

REPORT TITLE: GENERAL FUND OUTTURN 20/21

21 JULY 2021

REPORT OF CABINET MEMBER: Councillor Neil Cutler – Deputy Leader and Cabinet Member for Finance and Risk

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WARD(S): ALL

PURPOSE

This report provides an overview of the General Fund Revenue outturn and Capital Programme outturn for 2020/21.

The Council faced an urgent need to agree a revised budget in September 2020 as a result of the impact of Covid 19 and to address a potential shortfall of up to £10.7m. This challenging position for the Council's finances was addressed by achieving significant "in year" savings; timing and funding changes to the capital programme; and through Government grant (with additional grant announced after the revised budget had been agreed). The final budget outturn set out in this report includes a net revenue surplus of £1.2m compared to the revised budget, which has resulted in a lower than budgeted transfer from reserves to maintain a balanced position.

The report details the transfers required to and from earmarked reserves and also proposes a spending plan for the Homelessness Prevention Grant (recently confirmed at £330,095 for 2021/22).

RECOMMENDATIONS:

That Cabinet:

1. Note the General Fund Revenue Outturn and Capital Programme Outturn as set out in the report;
2. Agree the transfers to/from the Major Investment Reserve and other earmarked reserves and note the reserves and closing balances at 31 March 2021 (as set out in Appendix 2);

3. Agree the detailed budget allocations of the 2021/22 Homelessness Prevention Grant, shown in section 18 below.
4. Approve the revised 2021/22 capital programme detailed in appendix 5, including the removal of the Digital Signage Pilot budget as set out in paragraph 21.3 and subject to the outcome of report CAB3303 regarding Central Winchester Regeneration, elsewhere on the agenda.
5. Note the revised 2021-2031 capital programme as set out in appendix 6.

## IMPLICATIONS:

### 1 COUNCIL PLAN OUTCOME

- 1.1 The budget approved in February 2020 (CAB3211 refers) directly supported the delivery of all outcomes set out in the Council Plan.

### 2 FINANCIAL IMPLICATIONS

- 2.1 As set out in the report.

### 3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 Local authorities are required by law to have a balanced budget. However, what is meant by 'balanced' is not defined in law and chief finance officers are to use their professional judgement to ensure that the local authority's budget is balanced, robust and sustainable.

- 3.2 The Local Government Act 1972 (Section 151) makes the Chief Financial Officer responsible for the proper administration of the Council's financial affairs. The responsibilities of the Chief Finance Officer, in particular in relation to section 114 notices, are set out primarily in section 151 of the Local Government Act 1972.

- 3.3 All Members and officers have a general responsibility which is a fiduciary duty to residents to take reasonable action to provide for the security of the assets under their control and for ensuring that the use of these resources is legal, is properly authorised and achieves value for money. In doing so proper consideration must be given at all times to matters of probity and propriety in managing the assets, income and expenditure of the Council.

### 4 WORKFORCE IMPLICATIONS

- 4.1 The outturn position set out in this report reflects reductions in the staffing establishment in relation to the Guildhall operation and the removal of 20 posts as part of the savings required to set the 2021/22 budget in February 2021 (CAB3289 refers).

### 5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 The revised budget approved in September 2020 included a proposal not to make additional revenue contributions to the Council's Asset Management reserve until further notice and the earmarked reserves position set out in Appendix 2 reflects this decision.

### 6 CONSULTATION AND COMMUNICATION

- 6.1 The 2020/21 budget was set in February 2020 (CAB3211) and this followed extensive consultation with stakeholders. The budget options were presented to the local council briefing in November 2019 and to the Chamber of

Commerce/BID business briefing in December 2019. This was followed by the online budget consultation which received 610 responses. A report analysing the responses and comments is available on the Council's website. Responses to the online survey were very considered and helpful in determining which options to bring forward for approval.

- 6.2 The revised 2020/21 general fund budget and associated savings options were communicated to staff (in all staff briefings); Unison (where there were staffing implications); and members (through an all-member briefing in July 2020 and the resulting scrutiny and cabinet reports CAB3256)

## 7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 Whilst a number of changes were made the original budget in September 2020, the provision to support the Carbon Neutrality programme was maintained and has supported a significant number of projects and initiatives.

## 8 EQUALITY IMPACT ASSESSEMENT

- 8.1 Whilst there are no actions which arise directly from this report, officers have regard to the considerations as set out in the Equalities Act 2010 and whether an equality impact assessment will be required to be undertaken at the time of implementation on any specific recommendations.

- 8.2 The purpose of the Homelessness Prevention Grant is to assist the council to support residents who are facing housing problems and are vulnerable to becoming homeless. The individuals who share certain protected characteristic are more likely to be the beneficiary of the implementation of such schemes made possible through the recommended grant allocations and are therefore likely to be affected in a positive way through the approval of the recommendations within this report.

## 9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 None required

## 10 RISK MANAGEMENT

| <b>Risk</b>  | <b>Mitigation</b>   | <b>Opportunities</b>  |
|--|---|---|
| <i>Financial</i><br>Budget deficit or unforeseen under or overspends | Regular monitoring of budgets and financial position including forecasting to year end to avoid unplanned over/underspends. | Early notification of unplanned under / overspends through regular monitoring allows time for plans to be put in place to bring the finances back into line with budget forecast. |
| <i>Legal</i><br>Risk that Covid 19                                   | Enhanced monitoring of  |   |

| Risk   | Mitigation  | Opportunities  |
|--|---|--|
| impact on budgets is so severe that the Council cannot balance the budget and is at risk of needing to issue a s114 notice.  | key at-risk areas (including parking and commercial rent income).   |  |
| <i>Team capacity</i><br>Availability of staff to effectively monitor budgets and produce / report on outturn.  | Resources to deliver projects are discussed at the project planning stage and agreed by the project board and monitored by the Programme and Capital Strategy Board | Opportunities present themselves for staff to get involved in projects outside their normal role enabling them to expand their knowledge and skills base as well as working with others. |
| <i>Achievement of outcome</i><br>Risk that the balanced budget and stable finances required by the Your services, your voice Council Plan priority is not achieved or is not perceived to be open and transparent. | Through the quarterly monitoring reports, officers and members can monitor the ongoing financial position.  |  |

## 11 SUPPORTING INFORMATION:

### General Fund Revenue

- 11.1 The pandemic placed huge uncertainties on local government finances, particularly in relation to commercial and parking income, leisure operating costs and council tax and business rate collection. Without additional government funding to support losses, many local authorities expressed they would potentially face the need to issue a section 114 notice (the mechanism through which local authorities report that they are unlikely to achieve a balanced budget for the financial year). At least one such notice was issued last year and another has been issued in recent weeks.
- 11.2 The original budget for 2020/21 was approved at Council in February 2020. The council's response to Coronavirus was set out in the Cabinet report CAB3244 dated 21 May 2020 and led to a revised budget as set out in Cabinet report CAB3256 dated 16 September 2020.
- 11.3 The revised budget set out a central case forecast deficit of £10.7m (with a range of £7.5m - £12.7m) before government funding and other mitigating measures such as reductions in revenue expenditure.

- 11.4 This challenging position for the Council's finances was addressed by achieving significant "in year" savings; timing and funding changes to the capital programme; and through Government grant (with additional grant announced after the revised budget was agreed).
- 11.5 Financial projections were kept under constant review during the year with estimates of the financial impacts of Covid 19 submitted to government on a monthly basis. These updated estimates were reported to Cabinet in the quarterly finance and performance monitoring reports, indicating a reduction to the revised budget forecast deficit (and therefore the required use of reserves) of £1.26m caused mainly by additional interest receivable and lower forecast income reductions for the year.
- 11.6 The final revenue outturn shown in Appendix 1 shows a reduction in the required use of reserves compared to the revised budget of £1.20m, which has effectively reduced the need to balance the budget by a transfer from the Transitional Reserve. This has been achieved through additional income receivable for the year and lower than forecast reductions in income, notably commercial rental income, which held up better than had been projected.

## 12 Impact on the collection fund

- 12.1 The Council acts as billing authority for the Winchester district and is therefore responsible for the collection of business rates and council tax on behalf of Hampshire County Council, Police and Fire authorities, parish councils and Central Government.
- 12.2 **Council Tax** - In January, the Council forecast a collection rate of 99% based on previous experience of collection rates across the district. The impact of Covid led to a small reduction in collection rates to 98.31% which has caused a small budget deficit for the year of £31k. The risk of rising costs of the Council Tax Reduction scheme, flagged in the revised budget in September 2020, did not materialise into a shortfall in the collection fund.
- 12.3 **Business Rates** - Total collectable business rates of over £60m were originally forecast for 2020/21. Government reliefs, reimbursed to local government through S31 grants, were substantial and this has mitigated against some of the risk of reduced collection. However, there has still been a negative impact of £1.2m for the year. This has been caused by the loss of growth in NNDR which is built into the baseline collection forecast for the year, as well as an increase in bad debts which have only been partially compensated by government.

## 13 Revenue Income Budget Variances

- 13.1 Total general fund service income was originally budgeted at £13.4m for 2020/21. An outturn of £7.0m sees a reduction of £6.4m, almost a 50% reduction in the income we had originally expected to receive. As detailed in paragraph 15.1b) below, total claims for the year of £3.7m have been made

against the government's Sales, Fees and Charges compensation scheme. This scheme provides compensation of 75% of lost income after an initial deduction of 5%.

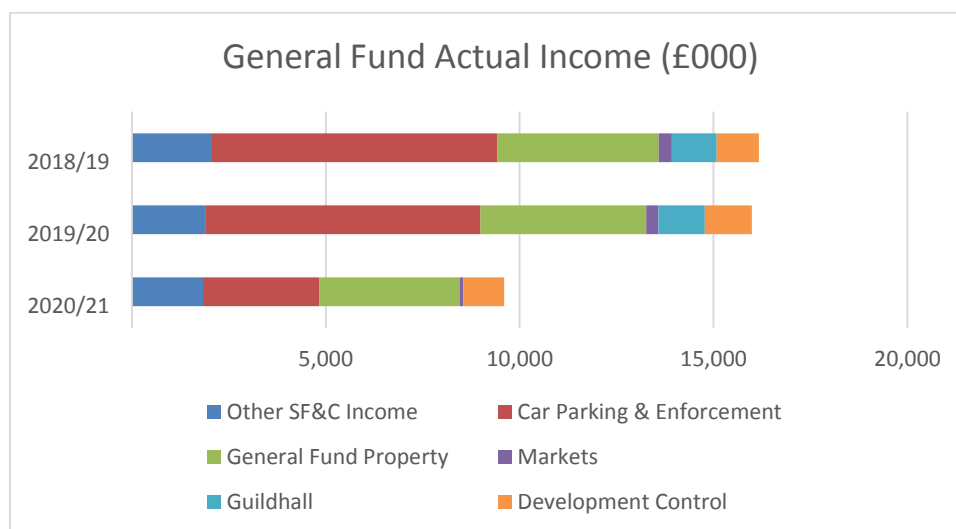
13.2 The most significant reductions in income are shown below, car parking is by far the most significant source of income and has also been the most severely impacted by Covid 19 restrictions.

- a) Car Parking – an outturn of £3m of gross income against an original budget of £8m for the year, a total shortfall of £5m (a 62.5% shortfall).
- b) General Fund Property income – an outturn of £3.6m against an original budget of £4.4m, a total shortfall of £0.8m.
- c) Markets – an outturn of £86k against an original budget of £340k, a total shortfall of £254k.
- d) Guildhall – with no fee and charge income collected in 2020/21, a gross income loss of £225k was reported to the end of July. As the decision was taken not to re-open the Guildhall and further approval was subsequently made to change the running of it, no further losses were reported to the end of the year. Income from the letting of parts of the Guildhall to HMCTS amounted to £193k for the financial year 2020/21, with further income continuing in 2021/22.
- e) Development Control – an outturn of £981k against an original budget of £1.164m, a gross income shortfall of £183k.

13.3 An overall underspend of £1.295m within 'Investment Activity' is broken down as:

- a) Net Interest Receivable outturn was £0.610m higher than the budgeted net payable position. The reasons for this are much higher than budgeted cash balances due to government covid support grants, re-profiling of the capital programme leading to higher than expected cash balances, and higher than budgeted investment returns.
- b) Minimum Revenue Provision has increased by £0.317m due to a planned accounting adjustment to capital expenditure to write-off to revenue the capitalised costs relating to the former Station Approach scheme. Future proposals for development will be subject to re-appraisal once further details are known.
- c) Net Investment Property Income was reduced substantially at revised budget due to strong concerns over the collection of rents during 2020/21 and particularly during closure periods. A favourable outturn of £1.002m is partly due to lower expenditure on property maintenance (c£0.2m) and mainly due to higher than budgeted rent collection. A decision to bring forward the transfer of garages from the HRA to General Fund also brought a benefit of c£0.2m.

13.4 The below graph highlights the scale of the income reduction in 2020/21 compared to recent years:



## 14 Service level outturn

14.1 The below table shows the revenue outturn position by service areas, along with a high level variance analysis below in 14.2. The net underspend of £6.9m compared to the revised budget is broken down into a £3.6m underspend on one-off projects, £2.0m additional covid business grants which will be spent in 2021/22, leaving a net baseline underspend of £1.3m.

|                                | Original Budget | Revised Budget (RB) | Outturn         | Variance to RB |
|--------------------------------|-----------------|---------------------|-----------------|----------------|
| <b>NET Service Expenditure</b> |                 |                     |                 |                |
| Housing                        | (2,197)         | (2,142)             | (1,765)         | 378            |
| Environment                    | (5,936)         | (11,527)            | (9,604)         | 1,923          |
| Health and Happiness           | (2,301)         | (2,377)             | (2,533)         | (157)          |
| Business                       | (1,744)         | (1,879)             | 465             | 2,345          |
| Operational Delivery           | (3,263)         | (4,830)             | (2,667)         | 2,164          |
| Organisational Management      | (4,646)         | (5,123)             | (4,988)         | 135            |
|                                | <b>(20,088)</b> | <b>(27,879)</b>     | <b>(21,092)</b> | <b>6,787</b>   |

14.2 Service outturn variance analysis:

- a) Housing – an outturn favourable budget variance was mainly caused by a timing change in homelessness prevention one-off budget plans. The underspend in homelessness prevention has been transferred into the new burdens earmarked reserve for future plans.
- b) Environment – an outturn favourable budget variance was mainly caused by in-year underspends on one-off budgets such as climate



change, CIL projects, and car parks maintenance. These budgets are funded by earmarked reserves and the funds therefore remain available for future use.

- c) Business – a favourable outturn budget variance was mainly caused by a timing difference with discretionary Covid grants which were received in 2020/21 and are due to be paid out to businesses in 2021/22.

Operational Delivery – a favourable outturn budget variance was mainly caused by in-year underspends on major projects such as Central Winchester, Station Approach, and the New Leisure Centre. These budgets are funded by earmarked reserves and the funds therefore remain available for future use. Additional income from the letting of the Guildhall also contributed towards the favourable variance identified above.

## 15 Government financial support

- 15.1 The Government distributed a number of specific support packages including grants for local councils to meet additional “Covid 19 related” costs. The city council has received/claimed during 2020/21:

|  | £000  |
|--|-------|
| a) P&R Bus Subsidy received through HCC<br>(received so far and relating up to 28/09/2020) | 289   |
| b) Sales, Fees and Charges compensation claims   | 3,723 |
| c) General non-specific grants towards expenditure   | 1,500 |
| d) Council Tax Income Guarantee Scheme   | 59    |
| e) Rough Sleeping Grant  | 143   |
| f) National Leisure Recovery Fund<br>(a proportion of this income relates to 2021/22)      | 220   |
| g) Compliance and Enforcement Grant  | 45    |
| h) Contain Outbreak Management Fund  | 125   |
| i) Local Response Centre   | 81    |
| j) Test and Trace Grants   | 140   |
| k) Clinically Extremely Vulnerable Funding   | 86    |
| l) High Street Fund  | 111   |
| m) Emergency Assistance Grant  | 76    |

- 15.2 A total of £190k of Covid 19 government financial support remained unspent at the end of the year. This was expected given a number of grants were received at the end of the financial year and will be transferred to the new burdens earmarked reserve and used to finance Covid 19 recovery costs in 2021/22.

## 16 In year revenue saving measures

- 16.1 In order to deal with the very challenging revised financial forecast for 2020/21, £1.074m of spending reductions were identified in the revised budget which made a significant contribution towards addressing the forecast

deficit. The proposals as presented in the revised budget are summarised below:

|                           | <u>£000</u>  |
|---------------------------|--------------|
| Environment               | 148          |
| Health and Happiness      | 24           |
| Business                  | 28           |
| Operational Delivery      | 346          |
| Organisational Management | 528          |
|                           | <u>1,074</u> |

- 16.2 Careful budget management ensured that the target expenditure savings of £1.074m were achieved, helping to minimise the use of reserves to fund the additional net costs for the year compared to the original budget.

## 17 Earmarked Reserves

- 17.1 General Fund earmarked reserve balances have increased from £28.4m at April 2020 to £34.0m at the end of March 2021. This temporary increase of £5.6m is largely due to:

- a) Discretionary Covid 19 Grants - £2m has been transferred to a new earmarked reserve in order to ensure this funding is matched to the expenditure in 2021/22. All of this grant is either now spent or committed but the timing of receipt of the grant means the funding is recognised in 2020/21 and spent in 2021/22.
- b) Community Infrastructure Levy - £2.2m has been transferred to the town and district reserves and is ringfenced for future spend on CIL appropriate projects.
- c) Business Rates Retention - £0.9m has been transferred to the BRR reserve in order to fund the collection fund deficit resulting from 2020/21. Due to the complex accounting in the collection fund the impact of the deficit will not be felt until 2021/22; the use of the reserve is to match-off the funding and the impact.

- 17.2 Earmarked reserves remain heavily committed towards existing projects or for asset management purposes. The major investment reserve is the most flexible available reserve and is forecast to reduce to a balance of £1.6m by 2024/25. This is low by historical standards and the medium term financial strategy will look to ensure that sufficient reserves remain available to support the Council Plan as well as emergent issues of high importance. The transitional reserve is available to support this process.

- 17.3 Earmarked reserve balances are set out in appendix 2. The 'operational reserves' balance totals £8.9m at the end of 2020/21.

## 18 Allocation of the 2021/22 Homelessness Prevention Grant

- 18.1 The 2021/22 Homelessness Prevention Grant of £300,095 allocated by the Ministry of Housing, Communities and Local Government (MHCLG) give local authorities control and flexibility in managing homelessness pressures and supporting those who are at risk of homelessness. The budget was approved by Council in February and this section sets out for discussion the proposed spending plans to prevent homelessness and to support the most excluded within our communities.
- 18.2 The Homelessness Prevention Grant spending plan for 2021/22 focuses on the positive changes in service delivery that have come about during the pandemic and which will support homelessness recovery plans.
- 18.3 **Social Inclusion Grant:** The council currently co-commission with Hampshire County Council (HHC) accommodation and support for the most complex single homeless households. A small contribution of £50,000 secured from the Homelessness Prevention Grant helps support the provision of 32 units of accommodation at West View House and the Sussex Street housing first provision. Due to the challenges of Covid 19 over the past year HCC have extended the contract until March 2023. The co-commission of services with HHC ensures that there is suitable accommodation available to prevent people from sleeping rough and to target support for those most in need. Proposed spending budget of £50,000 for 2021/22.
- 18.4 **Flexible Prevention Fund:** The provision of a flexible prevention fund of £50,000 for front line Housing Options Officers to help prevent and relieve homelessness through spend-to save initiatives increasing efficiency and lowering long term costs. Early intervention and engagement tactics can prevent homelessness and keep people in their homes with officers having timely access to a flexible spending budget. The fund could provide households facing homelessness with financial help to pay court costs to secure a stay of eviction. To help clear historic or current rent arrears to prevent households threatened with homelessness falling into debt by borrowing from high-interest loan providers. Provide support to digitally connect homeless households to the internet, providing mobile devices to access essential government welfare benefits and health services. Proposed spending budget of £50,000 for 2021/22.
- 18.5 **Severe Weather Emergency Provision:** The Council has responsibility to deliver Severe Weather Emergency Provision (SWEP) to ensure a form of emergency accommodation is available to anyone sleeping rough during periods of severe cold or hot weather to keep them safe from the elements. Following Covid 19 the government advised local councils that shared sleeping spaces are no longer appropriate. In previous years the council has commissioned various local providers to provide dormitory style accommodation during SWEP but this is no longer appropriate provision and councils are instead expected to provide self-contained provision. Trinity Winchester and the Winchester Churches Night shelter are reviewing their

accommodation options and there will be opportunities for them to offer SWEP emergency self-contained accommodation. A budget of £15,000 will be required to cover incurred partner agency SWEP costs and to include supplementing accommodation offers through local hotel provision. Proposed spending budget of £15,000 for 2021/22.

- 18.6 **Young Persons Emergency Beds:** To continue to fund 2 emergency beds with high level support for local vulnerable young people aged 17 to 21 at Westgate Place an A2 Dominion supported housing project. The intensive support is currently commissioned by Hampshire County Council. Proposed spending budget of £10,000 for 2021/22.
- 18.7 **Housing Jigsaw Module:** The MRI Housing Jigsaw software system manages the front-line housing options service helping to prevent homeless. A new module 'Rise' provides a platform designed to support local councils, the voluntary sector and wider partners to manage and monitor rough sleeping pathways and outreach work. Proposed spending budget of £10,000 for 2021/22.
- 18.8 **Staffing Resources.** The Homelessness Reduction Act 2017 and Covid 19 has placed a number of additional burdens and responsibilities on the Housing Options Teams. Most other Hampshire Authorities have since increased staffing resources to support service delivery. The council has remained operating with the same number of officers in place prior to the additional responsibilities introduced through both legislation and the pandemic. Comparisons of staffing resources have been made with Eastleigh Borough Council and East Hampshire Borough Council which have the nearest comparators in terms of homelessness prevention and relief duties but who have less single homeless complex need customers. It is expected that homelessness presentations are likely to increase due to the end of government furlough financial assistance schemes, paused evictions from within the private rented housing sector and potential mortgage debt. To resource an additional full time Housing options and a support officer role, recruited on a fixed term basis via the Homelessness Preventing Grant will provide extra support and assistance to a further 30 to 40 residents and improve resilience within the team. Proposed spending budget of £102,550 for a 2 year period.

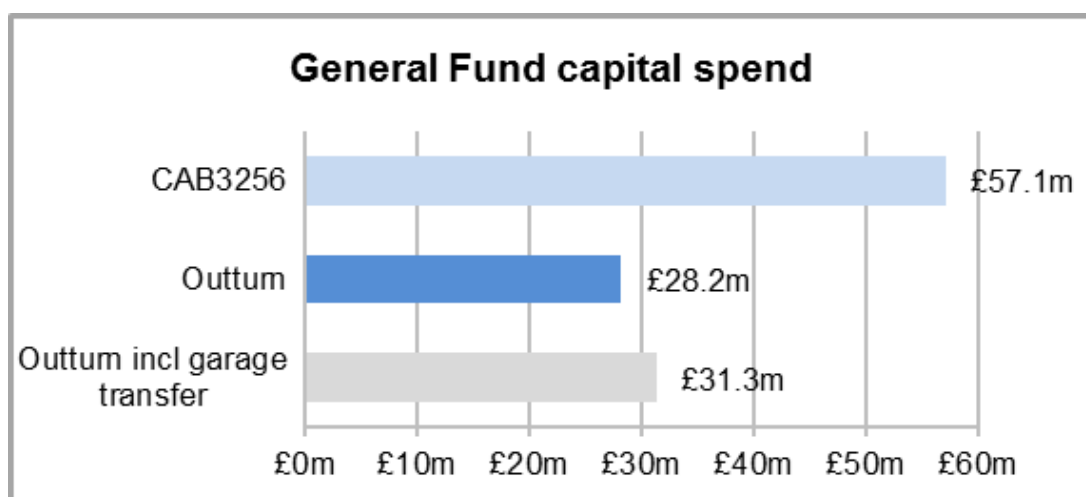
Homelessness Staffing Resource Comparison:

| Local Authority | Staffing Resource   | Caseload |
|-----------------|---------------------|----------|
| WCC             | 4 FT officers       | 155      |
| EHBC            | 5 FT /1 PT officers | 146      |
| EBC             | 6 FT officers       | 119      |

- 18.9 If agreed, the above spending plan will leave contingency provision of £62,054 to allow flexibility to respond to future needs.

## 19 General Fund Capital

- 19.1 Total capital expenditure in year was £48.6m - of which £20.4m relates to the Housing Revenue Account (HRA). The detailed HRA outturn is reported separately to Cabinet (CAB3308).
- 19.2 General Fund capital expenditure amounted to £28.2m. This compares to an original budget of £56.6m, set in February 2020 (CAB3209) and a revised budget of £57.1m (including 'brought forwards') set in September 2020 (CAB3256). Following subsequent approvals and reprogramming, the forecast expenditure was amended to £34.5m in February 2021. Further details by project are provided in Appendix 4.
- 19.3 An estimate of £4.0m was included in the General Fund capital budget for the transfer of garages from the Housing Revenue Account. However, as there is no third party transaction, the 'acquisition' by the General Fund is not treated as expenditure; instead the transaction is accounted for by a reduction in the HRA's borrowing need (Capital Financing Requirement) and a corresponding increase in the General Fund's borrowing need. In effect this has the same consequence as a capital purchase and receipt in that the GF will need to finance the transfer and the HRA will be able to use the reduction to finance new capital spend. The actual value of the transfer was £3.1m.
- 19.4 Also included in the budget was £18m in respect of the Strategic Asset Purchase Scheme (SAPS). When the scheme was approved by Council a SAPS Board was created which includes members and officers; the board receives recommendations of potential purchases and the s151 officer has delegated authority to make acquisitions up to £4m following discussions with the board, subject to due diligence, or recommend to Cabinet and Council to approve for acquisitions above £4m. During the course of the financial year, the challenging economic conditions and uncertainty resulted in no suitable purchases being identified and this budget has therefore been carried forward into the 2021/22 financial year.



## 20 Key projects

20.1 The following are some of the key projects undertaken in 2020/21:

i. **New Sport & Leisure Park** *Total Budget: £43.24m*

*Expenditure: Prior years £18.1m 2020/21 £23.6m Total £41.7m*

Work commenced on site in 2019 and, despite the significant challenges presented by Covid 19, significant progress had been made by the end of the financial year and the new park officially opened on 29<sup>th</sup> May 2021.

ii. **Disabled Facilities Grants** *Total Budget: £1.28m*

*Expenditure: recurring 2020/21 £0.94m*

Expenditure on disabled facilities grants is to enable adaptations to be undertaken within the homes of individuals in the private sector or in housing association properties who are not necessarily registered as disabled (although they can be) but additionally for those who have a serious illness or physical condition that impairs mobility. The adaptations undertaken enable individuals to stay in their own homes by, for example, providing access to suitable toilet and/or washing facilities; making it easier to get in and out and around their home by having doors widened; installing ramps and stair lifts; or adapting heating and lighting controls to make them easier to use.

In 2020/21 the Private Sector Housing (PSH) Team approved over 50 DFG applications thus preventing many people from having to go into hospital or care homes and keeping families together.

iii. **Durngate flood alleviation scheme** *Total Budget: £1.6m*

*Expenditure: Prior years £0.32m 2020/21 £1.04m Total £1.36m*

The Durngate scheme is the second phase of the North Winchester Flood Alleviation Scheme and focuses on the area around the Durngate Bridge, the Trinity Centre and Durngate Terrace, and is jointly funded by the City Council and the Environment Agency. When completed the scheme will provide various flood defences along the River Itchen and will support the council to control and maximise the flow of water safely through the city, and as a result will help multiple residential and commercial properties throughout the city centre.

The infrastructure for the scheme is now complete; however, there are off-site mitigation works to be done and the signing-off of the planning conditions.

iv. **Garden waste bins** *Total Budget: £0.5m*

*Expenditure: Prior years £nil 2020/21 £0.44m Total £0.44m*

The garden waste service was launched in February 2021 with garden waste bins of 140l and 240l available for residents to purchase either online or via

the Customer Service Centre, with Biffa delivering them to households. The launch has been a great success with over 20,000 subscriptions to the garden waste service. In 2021/22 an additional £100,000 was approved increasing the total budget to £0.5m.

v. **Coventry House (formerly Vaultex)** *Total Budget: £6.45m*

*Expenditure: Prior years £0.12m 2020/21 £0.62m Total £0.74m*

Following the purchase of Coventry House in 2018/19 (for £1.68m), the site was leased back to its original owners for 12 months. Following their vacation of the site, the building was demolished, at a cost of £115,000, in 2019/20. Since then the council has been awarded a £5.65m grant from the Enterprise M3 Local Enterprise Partnership (LEP) toward creating additional Park & Ride spaces to the east of the city centre. The former Vaultex site at Barfield Close will provide around 300 spaces to reduce traffic in the city – linking in with the aims of the City of Winchester Movement Strategy and supporting the city council's pledge to become a carbon neutral council by 2024, with the whole district becoming carbon neutral by 2030. Photovoltaic panels and electric vehicle charging points also feature in the plans for the site. The project is expected to be completed in 2022. The construction will include a green 'living wall' to help improve air quality and minimise the visual impact of the car park.

vi. **Bishop's Waltham Depot** *Total Budget: £1.775m*

*Expenditure: Prior years £0.07m 2020/21 £0.13m Total £0.2m*

The redevelopment of the former depot at Bishop's Waltham involves the construction of three new terraced industrial units, including hard and soft landscaping, and will provide much needed entry level accommodation for small businesses as well providing a small annual return to the council. The existing building was demolished in September 2020 and LST Construction have been appointed to undertake the construction of the new units. Works commenced in March 2021 and are anticipated to be completed by end of 2021. Works are progressing well and, with ground works completed, the steel frame is due to be erected in July 2021. The fire brigade are due to occupy one of the units, with tenants being considered for the remaining two units.

vii. **EV Charging Points** *Total Budget: £120,000*

*Expenditure: Prior years £nil 2020/21 £102,000 Total: £102,000*

The installation of EV charging points (EVCP) across the district is estimated to contribute to a reduction of 287,000 tonnes of carbon emissions annually. All 34 EVCP on council owned sites have been installed. Due to unforeseen logistical challenges there have been delays in the installation of EVCP at Alresford Station car park and St Peter's car park. However, recent developments mean that both should be installed by the end of July and by the end of the 2<sup>nd</sup> quarter of 2021/22 at the latest.

viii. **Guildhall Café** *Total Budget: £270,000*

*Expenditure: Prior years £nil      2020/21 £177,000      Total: £177,000*

Work commenced in October 2020 to convert the former eighteen71 café into a self-contained unit for lease to a food and beverage tenant. This will generate significant savings on existing operating costs and provide a new rental income for the council. Significant progress was made in 2020/21 and the works have since been completed at the beginning of June 2021. The new tenants, Shoal, offer traditional British fish and chips in a restaurant setting and for takeaway.

ix. **Meadowside leisure centre** *Total Budget: £65,000*

*Expenditure: Prior years £nil      2020/21 £54,000      Total: £54,000*

A total budget of £65,000 was allocated to strengthen the upper floor to accommodate heavier loads (£40,000) and install ventilation fans (£25,000). The works will allow the centre to operate more commercially and give much greater flexibility of use for the remainder of the building. The improved ventilation assists in getting the centre operating more fully in line with ongoing Covid restrictions.

The ventilation fans were installed to budget while the floor was strengthened at a cost of £29,000 meaning that £11,000 can be released back to the capital receipts reserve for allocation to other projects.

x. **Chilcomb pavilion** *Total Budget: £135,000*

*Expenditure: Prior years £41,000 2020/21 £92,000      Total: £133,000*

Extensive renovation works were undertaken on the facilities at the sports ground. As well as improvements externally, internal works included updated lighting and heating, upgrades to the kitchen, changing rooms and skittle alley. As a result, the facility is ready to hire for events bringing additional income to the council as well as providing an enhanced experience for sports users.

Works were completed £2,000 under budget which can be released back to CIL for use on other projects.

20.2 In addition to the projects detailed above, there was spend on several other projects such as phase 1 remedial works to the Weirs and capital grants to Hyde Housing Association, Winchester Science Centre, and Winchester Hospice. Further detail is provided in Appendix 4.

21 Reforecast of capital programme

21.1 The 2021/22 capital programme has been reforecast to include adjustments made for brought forward budgets from 2020/21 and other adjustments such



as budget reductions following tender for example. However, the programme shown in Appendices 5 and 6 does not include adjustments recommended in report CAB3303 elsewhere on the agenda. If the supplementary estimate for additional activation works at Kings Walk as part of the Central Winchester Regeneration are approved, the additional budget will be included as an approved scheme in the 2021/22 capital programme.

- 21.2 With the exception of budgets funded by external grant or unfinanced (prudential borrowing), reduced budgets result in funding being released back to earmarked reserves or the capital receipts reserve where it becomes available to fund future projects.
- 21.3 In 2020/21 a £35,000 budget, funded by prudential borrowing, was allocated for a Digital Signage Pilot with the intention to install three signs: one freestanding sign at the entrance to the Guildhall; one wall mounted sign on the wall at the TIC entrances; and one internal screen on the Boardroom windows. The original business case for this investment was made some time ago and, following the significant impact of Covid-19 over the last year, needs to be revised based on current and future advertising income projections from a sector so badly impacted by the COVID measures. The budget will therefore not be carried forward to 2021/22 and a revised business case and budget allocation will be brought forward in the future if appropriate.
- 21.4 Full details of all changes to the 2021/22 capital programme are provided in Appendix 5 and the impact on the overall 10 year capital programme is provided at Appendix 6.

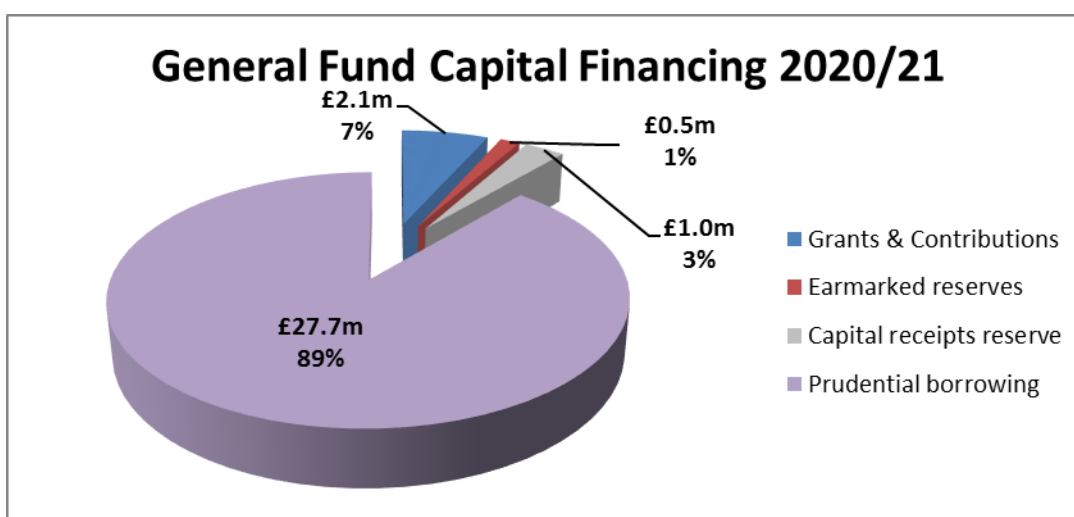
## 22 Flexible use of capital receipts

- 22.1 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. By using capital receipts, the council is able to avoid the negative impact of on its annual revenue budget of one-off costs but this will reduce the available resources for future capital projects.
- 22.2 In the Capital Investment Strategy approved in February 2021 (CAB3283), £194,000 of eligible capital receipts were set aside for this purpose. In 2020/21 the council incurred £266,000 in severance costs and applying the £194,000 (73%) available to these costs has reduced the in-year one off impact on the General Fund to £72,000.
- 22.3 The impact of using capital receipts to finance these costs results in the following estimated annual savings (73% of total estimated employee cost savings):

| 2020/21<br>£000 | 2021/22<br>£000 | 2022/23<br>£000 | 2023/24<br>£000 | 2024/25<br>£000 | 2025/26<br>£000 |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| 248             | 693             | 736             | 757             | 778             | 794             |

## 23 Capital financing

- 23.1 The sources of finance available for capital projects include capital receipts, grants and contributions, reserves, revenue contributions, and prudential borrowing or “Capital Financing Requirement” (unfinanced capital expenditure met by future revenue provision). Under the Prudential Code, the council can invest in a capital programme so long as its capital spending plans are “affordable, prudent and sustainable”. The financing of the 2020/21 General Fund capital expenditure, including the transfer of garages from the Housing Revenue Account, was as follows:



- 23.2 Where capital expenditure is to be financed in future years by charges to revenue, the expenditure results in an increase in the council’s borrowing need known as “Capital Financing Requirement” (CFR), a measure of the capital expenditure incurred historically by the council that has yet to be financed. While the council has sufficient cash and investment balances, it is able to internally borrow but as CFR increases, and cash and investment balances decrease, it will need to increase its external borrowing in addition to the £166.7m the council has already borrowed to finance HRA projects including the HRA self-financing settlement. In the General Fund an annual charge called Minimum Revenue Provision (MRP) is required to finance prior year unfinanced expenditure; this reduces the CFR over the lives of the related assets.

| <b>Capital Financing Requirement</b>                  | <b>General Fund<br/>£000</b> | <b>Housing Revenue Account<br/>£000</b> | <b>Total<br/>£000</b> |
|---|------------------------------|---|-----------------------|
| <b>Capital Financing Requirement at 1 April 2020</b>  | <b>41,153</b>                | <b>162,859</b>                          | <b>204,012</b>        |
| Unfinanced capital expenditure - in year              | 24,655                       | 18,393                                  | 43,048                |
| Minimum revenue provision (MRP)                       | (431)                        | 0                                       | (431)                 |
| Voluntary provision for the financing of capital      | (321)                        | 0                                       | (321)                 |
| Transfer of Garages from the HRA to the General Fund  | 3,075                        | (3,075)                                 | 0                     |
| <b>Capital Financing Requirement at 31 March 2021</b> | <b>68,131</b>                | <b>178,177</b>                          | <b>246,308</b>        |
| <b>Made up of:</b>                                    |                              |   |                       |
| External borrowing                                    | 0                            | 166,722                                 | 166,722               |
| Internal borrowing                                    | 68,131                       | 11,455                                  | 79,586                |

## 24 Commercial activities: property

24.1 The council owns an investment property portfolio (assets held solely for rental income or capital appreciation) which was valued at £66.8m as at 31 March 2021 (£61.5m as at 31 March 2020) and generated gross income of £2.95m and net income after costs, including minimum revenue provision, of £2.25m in 2020/21. This income helps contribute to the Council Plan outcomes. This represents an average net yield of 3.5%.

24.2 In 2020/21, the council didn't make acquisitions or capital enhancements to its investment property portfolio. However, a total of 618 garages were transferred from the HRA to the General Fund where they will be held as investment properties.

*Property held for investment purposes in £000s*

|   |               |
|---|---------------|
| <b>31 March 2020</b>                    | <b>61,459</b> |
| Acquisitions                            | 0             |
| Enhancements                            | 0             |
| Gains/(losses) in fair value            | 2,276         |
| Transfer from PPE (operational assets)* | 3,075         |
| <b>31 March 2021</b>                    | <b>66,810</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

## 25 Proportion of financing costs to net revenue stream

25.1 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, offset by

investment income receivable. 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.

- 25.2 The Council's General Fund capital programme includes several unfinanced projects (i.e. funded by prudential borrowing) such as the transfer of garages from the HRA, Bishop's Waltham depot, and the Winchester Sport & Leisure Park. MRP (equivalent to the repayment of principal) is applied in the financial year following an asset becoming operational and increases the financing costs. As the programme is delivered, the council's cash and investment balances also fall meaning the investment income offset against the cost reduces. This has reduced further in the past year due to the falling interest rates available to the council. Financing costs are expected to continue to increase in 2021/22 as the council begins to externalise its borrowing from the current internal borrowing position (see 23.2) and are expected to increase again the following year once MRP charges for the Winchester Sport & Leisure Park begin.
- 25.3 Similarly, HRA financing costs are forecast to increase in future years as it increases its external borrowing position to finance its capital programme.

*Prudential Indicator: Proportion of financing costs to net revenue stream*

|                                      | <b>2019/20<br/>actual</b> | <b>2020/21<br/>forecast</b> | <b>2020/21<br/>actual</b> | <b>2021/22<br/>budget</b> |
|--------------------------------------|---------------------------|-----------------------------|---------------------------|---------------------------|
| GF financing costs (£m)              | -0.1                      | 0.1                         | 0.3                       | 1.0                       |
| GF proportion of net revenue stream  | -0.7%*                    | 0.6%                        | 1.2%                      | 6.3%                      |
| HRA financing costs (£m)             | 5.1                       | 5.2                         | 5.2                       | 6.0                       |
| HRA proportion of net revenue stream | 17.6%                     | 18.3%                       | 17.8%                     | 20.7%                     |

\* In 2019/20 investment income exceeded interest payable and MRP

## 26 OTHER OPTIONS CONSIDERED AND REJECTED

- 26.1 None

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

CAB3211 - Medium Term Financial Strategy, Budget and Council Tax 2020/21 dated 12 February 2020

CAB3256 – Revised General Fund Budget 2020/21 dated 16 September 2020

Other Background Documents:-

None

APPENDICES:

Appendix 1 – General Fund Summary Outturn

Appendix 2 – General Fund Earmarked Reserves

Appendix 3 – Winchester Town Account Outturn

Appendix 4 – General Fund Capital Expenditure 2020/21 outturn

Appendix 5 – Revised 2021/22 General Fund Capital Programme

Appendix 6 – Revised 2021-2031 General Fund Capital Programme