0	0	0	0	0	0	0	0	0
Property - Asset Management Reserve	263	1,950	2,935	150	150	400	150	150	165	200	510	6,760
Winchester Town	110	120	50	90	0	0	0	0	0	0	0	260
Pride in Place	10	0	0	0	0	0	0	0	0	0	0	0
<b>Total Earmarked Reserves</b>	<b>5,119</b>	<b>6,745</b>	<b>5,630</b>	<b>2,396</b>	<b>346</b>	<b>711</b>	<b>409</b>	<b>351</b>	<b>541</b>	<b>401</b>	<b>711</b>	<b>18,241</b>
<i>Capital Receipts</i>												
General fund	172	2,020	0	0	0	0	0	0	0	0	0	2,020
Right to buy allowable	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Capital Receipts</b>	<b>172</b>	<b>2,020</b>	<b>0</b>	<b>2,020</b>								
<i>Revenue Contribution to Capital</i>	0	0	0	0	0	0	0	0	0	0	0	0
<i>Capital Financing Requirement</i>	790	5,025	848	2,926	500	0	0	0	0	0	0	9,299
<b>Total General Fund</b>	<b>9,876</b>	<b>18,008</b>	<b>12,606</b>	<b>10,850</b>	<b>2,374</b>	<b>2,239</b>	<b>1,937</b>	<b>1,879</b>	<b>2,069</b>	<b>1,929</b>	<b>2,239</b>	<b>56,130</b>
<b>Housing</b>												
Capital Grants and Contributions	1,069	2,045	6,215	5,000	3,000	0	0	0	0	0	0	16,260
Community Infrastructure Levy (CIL)	0	0	0	0	0	0	0	0	0	0	0	0
Major Repairs Reserve	20,525	34,661	12,160	12,034	12,570	13,171	13,780	2	4,541	8,102	7,352	118,373
Capital Receipts	14,408	2,301	6,543	6,805	5,020	5,337	9,437	9,192	4,164	1,898	1,961	52,658
Nutrient Reserve	0	400	400	0	0	0	0	0	0	0	0	800
<i>Capital Financing Requirement</i>	0	0	19,682	15,084	40,103	46,274	20,272	0	0	0	0	141,415
<b>Total Housing Revenue Account</b>	<b>36,002</b>	<b>39,407</b>	<b>45,000</b>	<b>38,923</b>	<b>60,693</b>	<b>64,782</b>	<b>43,489</b>	<b>9,194</b>	<b>8,705</b>	<b>10,000</b>	<b>9,313</b>	<b>329,506</b>
<b>Total Financing of Capital Programme</b>	<b>45,878</b>	<b>57,415</b>	<b>57,606</b>	<b>49,773</b>	<b>63,067</b>	<b>67,021</b>	<b>45,426</b>	<b>11,073</b>	<b>10,774</b>	<b>11,929</b>	<b>11,552</b>	<b>385,636</b>

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## Revenue Consequences of General Fund Capital Programme 2026 to 2036

**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	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>TOTAL SURPLUS/(DEFICIT)</b>	-	(103)	(117)	(190)	(86)	(89)	(93)	(97)	(100)	(31)	(35)

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:

<b>Difference to TOTAL SURPLUS/(DEFICIT) (+1.0%)</b>	-	(3)	(7)	(7)	(8)	(8)	(8)	(8)	(8)	(5)	(5)
<b>Difference to TOTAL SURPLUS/(DEFICIT) (-1.0%)</b>	-	3	7	7	8	8	8	8	8	5	5

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**Capital Receipts Reserve Forecast**

<b>CAPITAL RECEIPTS RESERVE</b>	<b>2025/26 Forecast £000</b>	<b>2026/27 Forecast £000</b>	<b>2027/28 Forecast £000</b>	<b>2028/29 Forecast £000</b>	<b>2029/30 Forecast £000</b>	<b>2030/31 Forecast £000</b>	<b>2031/32 Forecast £000</b>	<b>2032/33 Forecast £000</b>	<b>2033/34 Forecast £000</b>	<b>2034/35 Forecast £000</b>	<b>2035/36 Forecast £000</b>
<b>Consolidated Opening Balance</b>	<b>(9,405)</b>	<b>(4,778)</b>	<b>(2,758)</b>	<b>(2,757)</b>	<b>(2,757)</b>	<b>(2,756)</b>	<b>(2,755)</b>	<b>(2,755)</b>	<b>(2,755)</b>	<b>(2,755)</b>	<b>(2,765)</b>
<b>GENERAL FUND</b>											
<b>Opening Balance</b>	<b>(2,986)</b>	<b>(3,869)</b>	<b>(1,849)</b>								
Forecast receipts	(1,055)	-	-	-	-	-	-	-	-	-	-
Forecast utilisation	172	2,020	-	-	-	-	-	-	-	-	-
<b>Closing Balance</b>	<b>(3,869)</b>	<b>(1,849)</b>									
<b>HOUSING REVENUE ACCOUNT</b>											
<b>Opening Balance</b>	<b>(6,419)</b>	<b>(909)</b>	<b>(909)</b>	<b>(908)</b>	<b>(908)</b>	<b>(907)</b>	<b>(906)</b>	<b>(906)</b>	<b>(906)</b>	<b>(906)</b>	<b>(916)</b>
Forecast receipts	(8,898)	(2,301)	(6,542)	(6,804)	(5,020)	(5,336)	(9,437)	(9,192)	(4,164)	(1,907)	(2,075)
Forecast utilisation	14,408	2,301	6,543	6,805	5,020	5,337	9,437	9,192	4,164	1,898	1,961
<b>Closing Balance</b>	<b>(909)</b>	<b>(909)</b>	<b>(908)</b>	<b>(908)</b>	<b>(907)</b>	<b>(906)</b>	<b>(906)</b>	<b>(906)</b>	<b>(906)</b>	<b>(916)</b>	<b>(1,029)</b>
<b>Consolidated Closing Balance</b>	<b>(4,778)</b>	<b>(2,758)</b>	<b>(2,757)</b>	<b>(2,757)</b>	<b>(2,756)</b>	<b>(2,755)</b>	<b>(2,755)</b>	<b>(2,755)</b>	<b>(2,755)</b>	<b>(2,765)</b>	<b>(2,878)</b>

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### Annual Minimum Revenue Provision Statement 2026/27

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 2026/27 will not be subject to a MRP charge until 2027/28 or later.

Based on the Authority's latest estimate of its CFR on 31st March 2026, the budget for MRP has been set as follows:

	<b>31.03.2026 Estimated CFR £m</b>	<b>2026/27 Estimated MRP £</b>
Unsupported capital expenditure after 31.03.2008	<b>66.7</b>	1,271,000
Finance leases incl. Right of Use assets	<b>2.7</b>	641,000
<b>Total General Fund</b>	<b>69.4</b>	<b>1,912,000</b>
Assets in the Housing Revenue Account	212.5	Nil
<b>Total Housing Revenue Account</b>	<b>212.5</b>	<b>Nil</b>
<b>Total</b>	<b>281.9</b>	<b>1,652,000</b>

### ***Capital receipts***

Proceeds from the sale of capital assets are classed as capital receipts and are typically used to finance new capital expenditure. Where the council decides instead to use capital receipts to repay debt and hence reduce the CFR, the calculation of MRP will be adjusted as follows:

- Capital receipts arising on the repayment of principal on capital loans to third parties will be used to lower the MRP charge in respect of the same loans in the year of receipt, if any.
- Capital receipts arising on the repayment of principal on finance lease receivables will be used to lower the MRP charge in respect of the acquisition of the asset subject to the lease in the year of receipt, if any.
- Capital receipts arising from other assets which form an identified part of the council's MRP calculations will be used to reduce the MRP charge in respect of the same assets over their remaining useful lives, starting in the year after the receipt is applied.
- Any other capital receipts applied to repay debt will be used to reduce outstanding CFR in respect of other assets which form part of the council's MRP calculations. This will have the effect of reducing the MRP charge of those assets over their remaining useful lives, starting in the year after the receipt is applied.

### ***Appropriations to/from the Housing Revenue Account***

Where assets are transferred from the Housing Revenue Account to the General Fund, for the purposes of the MRP calculation, this will be treated as new General Fund capital expenditure.

Where assets are transferred from the General Fund to the Housing Revenue Account, for the purposes of the MRP calculation, this will be treated as a capital receipt applied to repay debt.

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## 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 CAB3538);
- 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	31.3.2025 actual			2026/27
	Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Subsidiaries	-	-	-	1m
Housing associations	0.09m	0.05m	0.04m	1m
Other entities*	-	-	-	1m
<b>TOTAL</b>	<b>0.09m</b>	<b>0.05m</b>	<b>0.04m</b>	<b>3m</b>

\*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 CAB3538

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.

### **Commercial Investments: Property**

**Contribution:** The council owns an investment property portfolio (assets held solely for rental income or capital appreciation) which was valued at £68.7m as at 31 March 2025 and generated gross income of £4.2m and net income after costs of £2.7m in 2024/25. This income helps contribute to the Council Strategy priorities.

In 2025/26 the council has disposed of 3 investment properties (as at 31 December 2025) for a total of £0.9m. Two properties were part of the partnered home purchase scheme (PHP), in which homebuyers could purchase shares of properties in the private market, when homeowners decided to purchase the remaining shares owned by the council. The third property was 27 Eastgate Street.

Table 2: Property held for investment purposes in £ millions

<b>1 April 2024</b>	<b>69.7</b>
Acquisitions	0.0
Enhancements	0.0
Disposals	(0.2)
Gains/(losses) in fair value	(0.6)
Transfers (to)/from PPE (operational assets)*	(0.2)
<b>31 March 2025</b>	<b>68.7</b>
<b>Budgeted</b>	
Acquisitions	0.0
Enhancements	0.0
Disposals	(0.9)
Gains/(losses) in fair value**	-
Transfers (to)/from PPE (operational assets)*	0.0
<b>31 March 2026</b>	<b>67.8</b>

\*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 2025	Retail	Offices	Industrial	Residential / Garages	Other	Total
Value £000s	26,631	9,805	7,136	24,177	986	<b>68,735</b>

**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 2025, the Council had £10.2m 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 (which includes one-offs). 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*

	2024/25 Actual £000	2025/26 Forecast £000	2026/27 Budget £000	2027/28 Budget £000	2028/29 Budget £000
Gross service expenditure	38,997	44,915	47,108	47,406	43,862
Investment income*	5,077	3,709	3,498	3,449	3,149
Proportion	13.0%	8.3%	7.4%	7.3%	7.2%

*\*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 (CAB3538).

*Table 5: Total investment exposure in £millions*

Total investment exposure	31.03.2025 Actual	31.03.2026 Forecast	31.03.2027 Forecast
Treasury management investments	16.2m	10.0m	10.0m
Service investments: Loans	0.1m	0.1m	0.1m
Service investments: Shares	0.2m	0.2m	0.2m
Commercial investments: Property	68.7m	67.8m	68.0m
<b>TOTAL EXPOSURE</b>	<b>85.2m</b>	<b>78.1m</b>	<b>78.3m</b>

**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	31.03.2025 Actual	31.03.2026 Forecast	31.03.2027 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
<b>TOTAL FUNDED BY EXTERNAL BORROWING</b>	<b>0.0m</b>	<b>0.0m</b>	<b>0.0m</b>

**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	2024/25 Actual	2025/26 Forecast	2026/27 Forecast
Treasury management investments	4.7%	4.0%	3.5%
Service investments: Loans	0.0%	0.0%	0.0%
Service investments: Shares	0.0%	0.0%	0.0%
Commercial investments: Property	3.9%	3.3%	3.4%
<b>ALL INVESTMENTS*</b>	4.0%	3.4%	3.4%

\*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 £154.5m at 31 March 2025. Further detail on borrowing is included in the Treasury Management Strategy (CAB3538)

Table 8: Capital Financing Requirement to total fixed assets value

Capital Financing Requirement to total fixed assets value	2024/25 Actual	2025/26 Forecast*	2026/27 Forecast*
General Fund - total fixed assets (£m)	205.4	210.3	218.2
<b>Outstanding CFR (%)</b>	34.3%	33.0%	33.2%
Housing Revenue Account - total fixed assets (£m)	592.3	605.6	621.5
<b>Outstanding CFR (%)</b>	35.9%	35.1%	34.2%

\*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 and this has since been further extended to 31 March 2030. By using capital receipts, the council can avoid the negative impact of one-off costs on its annual revenue budget, 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 Authorities that is designed to generate ongoing revenue 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; and
- is properly incurred by the Authorities for the financial years that begin on 1 April 2025, 1 April 2026, 1 April 2027, 1 April 2028 and 1 April 2029”.

### **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**

*2025/26* – the council does not plan to apply capital receipts to transformation projects.

*2026/27 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 STRATEGY 2026/27

10 FEBRUARY 2026

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](mailto:lkeys@winchester.gov.uk)

WARD(S): ALL

### RECOMMENDATION:

It is recommended that scrutiny committee comment on the proposals within the attached cabinet report, ref CAB3538 which is to be considered by cabinet at its meeting on the 12 February 2026.

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REPORT TITLE: TREASURY MANAGEMENT STRATEGY 2026/27

12 FEBRUARY 2026

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

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 2026/27.

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 2026/27 (and the remainder of 2025/26) 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 3.4% on an average balance of £18m in 2026/27. This would represent income of £0.6m. 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 2025 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 10 February 2026. 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

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
<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 from the government's Autumn Budget will influence the council's treasury management strategy for 2026/27. Other influences will

include lower short-term interest rates alongside higher medium- and longer-term rates, slower economic growth, together with ongoing uncertainties around the global economy, stock market sentiment, and ongoing geopolitical issues.

- 13.3 The Bank of England's Monetary Policy Committee (MPC) voted to cut Bank Rate by 25 basis points, from 4.00% to 3.75%, in December 2025.

#### Credit outlook

- 13.4 Credit Default Swap (CDS) prices, which are used as an indicator of credit risk, where higher premiums indicate higher perceived risks, spiked in April 2025 following President Trump's 'Liberation Day' tariff announcements, and have since trended lower, returning to levels broadly consistent with their 2024 averages. Although CDS prices rose modestly in October 2025, the overall credit outlook remains stable, and credit conditions are expected to remain close to the range seen over the past two years.
- 13.5 While lower interest rates may weigh on banks' profitability, strong capital positions, easing inflation, steady economic growth, low unemployment, and reduced borrowing costs for households and businesses all support a favourable outlook for the creditworthiness of institutions on Arlingclose's (the council's treasury management advisor) counterparty list. Arlingclose's advice on approved counterparties and recommended investment durations is kept under continuous review and will continue to reflect prevailing economic and credit conditions.

#### Interest rate forecast (December 2025)

- 13.6 Arlingclose forecasts that the Bank of England's Monetary Policy Committee will continue to reduce Bank Rate through 2025 and 2026, reaching around 3.25%. This forecast reflects amendments made following the Autumn Budget and an assessment of the fiscal measures and their market implications.
- 13.7 Long-term gilt yields, and therefore interest rates payable on long-term borrowing, are expected to remain broadly stable on average, though with continued volatility, and to end the forecast period marginally lower than current levels. Yields are likely to stay higher than in the pre-quantitative tightening era, reflecting ongoing balance sheet reduction and elevated bond issuance. Short-term fluctuations are expected to persist in response to economic data releases and geopolitical developments.
- 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 2025, the council held £159.4m of borrowing and £35.9m 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 2026/27.

**Table 1: Balance sheet summary and forecast**

	<b>31/03/25 Actual £m</b>	<b>31/03/26 Estimate £m</b>	<b>31/03/27 Forecast £m</b>	<b>31/03/28 Forecast £m</b>	<b>31/03/29 Forecast £m</b>
General Fund CFR	70.4	69.4	72.5	71.4	69.2
HRA CFR	212.5	212.5	212.5	232.2	247.3
<b>Total CFR</b>	<b>282.9</b>	<b>281.9</b>	<b>285.0</b>	<b>303.6</b>	<b>316.5</b>
Less other debt liabilities *	(3.3)	(2.7)	(2.1)	(1.4)	(1.0)
<b>Borrowing CFR</b>	<b>279.6</b>	<b>279.2</b>	<b>282.9</b>	<b>302.2</b>	<b>315.5</b>
Less: External borrowing **	(154.5)	(154.3)	(143.5)	(132.8)	(132.1)
<b>Internal borrowing</b>	<b>125.1</b>	<b>124.9</b>	<b>139.4</b>	<b>169.4</b>	<b>183.4</b>
Less: Balance sheet resources	(141.4)	(129.5)	(133.8)	(115.2)	(104.5)
<b>New borrowing or (investments)</b>	<b>(16.3)</b>	<b>(4.6)</b>	<b>5.6</b>	<b>54.2</b>	<b>78.9</b>

\* 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.

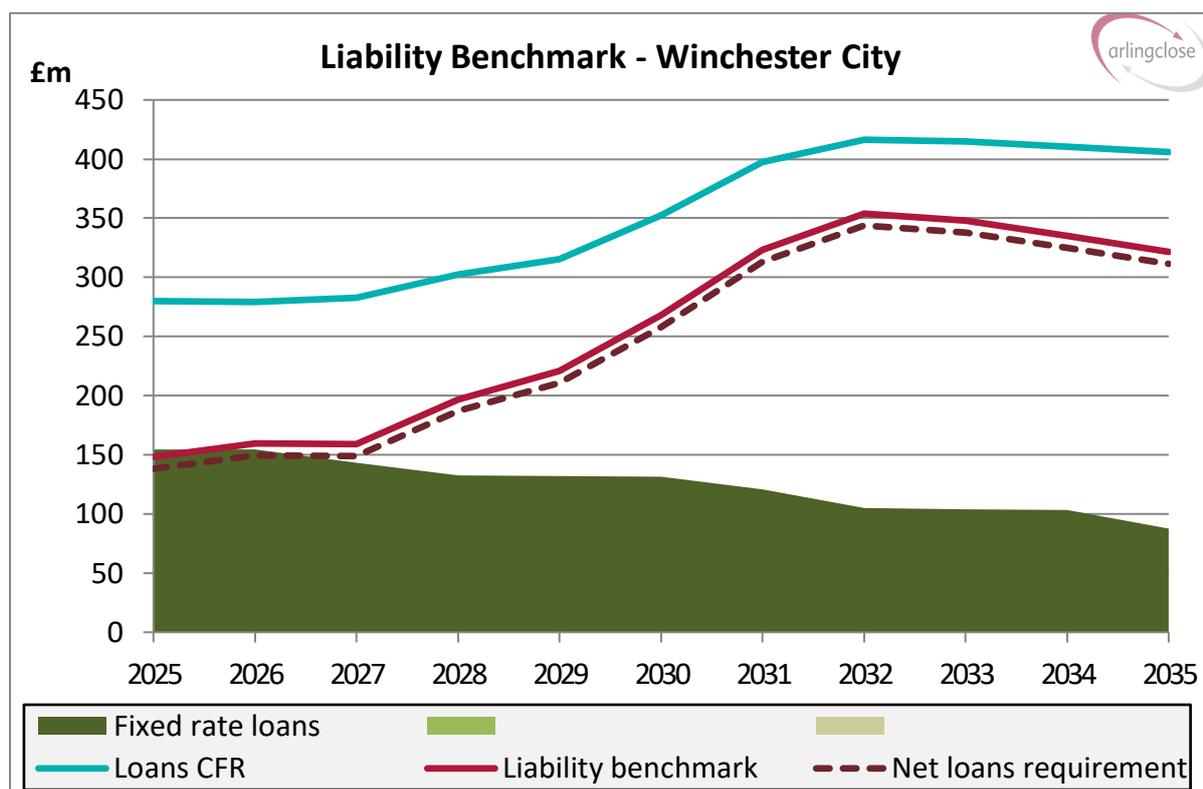
- 14.6 The liability benchmark is an important tool to help establish whether the council is likely to be a long-term borrower or long-term investor in the future and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external 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: Liability benchmark**

	<b>31/03/25 Actual £m</b>	<b>31/03/26 Estimate £m</b>	<b>31/03/27 Forecast £m</b>	<b>31/03/28 Forecast £m</b>	<b>31/03/29 Forecast £m</b>
Loans CFR	279.6	279.2	282.9	302.2	315.5
Less: Balance sheet resources	(141.4)	(129.5)	(133.8)	(115.2)	(104.5)
<b>Net loans requirement</b>	<b>138.2</b>	<b>149.7</b>	<b>149.1</b>	<b>187.0</b>	<b>211.0</b>
Plus: Liquidity allowance	10.0	10.0	10.0	10.0	10.0
<b>Liability benchmark</b>	<b>148.2</b>	<b>159.7</b>	<b>159.1</b>	<b>197.0</b>	<b>221.0</b>

- 14.7 At the start of the period, 31 March 2025, the council had a Loans CFR of £279.6m, fixed term loans of £154.5m and a liability benchmark of £148.2m. The difference of £125.1m 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 £36.0m will occur from the position at the 31 March 2025 to 31 March 2029 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 £66.5m 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 £159.4m 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 £306.5m.

### Objectives

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

### Strategy

- 15.3 Given the significant cuts to public expenditure and in particular to local government funding, the council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. 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 2026/27 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 2026/27, 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, building society or insurance company 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
- 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 £15.6m and £55.5m.

#### 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.

#### Environmental, social and governance factors

- 16.4 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.

- 16.5 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

- 16.6 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

- 16.7 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.
- 16.8 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.
- 16.9 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.
- 16.10 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 on a regular basis, including the active decisions of continuing to invest or redeem these investments, particularly with the requirement to take on additional borrowing approaching. 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.
- 16.11 As at the 31 December 2025, the council's pooled fund investment is valued with an unrealised capital gain of £0.2777m. To date, the statutory override in place on IFRS 9 for local authorities exempts the council from taking this

unrealised gain to the Comprehensive Income and Expenditure Statement (CIES). This override has been extended to 31 March 2028 for investments made before 1 April 2024, at which time the council will be expected to reflect any gains and losses in the CIES.

#### Investment limits

- 16.12 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.
- 16.13 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**

	<b>Cash limit</b>
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

- 16.14 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**

<b>Sector</b>	<b>Time limit</b>	<b>Counterparty limit</b>	<b>Sector limit</b>
The UK Government	3 years	Unlimited	n/a
Local authorities & other government entities	3 years	£7m	Unlimited
	3 years	£7m	Unlimited
Secured investments *	3 years	£7m	Unlimited
Banks (unsecured) *	13 months	£3.5m	Unlimited
Building societies (unsecured) *	13 months	£3.5m	£7m
Registered providers (unsecured) *	3 years	£3.5m	£17.5m
Money market funds *	n/a	£7m	Unlimited
Strategic pooled funds	n/a	£7m	£35m
Real estate investment trusts	n/a	£7m	£17.5m
Other investments *	3 years	£3.5m	£7m

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

#### Time limit

- 16.15 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 are set to a maximum of 3 years.

#### \* Minimum credit rating

- 16.16 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.
- 16.17 For entities without published credit ratings, investments may be made where external advice indicates the entity to be of similar credit quality.

#### UK Government

- 16.18 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

- 16.19 Loans to, and bonds and bills issued or guaranteed by, other national governments, regional and local authorities, supranational banks 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.
- 16.20 The counterparty limit for loans to local authorities will be increased to an unlimited amount where (a) the government has announced that the council will merge with the borrowing authority and (b) the loan is scheduled to be repaid after the expected date of the merger.

### Secured investments

- 16.21 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. A higher limit applies for investments fully secured on UK or other government collateral.

### Banks and building societies (unsecured)

- 16.22 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)

- 16.23 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

- 16.24 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

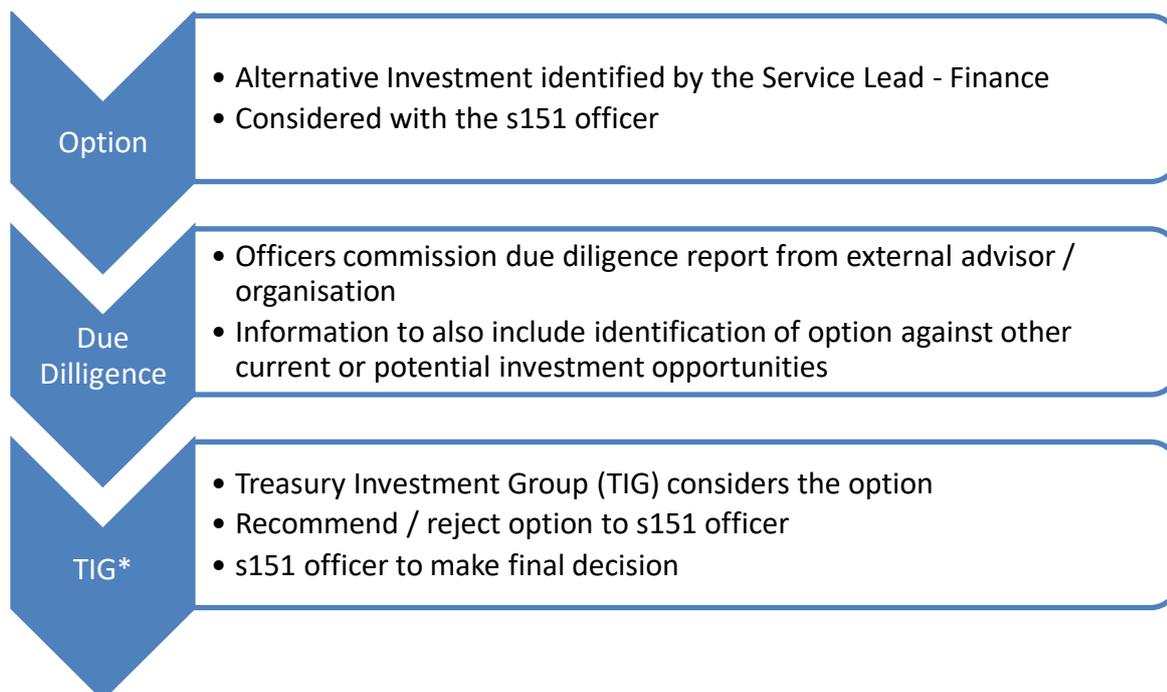
risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

#### Strategic pooled funds

- 16.25 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

- 16.26 This category covers treasury investments not listed above, for example certificates of deposit (CDs), unsecured corporate bonds and unsecured loans to companies. Non-bank companies cannot be bailed-in but can become insolvent placing the council's investment at risk.
- 16.27 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

16.28 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

- 16.29 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.
- 16.30 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

- 16.31 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.
- 16.32 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

- 16.33 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.

- 16.34 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**

	<b>31 December 2025</b>	<b>Impact of +/-1% interest rate change</b>
	<b>£m</b>	<b>£m</b>
Sums subject to variable interest rates:		
- Investment	36.0	+/- 0.3
- Borrowing	(5.7)	+/- 0.0

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**

	<b>Upper</b>	<b>Lower</b>
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**

	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>No fixed date</b>
Limit on principal invested beyond year end	£20m	£15m	£10m	£5m

- 17.6 Long-term investments with no fixed maturity date include strategic pooled funds but exclude money market funds and bank accounts with no fixed maturity date as these are considered short term.
- 17.7 In effect, the annual limit and the no fixed date limit would be added together to reach the total limit on principal invested beyond year end, meaning that during 2026/27, for example, the council could invest up to £25m for the long-term, subject to investment balances and cash flow requirements.

18 Prudential Indicators – Borrowing

Gross Debt and the Capital Financing Requirement

- 18.1 In order to ensure that over the medium-term debt will only be for a capital purpose, the council should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year

plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

**Table 8: Debt**

	<b>31/03/26 Revised £m</b>	<b>31/03/27 Estimate £m</b>	<b>31/03/28 Estimate £m</b>	<b>31/03/29 Estimate £m</b>
Borrowing	154.3	143.5	132.8	132.1
New borrowing	5.4	15.6	64.2	88.9
Finance Leases	2.7	2.1	1.4	1.0
<b>Total Debt</b>	<b>162.4</b>	<b>161.2</b>	<b>198.4</b>	<b>222.0</b>

- 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**

	<b>31/03/26 Revised £m</b>	<b>31/03/27 Estimate £m</b>	<b>31/03/28 Estimate £m</b>	<b>31/03/29 Estimate £m</b>
Borrowing	294.4	296.5	314.2	326.4
Finance Leases	2.7	2.1	1.4	1.0
<b>Total Debt</b>	<b>297.1</b>	<b>298.6</b>	<b>315.6</b>	<b>327.4</b>

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**

	<b>2025/26 Limit £m</b>	<b>2026/27 Limit £m</b>	<b>2027/28 Limit £m</b>	<b>2028/29 Limit £m</b>
Borrowing	301.5	303.9	321.9	334.3
Finance Leases	3.4	2.6	1.8	1.2
<b>Total Debt</b>	<b>304.9</b>	<b>306.5</b>	<b>323.7</b>	<b>335.5</b>

## 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 of money borrowed in advance of need

- 19.7 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

- 19.8 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**

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

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

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

[CAB3496 Treasury Management Strategy 2025-26.pdf](#)

[AG166 Treasury Management Outturn Report 2024-25.pdf](#)

[AG179 Treasury Management Mid-year report 25-26.pdf](#)

Other Background Documents:

None

APPENDICES:

Appendix A – Arlingclose Economic & Interest Rate Forecasts December 2025

Appendix B – Existing Investment & Debt Portfolio Position at 31 December 2025

Appendix C – Q3 2025/26 Treasury Management Indicators at 31 December 2025

Appendix D – 50 year Liability Benchmark graph

## **Appendix A – Arlingclose Economic & Interest Rate Forecast December 2025**

### **Underlying assumptions:**

- The Budget signalled further fiscal (tax/spend) tightening across this parliament. Most tax changes take effect from 2028, while welfare and spending start from April 2026. Taken together, the timing of these announcements means the fiscal stance is likely to be slightly looser than expected for the next two years (with increased government spending), before tightening sharply from 2028 (with large tax rises).
- Despite the near-term looser fiscal stance, the new policies add little support for activity in 2026. Even before the Budget, economic data was pointing to a slower growth outlook. Meanwhile, disinflation has been evident and planned government actions on train fares and energy bills will also dampen inflation next year.
- The close vote in November to keep Bank Rate at 4% reflected pre-Budget uncertainty. With no major growth or inflation boosts in the Budget, a cut to 3.75% in December took place.
- Inflation fell to 3.6% in October. Business surveys point to weaker pricing power and household inflation expectations are easing, although they remain high. Wage growth is moderating amid rising unemployment and overall activity is flat. Confidence has been hit by the run-up to the Budget and a strong rebound seems improbable in the near term.
- Weak growth and softer inflation strengthen the case for dovish MPC members to push for further Bank Rate cuts, while undermining arguments of more hawkish members. There will still be questions over whether Government can deliver the fiscal tightening it set out, given a history of U-turns, and timing ahead of the next General Election. The December meeting will offer a clearer view of how divided the MPC really is.
- Risks to the growth and inflation outlook lie to the downside, which if crystallised may ultimately deliver lower Bank Rate than our central case.
- Lower inflation expectations and a tighter fiscal stance have helped bring down gilt yields, especially at the long end. Even so, sustained heavy borrowing across advanced economies, the DMO's move towards issuing

more short-dated gilts and lingering doubts about the government's fiscal plans will keep short to medium yields above the levels implied by interest rate expectations alone.

### Forecast:

- Bank Rate was cut by 0.25% in December to 3.75%.
- Continuing disinflation, rising unemployment, softening wage growth and low confidence suggests that monetary policy will be eased to stimulate activity ahead of incoming fiscal tightening post-2028.
- Arlingclose now expects Bank Rate to be cut to 3.25% by Q2 2026, with risks weighted to the downside.
- Medium and long-term gilt yields continue to incorporate premia for UK government credibility and global uncertainty. These issues may not be resolved quickly and we expect yields to remain higher than would normally be consistent with Bank Rate expectations.
- However, the lower path for Bank Rate maintains the downside risks to Arlingclose's gilt yield forecasts.

	Current	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28
<b>Official Bank Rate</b>													
Upside risk	0.00	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central Case	4.00	3.75	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
Downside risk	0.00	0.00	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
<b>3-month money market rate</b>													
Upside risk	0.00	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central Case	3.90	3.65	3.50	3.40	3.35	3.35	3.35	3.35	3.35	3.35	3.35	3.35	3.35
Downside risk	0.00	0.00	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
<b>5yr gilt yield</b>													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	3.92	3.90	3.85	3.80	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.80	3.80
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
<b>10yr gilt yield</b>													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.48	4.40	4.35	4.30	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.30	4.30
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
<b>20yr gilt yield</b>													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	5.13	4.90	4.85	4.80	4.75	4.75	4.75	4.75	4.75	4.75	4.75	4.80	4.80
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
<b>50yr gilt yield</b>													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.73	4.50	4.50	4.45	4.45	4.45	4.45	4.45	4.45	4.45	4.45	4.50	4.50
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85

- 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 2025

### Treasury investment position

Investments	30/09/2025 Balance	Net movement	31/12/2025 Balance	31/12/2025 Income return	31/12/2025 Weighted average maturity years
	£m	£m	£m	%	
<b>Short term investments</b>					
Banks and building societies:					
- Unsecured	4.9	0.6	5.5	4.05	0.06
Money Market Funds	13.5	4.0	17.5	3.91	0.00
Government:					
- Debt Management Office	3.0	2.0	5.0	3.71	0.14
- UK Treasury bills	4.5	(2.5)	2.0	3.82	0.10
Cash plus funds	1.0	0.0	1.0	4.02	0.00
	<b>26.9</b>	<b>4.1</b>	<b>31.0</b>	<b>3.36</b>	<b>0.04</b>
<b>Long term investments</b>					
Pooled property fund*	5.0	0.0	5.0	4.65	N/A
	<b>5.0</b>	<b>0.0</b>	<b>5.0</b>	<b>4.65</b>	<b>N/A</b>
<b>TOTAL INVESTMENTS</b>	<b>31.9</b>	<b>4.1</b>	<b>36.0</b>	<b>4.00</b>	<b>0.04</b>

\* The rate provided for the pooled property fund investment is reflective of annualised income returns over the year to 31 December 2025 based on the market value of investments 12 months earlier.

### Treasury management position

	31/12/2025 Balance £m	31/12/2025 Rate %
External borrowing:		
- PWLB	(159.4)	3.33
Investments		
- Total investments	36.0	4.00
<b>Net (Debt) / Investments</b>	<b>(123.4)</b>	

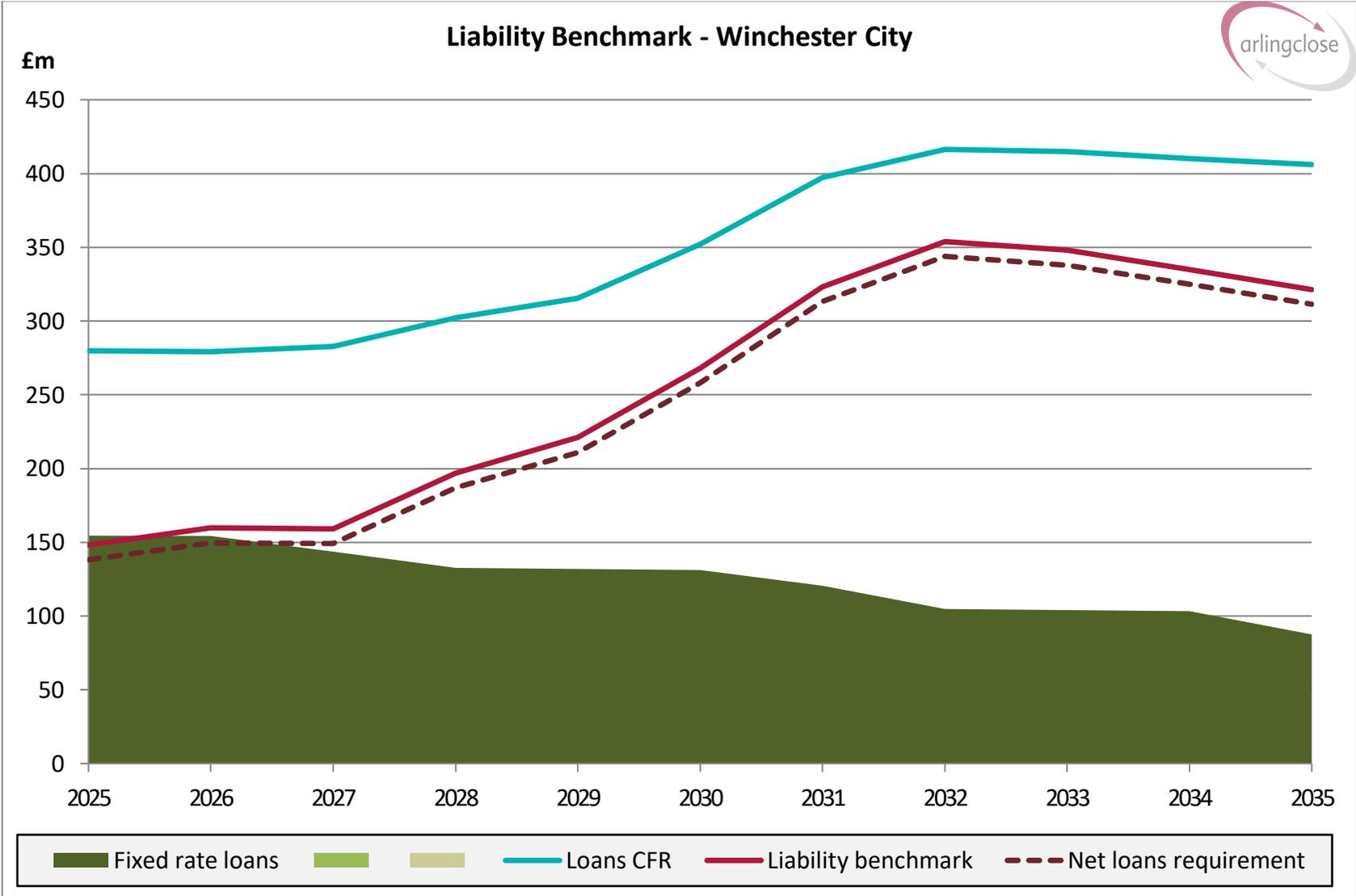
### Appendix C - Q3 2025/26 Treasury Management Indicators at 31 December 2025

Debt limits	2025/26 Maximum £m	31/12/25 Actual £m	2025/26 Operational Boundary £m	2025/26 Authorised Limit £m	Complied?
External borrowing	(159.4)	(159.4)	(295.5)	(309.1)	✓
Leases and other debt liabilities	(3.3)	(3.3)	(4.5)	(5.0)	✓
<b>Total debt</b>	<b>(161.9)</b>	<b>(161.8)</b>	<b>(300.0)</b>	<b>(314.1)</b>	✓

Refinancing rate risk indicator	31/12/25 Actual	Upper Limit	Lower Limit	Complied
Under 12 months	4%	25%	0%	✓
12 months and within 24 months	7%	25%	0%	✓
24 months and within 5 years	8%	25%	0%	✓
5 years and within 10 years	27%	30%	0%	✓
10 years and within 20 years	13%	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	2025/26 £m	2026/27 £m	2027/28 £m	No fixed date £m
Actual principal invested beyond year end	-	-	-	£5m
Limit on principal invested beyond year end	£20m	£20m	£20m	£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
<b>Meeting 10 February 2026</b>				
1	Treasury Management Strategy 26/27	Liz Keys	10 Feb 2026	12 Feb 2026
2	Capital Investment Strategy 26-36	Liz Keys	10 Feb 2026	12 Feb 2026
3	Housing Revenue Account (HRA) Budget 26/27	Liz Keys	10 Feb 2026	12 Feb 2026
4	General Fund Budget 26/27	Liz Keys	10 Feb 2026	12 Feb 2026
5	Task & Finish Group (Planning Enforcement) Reporting Back	Julie Pinnock	10 Feb 2026	n/a
<b>Meeting 4 March 2026</b>				
6	Community Safety Partnership Performance Review	Sandra Tuddenham	4 Mar 2026	n/a
7	Q3 Finance & Performance Monitoring	Simon Howson	4 Mar 2026	12 Mar 2026
<b>Meeting 11 March 2026</b>				
8	Central Winchester Regeneration (CWR) - delivery options	Ken Baikie	11 Mar 2026	16 Mar 2026

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## Forward Plan of Key Decisions

1 March 2026 – 31 May 2026

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](mailto: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](mailto: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**

1	Future of Waste and Recycling	Cabinet Member for Recycling & Public Protection	Yes	All Wards	Campbell Williams	Cabinet report	Cabinet	Mar-26	12-Mar-26	Open	
page 181	Tourism Strategy	Cabinet Member for Business & Culture	Yes	All Wards	Susan Robbins	Cabinet report	Cabinet	Mar-26	12-Mar-26	Open	
	3	Community Infrastructure Levy (CIL) Funding Allocations for Community Projects	Cabinet Member for Place & Local Plan	Yes	All Wards	Steve Lincoln	Cabinet report	Cabinet	Mar-26	12-Mar-26	Open
	4	Risk Management Policy 2026/27	Cabinet Member for Finance and Transformation	Yes	All Wards	Gareth John	Cabinet report	Cabinet	Mar-26	12-Mar-26	Open

	Item	Cabinet Member	Key Decision	Wards Affected	Lead Officer	Documents submitted to decision taker	Decision taker (Cabinet, Cabinet Member or Officer)	Date/period decision to be taken	Committee Date (if applicable)	Open/private meeting or document? If private meeting, include relevant exempt paragraph number	
	5	South Downs Agency agreement	Cabinet Member for Place & Local Plan	Yes	All Wards	Julie Pinnock	Cabinet report	Cabinet	Mar-26	12-Mar-26	Open
Page 182	6	Q3 Finance & Performance Monitoring	Cabinet Member for Finance and Transformation	Yes	All Wards	Simon Howson	Cabinet report	Cabinet	Mar-26	12-Mar-26	Open
		Community Resilience Strategy	Cabinet Member for Healthy Communities	Yes	All Wards	Steve Lincoln	Cabinet report	Cabinet	Mar-26	12-Mar-26	Open
	8	Central Winchester Regeneration (CWR) - delivery options	Cabinet Member for Regeneration	Yes	All Wards	Ken Baikie	Cabinet report	Cabinet	Mar-26	16-Mar-26	Part exempt 3

## Section B

### Decisions made by individual Cabinet Members

	9	Winchester Sports Facility Assessment and Playing Pitch Strategy 2025-2040 (DD89)	Cabinet Member for Healthy Communities	Yes	All Wards	Steve Lincoln	Cabinet member decision report	Cabinet Member for Healthy Communities Decision Day	Mar-26	20-Mar-26	Open
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	Item	Cabinet Member	Key Decision	Wards Affected	Lead Officer	Documents submitted to decision taker	Decision taker (Cabinet, Cabinet Member or Officer)	Date/period decision to be taken	Committee Date (if applicable)	Open/private meeting or document? If private meeting, include relevant exempt paragraph number
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**Section C**

**Decisions made by Officers**

Page 183	10	Treasury Management - decisions in accordance with the Council's approved strategy and policy	Cabinet Member for Finance and Transformation	Yes	All Wards	Designated HCC Finance staff, daily	Designated working papers	Designated HCC Finance staff, daily	Mar-26	Mar-26	Open
		Core Funding Grants 26/27	Cabinet Member for Healthy Communities	Yes	All Wards	Steve Lincoln	Officer decision report	Corporate Head of Economy & Community	Mar-26	Mar-26	Open

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