

REPORT TITLE: GENERAL FUND BUDGET 2022/23

17 FEBRUARY 2022

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

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WARD(S): ALL

PURPOSE

This report sets out the detailed General Fund Budget for 2022/23, reflecting the impact of the one year spending review announcement and a range of budget proposals.

The spending review announcement included an unexpected announcement of a further one year of New Homes Bonus. Whilst this does not assist the council to address longer term funding pressures, the report does include £1.3m of "one off" proposals to support the delivery of the Council Plan which can be funded from this allocation.

Projections indicate a balanced budget for 2022/23. A £0.3m deficit forecast for 2023/24 can be covered by the existing Transitional Reserve to ensure the Council can maintain a balance budget through to March 2024. However, significant uncertainty remains in relation to future funding of local government and projections indicate the potential for longer term deficits, subject to Government funding announcements. It is proposed that a strategic service review is completed by March 2023 to identify how the longer term deficits can be addressed.

RECOMMENDATIONS:

That Cabinet:

- 1 Approve a contribution of £200k to the Community Grants Reserve, funded from the forecast surplus in 2021/22, to reduce the immediate impact of planned grant reductions over the next three year period of the programme 2022/23 to 2024/25.

- 2 To reinstate the 2021/22 contributions of £250k to the Asset and Property reserve and £200k to the Parking and Access reserve to support future investment and maintenance programmes, funded from the forecast surplus in 2021/22.
- 3 Approve an increase to fees and charges of 3% for sessions at the Winchester Sport and Leisure Park and Meadowside Centre as set out in Appendix F.

That Cabinet recommend that Council:

- 4 Agree the level of General Fund Budget for 2022/23, and recommend the summary as shown in Appendix A.
- 5 That the additional year of New Homes Bonus Allocation be used to fund the following proposals:
 - a) Increased provision for Local Council Tax Support, with £100,000 additional one off provision to the Council's Hardship Fund
 - b) £450k to fund essential maintenance work to Monuments and Historic Assets
 - c) Low Carbon Transport - £250k to fund trials of low carbon bin lorries and/or buses operating existing Council services
 - d) £40k to fund the installation of bike storage and other measures to support the promotion of cycling and walking
 - e) £150k to fund feasibility work to prepare for the implementation of a food waste trial collection system in 2023.
 - f) £185k to fund the cost of additional city and market town centre cleansing, the maintenance and replacement of street furniture (litter bins, seats, bollards bin stores etc) and also to fund an increased emphasis on fly tipping (additional clearance, surveillance and promotion)
 - g) £25k to support work to embed the principles of the Council's "City of Sanctuary" commitments and to review the diverse needs of communities across the district.
 - h) £100k to fund fixed term IT staff to develop council systems to meet the requirements of flexible/agile working
- 6 Support the investment proposals set out in section 13.4 of this report, including:
 - a) To reinstate the annual contribution of £250k to the Asset and Property reserve to support future investment and maintenance of council assets
 - b) To increase the annual revenue contribution to the Parking and Access reserve by £200k per annum to support the implementation works set out in the annual Parking investment programme
 - c) Increasing the annual staffing budget by £175k per annum from 2022/23 to

create additional capacity in the Legal Services, Communications and Economic Development teams

- d) Increasing the annual staffing budget by £60k per annum from 2023/24 to create additional capacity in the Strategic Planning team
 - e) An increase in the budget for annual audit fees of £30,000
- 7 Approve the 2022 Council Tax Hardship Scheme allocation of £100,000 and the distribution of this funding as set out in Appendix F; to be administered by the Revenues & Benefits teams under the Service Lead for Revenues & Benefits.
 - 8 That the sum of £1,061,591 be treated as Special Expenses under Section 35 of the Local Government Finance Act 1992 in respect of the Winchester Town area as set out in section 16 and Appendix D.
 - 9 That the Council Tax for the Special Expenses in the Winchester Town area at Band D for 2022/23 be increased by 4.5% to £76.71, an increase of £3.30.
 - 10 That the surplus balance on the Council Tax Collection Fund for distribution to this Council, calculated in January 2022 of £24,315, be approved.
 - 11 Recommend the level of Council Tax at Band D for City Council services for 2022/23 be increased to £151.29, an increase of £3.95 reflecting an average Council tax increase of 2.7%

IMPLICATIONS:1 COUNCIL PLAN OUTCOME

- 1.1 Key priorities set out in the Council Plan remain unchanged. The Plan takes account of the budget constraints but maintains a focus on:
- a) Carbon neutrality programme – The budget includes both revenue and capital funding to support this programme which remains central to all Council work.
 - b) Central Winchester regeneration – Funding to support the completion of work to “final business case” was approved in CAB3322 in December 2021. Additional provision to support major project delivery was also approved in CAB3318 in October 2021 and is included within the budget set out in Appendix 1..
 - c) Economic recovery – The Council continues to play a critical role in supporting the economic recovery of the district.
 - d) Maintaining high quality services - Maintaining the existing high quality services remains a key priority and can be supported by the budget, which also includes proposals for additional staffing in some teams.
 - e) Living Well – A focus on Health and Wellbeing – Proposals to refresh the Health and Wellbeing strategy have been reviewed by the Health and Environment Policy Committee and will be considered by Cabinet later in the year. This will include an increased emphasis on working with partners rather than focussing on direct delivery of programmes by Council teams
- 1.2 Homes for All – Targets for New Homes Delivery are fully funded through the Housing Revenue Account Business Plan.

2 FINANCIAL IMPLICATIONS

- 2.1 The proposals set out in this report represent a balance budget for 2022/23, with a small forecast deficit for 2023/24 of £0.284m, which can be funded from the Transitional reserve. Deficits in future years are projected to increase to £1.147m in 2024/25 and to £2.401m in 2025/26, although it should be noted that the forecasts are subject to a high degree of uncertainty, with the Government only confirming a one year Spending Review announcement late in 2021.
- 2.2 The Spending Review Announcement in December 2021 confirmed a further one year delay to the “reset” of business rates and also included a further year of New Homes Bonus which had not been anticipated in the Budget Options report in October 2021 (CAB3318 refers). Proposals for the “one off” allocation are included in section 13 below.

- 2.3 All indications are that a “reset” of retained business rates will be brought forward for 2023/24 and the forecast impact of this is included in Appendix A.
- 2.4 The 2021/22 budget included provision for income reductions of 20% as a result of the pandemic. This is now projected to be 14% by March 2022 and in light of the strong recovery of city centre parking, projected ongoing income losses in 2022 have been adjusted to 7.5% and to 3.5% for 2023/24.

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 The proposals set out in this report include specific recommendations for additional staffing resources in Legal Services, Communications, Economic Development, Strategic Planning and IT teams. In addition, proposals for additional project delivery resources approved in CAB3318 in October 2021 have also been reflected within the budget set out in appendix A.

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 A key strand of the council's financial and treasury strategies is to maximise income from its assets and seek to manage risk by achieving a balanced portfolio of assets. Achieving a balanced budget for 2022/23 is not reliant on additional disposals of assets. However, a number of “rent reviews” are due and these could impact on income projections. Other projects funded through the capital programme aim to generate income, such as Bishops Waltham Depot and the Goods Shed proposals.

- 5.2 The Council has ongoing maintenance and stewardship obligations in relation to historic monuments. Specific budget provision is included within this report to bring forward £450k of investment in these assets in 2022/23.

6 CONSULTATION AND COMMUNICATION

- 6.1 A range of options were considered as part of CAB3318 – General Fund Budget Options and Medium Term Financial Strategy dated 20 October 2021, which presented a balanced budget for 2022/23 but with increasing forecast deficits in future years. These options have since been subject to consultation with a range of stakeholders.
- 6.2 Officers presented the options to the local council briefing in November 2021 and to the Chamber of Commerce/BID business briefing in January 2022. In addition the publication of a Budget Summary and an online budget consultation which was undertaken following the October report which received 32 responses broadly supporting the proposals set out in the summary and this report. A link to the results is included as a background paper to this report.
- 6.3 The Scrutiny Committee discussed the Budget Options and Medium-Term Financial Strategy report (CAB3318) and commented on proposals prior to its consideration by Cabinet in October 2021. It has also considered this report at its meeting held on 15 February 2022. Due to the dispatch date any particular matters that the Committee wishes to raise with Cabinet will be reported at the meeting.
- 6.4 The budget proposals include provision to support wider engagement and consultation with a range of diverse and potentially underrepresented groups to ensure council services and policies take full account of their needs and expectations. This will support the strategic review of the budget planned for 2022 and proposed in the medium-term financial strategy.

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 The budget set out in Appendix 1 includes revenue provision to support the delivery of the Council's carbon neutrality programme. Specific proposals include additional resources for project support from 2023 and to fund transport and food waste trials.
- 7.2 Specific budget provision has been included within this report to increase funding for fly tipping clearance and additional surveillance. In addition, resources to fund improvements to city and town centre street scenes, including replacing bins and street furniture is also proposed.

8 EQUALITY IMPACT ASSESSEMENT

- 8.1 Cabinet approved a new Public Sector Equality Duty (PSED) policy and corporate approach for the Council on 19 January 2022. This new approach

will require every service in the Council to be reviewed with regards to the PSED.

- 8.2 This year the Equality Impact Assessment (EQIA) for service provision has relied on existing EQIA's at individual service level. No Service leads have highlighted gaps in our service provision for 2022/23.
- 8.3 Once the new and more consistent process for EQIA is in place the equalities lead will have access to the overarching picture of our service impacts and will highlight to the S151 officer any needs in our service provision.
- 8.4 Proposals for a strategic service review, to commence in 2022 with a view to identifying appropriate measures to reduce net operating costs prior to finalising the 2023/24 budget, were set out in the Budget Options paper in October 2021 (CAB3318). In preparation for doing this work, the council will carry out consultation to inform service delivery and all options will be assessed against the PSED; with Equality Impact Assessments undertaken where necessary.
- 8.5 The 2022/23 budget's operational decisions being presented in this paper (e.g. staffing proposals; changes to forecasts; creation of general budgets; and those relating to reserves) do not directly impact residents and do not require an EQIA under the PSED. Other options designed to have a positive impact on residents (e.g. introduction of the Council Tax Hardship Scheme) have had an EQIA undertaken and no adverse impacts on any groups of residents with protected characteristics were identified.

9 DATA PROTECTION IMPACT ASSESSMENT

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

10 RISK MANAGEMENT

| Risk | Mitigation | Opportunities |
|--|--|----------------------|
| <i>Property Commercial tenants unable to pay rents or subject to business failure</i> | Rent abatement process was established to support tenants in 2020/21 and could be extended if needed, although deferrals of rent remain the main option where appropriate. | |
| <i>Slowdown in commercial property investment, meaning that the council's development schemes achieve less interest or</i> | The council's advisors are reviewing the property investment market and will provide advice as to timing of any marketing. | |

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| <i>less income than expected</i> | | |
| <p><i>Legal</i> The council is unable to balance the revenue budget resulting in the issuing of a S114 notice</p> <p><i>Contract claims – risk of additional contract claims in relation to unforeseen events, high inflation, covid impacts etc</i></p> | <p>Proposals set out in this report, including the strategy for management of reserves mitigate against this.</p> <p>Robust contract conditions protect against this</p> <p>Risk reserves reviewed and considered appropriate to mitigate against this.</p> | Present a balanced budget in difficult circumstances |
| <p><i>Timescales</i> Slower than projected economic recovery affecting income received by the council</p> | We are supporting high street recovery through the governments / ERDF Welcome Back Fund and future economic support will be framed under the new Winchester District Green Economic Development Strategy | The council has £12m uncommitted revenue reserves available to support further increases to the projected deficit |
| <p><i>Financial</i></p> <p><i>Significant uncertainty due to one year spending review announcement</i></p> <p><i>The council is unable to balance the revenue budget</i></p> <p><i>Risk of lower than projected demand for</i></p> | <p>Transitional reserve retained at existing levels and strategic budget review planned for 2022 to prepare for potential impact of Business rates reset</p> <p>Proposals set out in this report, including the strategy for management of reserves mitigate against this.</p> <p>The council has around £12m of uncommitted</p> | |

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| <p><i>income generating services specifically parking as well as leisure centre operations</i></p> | <p>revenue reserves available which can be utilised as a last resort. This risk is also mitigated through robust contract conditions.</p> | |
| <p><i>Inflation risk Salary inflation higher than budgeted</i></p> | <p>Budgets take account of latest national inflation forecasts. Minimum balances are maintained at £2.8m to mitigate against such variations. The transitional reserve would also support this.</p> | |
| <p><i>Additional costs of national programmes such as waste strategy</i></p> | <p>Any 21/22 year end surplus to be transferred to the Major Investment Reserve.</p> | <p>Feasibility/trial of Food Waste planned for 22/23</p> |

11 SUPPORTING INFORMATION:

11.1 CAB3318 dated 20 October 2021 set out budget options and the medium term financial strategy. The report highlighted the potential to set a balanced budget for 2022/23 and also for 2023/24 (with the support of the transitional reserve) but forecast increasing deficits in future years.

11.2 At that meeting, Cabinet approved:

- a) £200k to fund essential short term staffing in relation to Legal and Planning teams
- b) £1m provision to support project delivery
- c) A £75k grant to the Hampshire Cultural Trust
- d) An average increase of 3% to fees and charges from April 2022 and for city centre off street parking in the “Air Quality Management area” with effect from October 2022
- e) A £10 discount to existing garden waste subscriptions for residents in receipt of Council tax reduction
- f) £300k of the Tranche 5 COVID 19 grant fund to upgrade the Council’s IT desktop infrastructure to support “agile/flexible working” proposals

- g) A medium term financial strategy, including a proposal for a Strategic Budget Review to be completed in 2022 to address future forecast deficits.
- 11.3 The forecasts included in CAB3318 assumed that the Government Spending Review would be based on a 3 year settlement including a “reset” of business rates and an end to New Homes Bonus. However, at the end of December 2021, the Government confirmed a one year settlement, with no detail regarding longer term proposals and a further one year provision of New Homes Bonus, effectively providing additional “one off” funding of £1.3m that had not been included in CAB3318.
- 11.4 The proposals in this report and the forecasts in Appendix A take account of the budget option proposals, the decisions made at the October Cabinet meeting, latest budget projections and have been adjusted to take account of the spending review announcement. The report also includes additional proposals for investing the additional £1.3m from the spending review.
- 12 2021/22 Budget Forecast
- 12.1 CAB3318 dated October 2021 forecast a net surplus of £0.415m for 2021/22 as set out in the table below:

| Projected surplus at Jul 21 | | £800,000 |
|---|-----------------------------------|-----------------|
| a. | Additional Garden Waste Income | £165,000 |
| b. | Reduced net Business Rates | -£700,000 |
| c. | Additional P&R Subsidy | £250,000 |
| d. | Additional Leisure Centre Income | £500,000 |
| e. | Project Delivery Resources | -£400,000 |
| f. | Support for core service delivery | -£200,000 |
| 21/22 Projected Net Surplus (at Sept 21) | | £415,000 |

- 12.2 In light of the impact of COVID19 on 2020/21 income budgets, the 2020/21 general budget reduced forecast income by 20% (£3.65m). Current indications suggest a stronger than budgeted income recovery across all services. Parking income forecasts indicate that recovery will be £2m below 2019 base budget targets, mainly in relation to off street parking outside of Winchester city centre and the park and ride service. However, with other income recovering, by March 2021 overall income will be 14% below previous budgets rather than 20% (a potential difference of c£1.5m). However, this remains uncertain, will be subject to activity in the final quarter and will be confirmed as part of the budget outturn in June 2022.
- 12.3 With the positive projected outturn, it is proposed to transfer any remaining surplus to reserves, including £200k to the Community Grants reserve, £250k to the Asset reserve and £200k to the parking reserve to ensure appropriate resources to support annual spending plans for these services. These annual contributions were suspended as part of the revised budget in September 2020 to address the unexpected shortfalls arising as a result of the pandemic.

Any remaining surplus will be allocated to the Major Investment Reserve to support major projects and the specific work highlighted in the paragraph below.

- 12.4 The Council is currently pursuing complex enforcement action to address planning breaches on two large sites, as well as a number of smaller sites across the district. To progress formal action, specialist external support and additional legal services will be required. Some cases are expected to be subject to appeal to the Planning Inspectorate and will require significant additional capacity over and above the core capacity in planning and legal teams. An additional £200k provision for support was approved in October 2021 as part of CAB3318. Whilst this is sufficient cover the costs of initial enforcement, a lengthy appeal process is likely to require additional funding and will be a further call on reserves.

13 Revenue budget forecasts and proposals

- 13.1 A review of COVID19 income contingency provision has taken place for 2022/23 and 2023/24. As a result of the positive in-year data for 2021/22 to the end of December, central case contingency provision has been reduced from 10% to 7% (£1.825m to £1.278m) in 2022/23 and from 5% to 3.5% (£0.913m to £0.639m) in 2023/24. This provision is based on no major lockdowns taking place and an assumption that income continues to consistently recover over the two year period. This will be kept under review and adjusted if required.
- 13.2 The Hampshire Pension Fund actuarial review 2020 led to general fund savings of £0.852m per annum through a reduction in past service contributions, as the pension was no longer in a forecast deficit position. The decision, in line with recommendations from Hampshire, was taken not to move all of this to baseline savings but instead to transfer these savings into the transition reserve each year for three years. This decision was based on the risk of contributions increasing again following the 2023 triennial pension review. The latest guidance suggests that there is no longer a high risk that past service contributions will re-commence and therefore these savings can now be treated as baseline savings from 2022/23.
- 13.3 CPI inflation increased to 5.4% in December 2021 and whilst this is expected to reduce back down to the 2% target over the medium term, contract inflation projections have been revised in Appendix A.

2022/23 = 4%

2023/24 = 3%

2024/25 = 2.5%

2025/26 & onwards = 2%

- 13.4 CAB3318 Budget Options report in October 2021 included a number of proposals and changes that will impact on base budgets. The following items are recommended and are reflected in the budget detailed in Appendix A:

- a) Asset/Parking reserves – The £250k annual contribution to the Asset reserve was suspended and the Parking reserve annual contribution reduced by £100k as part of the emergency budget changes in September 2020. The asset and parking investment plans require ongoing funding to support annual programmes and so it is proposed to reinstate these contributions.
- b) Climate Emergency - Previous revenue funding to support this essential programme will be exhausted in 2022. It is therefore proposed to make additional base budget provision of £200k from 2023 to support the revenue costs of the programme (feasibility studies, project support, trials etc.)
- c) Staffing - Additional staffing requirements totaling £175,000 per year from 2022/23 in the Legal, Communications and Economic Development teams have been identified and will impact on ongoing base budgets. An additional £60,000 per year is also proposed from 2023/24 to address resources in the Strategic Planning team (funding is already available to support this in 2022/23). These proposals take account of existing workload, specific pressures on teams and also new areas of works such as the Green Economic Development Strategy.
- d) Audit Fees – The statutory audit requirements in relation to the independent review of the council’s financial accounts have changed in recent years, with additional obligations on external auditors. The Audit and Governance Committee has reviewed increases and directly challenged auditors in relation to additional fees. It is projected that an increase of £30k is needed to meet annual audit fees.
- e) Leisure centre fees – CAB3326 dated 8 December 2021 approved a 3% increase to fees and charges and the impact of this increase is reflected in the appendices. The report did not include fees for the Winchester Sports and Leisure Park or Meadowside Leisure Centre, as the operator contract required a review nearer to the April implementation date. That review has now been completed and despite December inflation being at 5.4%, it is recommended that any increase in fees be 3% in line with other fees and charges. The operator has proposed an increase to some fees, while others remain at 2021/22 levels to stimulate demand and remain in line with market prices – see appendix E.

13.5 The budget set out in Appendix A also takes account of the following issues which will impact on costs and income in 2022/23:

- a) Guildhall – Her Majesty’s Courts and Tribunal Service has given notice that it intends to end its tenure in the Guildhall at the end of March. Until further notice and at least for the 2022/23 financial year, the Council will revert to the previous “turnkey” letting operation promoting wider community and commercial use of meeting rooms and function

space as well as supporting council business. Options for the long term management arrangements for the Guildhall and currently subject to review and will be determined once the strength and pace of the recovery of the events sector is clearer. For next year, it is anticipated income will be reduced by £175k

- b) West Wing - It is proposed to lease the West Wing offices to a local organisation and final details of the lease are currently subject to negotiation. This will generate circa. £200k per annum. Teams previously located in the West Wing now work within the main city offices, which has been facilitated by the adoption of more flexible working.
- c) Fees and Charges – As stated in 13.4 e) above, CAB3326 approved increases to fees and charges averaging 3%. The impact of this has been incorporated into the budget in Appendix A and B. This includes a 3% increase to off street parking charges for those car parks in the central “air quality management area”. This will be effective from October 2022. It is also proposed to review proposals for on street charging to ensure consistency with off street provision.
- d) Garden Waste Discount – CAB3318 dated 20 October 2021 approved a £10 discount to garden waste subscriptions for residents in receipt of council tax support and/or universal credit.

13.6 In addition to the above proposals, the one year settlement and a further unexpected year of New Homes Bonus provision, provides an opportunity to either supplement reserves as further mitigation towards future forecasts deficits or alternatively for additional one off investment of up to £1.3m that will make a positive contribution to key Council Plan priorities. Proposals for additional one off investment include:

| Proposal | Comment | Cost (Total £1.3m) |
|-------------------------------|---|--------------------------|
| Council Tax Support | Utilities costs and inflation pressure on household budgets will increase in 2022. Additional funding to continue the “Hardship grant” provision will help to support those most in need (a policy setting out how the fund is distributed if approved is set out in Appendix F) | £100,000 |
| Historic Assets/ Monuments | The Council will need to spend over £1m on historic assets in the next five years. Specific funding in 2022 will support bringing forward works on important assets and associated public realm such as the King Alfred Statue, the Buttercross, Hyde Gate and St Maurice’s Tower being brought | £450,000 |

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| | forward. | |
| Climate Emergency/ Transport | Transport remains the largest contributor to Council emissions and potential barrier to the 2024 target. Provision is needed to support freighter testing and electric bus trials ahead of the new Park and Ride contract in 2023 | £250,000 |
| Promoting Cycling/walking | The Parking and Transport investment programme includes proposals for extending cycle parking/storage and improved access from “park and walk” car parks to the city. An additional provision will help enhance those plans | £40,000 |
| Food Waste Trial Feasibility | A food waste trial could potentially be launched in 2023. Investment is needed to prepare for this and to complete a detailed feasibility study of options with a view to bringing forward a trial scheme in April 2023. | £150,000 |
| Fly tipping/Street Scene | The current contract has insufficient provision to meet the recent increase in fly tipping. Also, there is no provision for enhanced city centre/market town cleansing, street washing and general maintenance of bins, bin stores and street furniture. This provision will help address fly tipping, improve cleaning, replace old litter bins in town centres and fund improvement works to other open space. | £185,000 |
| Equality and Diversity (“City of Sanctuary”) | Following the very positive response to the “City of Sanctuary” Council motion and the Cabinet adoption of the new Equality Impact assessment policy, it is proposed to commission support to help ensure that the principles of the City of Sanctuary scheme are embedded across the Council and to review and improve awareness of the diverse needs of protected groups and of all communities across the district. | £25,000 |
| IT/Agile working systems | Work to ensure Council systems are modernised to support a more flexible approach and greater emphasis on flexible and agile working will require some one off investment in IT project staff (provision for additional equipment has already been funded in 21/22). This will ensure system improvements can be made as a priority in 2022. | £100,000 |

14 Collection Fund

- 14.1 Business Rates – The business rates collection fund forecast balance is due for return at the end of January and this section will therefore be updated before the report is dispatched for Cabinet.

- 14.2 Council Tax - Regulations require the Council to approve the collection fund balance at 31 March, calculated at 15 January preceding. For council tax a deficit of £337,686 resulted from 2020/21 and a surplus of £538,069 is estimated for 2021/22, totalling a net £200,383. This is shared between the County Council £143,988, the Police & Crime Commission £24,942, the Fire & Rescue Authority £7,138 and this Council £24,315. Under new guidance introduced due to Covid19 the 2020/21 deficit must be spread over the three year period from 2021/22 to 2023/24.
- 14.3 The council tax referendum limits have been confirmed at 2% for lower tier authorities. However, shire districts (such as Winchester) can increase their precept by up to £5 (equivalent to just over 3% for this council). Central Government spending power projections assume that all authorities will increase their precepts by the maximum amount.
- 14.4 The Council could consider not increasing council tax in 2022 or setting a lower increase than the 3% recommended in CAB3318 Budget Options report in October. The better than expected settlement detailed in section 15 below is expected to be for one year only and the forecast deficits from 2023/24 as set out in Appendix A would increase as a result of such a decision. It is therefore recommended that consideration be given to a below inflation council tax increase of 2.7%, but that additional monies to be set aside to supplement the hardship fund available for those in receipt of Council tax support (see section xx below). This increase would also allow a slightly higher increase in the "Town" precept, required to meet additional funding pressures on the Town account.
- 14.5 Therefore, to assist in addressing short to medium term projected shortfalls, the proposed budget set out in Appendix A assumes a 2.7% increase in council tax for the district along with a town forum recommended increase of 4.5% for the Winchester town area, in 2022/23.
- 14.6 The current level of tax for the district is £147.34 (Band D equiv.). The proposed tax for 2022/23 is £151.29, an increase of £3.95.
- 14.7 In considering the level of district tax, regard has to be had to the tax for the town area in order to ensure that the overall increase does not exceed the referendum limits.
- 14.8 The current level of tax for the town is £73.41 (Band D equiv.). An increase of 4.5% would increase this to £76.71.
- 14.9 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 2022/23. 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 Council meeting.

15 Government Funding – 2022/23

- 15.1 A further one year of funding has been provisionally confirmed for 2022/23 with significant uncertainty remaining over the ongoing fair funding review and what changes may be announced for 2023/24 and 2024/25. This includes proposed changes to the new homes bonus scheme and business rates retention system and is forecast to cause significant financial pressures on the Council's budget over the medium term.
- 15.2 Medium term funding forecasts have not materially changed because the fair funding review is still expected to result in a reset in business rates retention and the end of the new homes bonus scheme. This is before any further changes which may emerge from the fair funding review.
- 15.3 The Government funding settlement was released just before Christmas. This included additional "one off" funding, over and above the estimates included in CAB3318 dated October 2021 of approximately £1.5m, for 2022/23 only. The additional funding is detailed below. Final confirmation of the settlement is expected in February.
- a) New Homes Bonus - £1.357m – A further one year of reward for 2022/23 due to the delay in the fair funding review.
 - b) Business rates Compensation for under-indexing the multiplier - £0.183m – relating to the freeze in business rates multiplier. This has been added to the retained income forecast for 2022/23.
- 15.4 Business rates retention:
- a) The baseline funding level (BFL) will remain at £2.23m.
 - b) In addition to the BFL, growth in retained rates is forecast at £2.85m, giving a total business rates retention of £5.08m.
 - c) The forecast in Appendix A assumes a full reset of business rates retention from April 2023.
- 15.5 Other government grants (2022/23, £0.603m):
- a) Lower Tier Services Grant - £100k. This is generally seen as an interim grant pending the fair funding review, providing for some minimal damping effects of the reductions from the new homes bonus scheme.
 - b) Services Grant - £154k. It has been made very clear this is a one-off grant for 2022/23 only and will not even feature in any future damping calculations. The increase in employer national insurance contributions of 1.25% will not be compensated directly and must therefore be funded from within this grant in 2022/23. The forecast general fund cost for 2022/23 is £116k.

- c) The rural services delivery grant – £49k - allocations are proposed to remain at 2021/22 levels.
- d) Homelessness reduction grant will be £300k and again will be used directly to address homelessness and rough sleeping.
- e) New burdens payments relating to Universal Credit and other changes have not yet been confirmed.

16 Winchester Town charge – Section 35

- 16.1 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 2021.
- 16.2 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.
- 16.3 The services currently covered by special expenses are listed in Appendix D.
- 16.4 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 2021/22 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 £1,103,623 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.
- 16.5 The Winchester Town Forum met on 27 January 2022 and recommended the budget which is currently set out in Appendix D, including a proposed Council Tax increase of 4.5% for 2022/23.

17 Earmarked Reserves

- 17.1 The strategy for managing reserves was set out in CAB3318 dated October 2021 and forms part of the overall Medium Term Financial Strategy that was approved as part of that report.
- 17.2 Total General Fund earmarked reserves, including proposals in this paper, are forecast to reduce from £33.9m at 01 April 2021 to £19.2m at 31 March 2026. The forecast closing balances (31 March 2026) of key earmarked reserves are summarised below;

- a) Operational reserves (£3.7m), significantly the major investment reserve, are revenue reserves which can be used to support revenue or capital expenditure, for example major projects.
 - b) Risk reserves (£4.0m), such as business rates retention, are available to mitigate risks faced by the council. The overall levels are reviewed each year in line with the medium term financial strategy.
 - c) Asset reserves (£4.0m), such as the asset management reserve, are used to maintain existing council assets and are supported by spending plans such as the asset management plan.
 - d) Restricted reserves (£7.5m), 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.
- 17.3 An updated summary of earmarked reserves is included at Appendix C. These have all been reviewed as part of the budget process and the levels are considered to be appropriate.
- 18 Balances / risk reserves
- 18.1 The Council also maintains a general balance which is held to mitigate against any potential financial risks. These could be known risks or completely unforeseeable risks. As a general guide the minimum balance will be 15% of net revenue expenditure and so the current balance of £2.789m can give some additional cushioning particularly against the uncertainty of government funding over the medium term projections.
- 18.2 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.
- 19 Adequacy of reserves and robustness of estimates
- 19.1 There are specific requirements under Section 25 of the Local Government Act, 2003, for the Chief Finance Officer to provide a positive assurance statement about the adequacy of proposed financial reserves and the robustness of estimates made for the purposes of the budget calculation.
- 19.2 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.
- 19.3 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.

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

20 OTHER OPTIONS CONSIDERED AND REJECTED

- 20.1 Consideration has been given to not increasing Council tax in 2022/23. However, it should be noted that the Government settlement and additional resources allocated to the Council is a one year announcement and forecasts still indicate increasing deficits in future years and therefore this cannot be recommended.

- 20.2 The proposals set out in this report do result in increasing base budget costs in future years. Consideration has been given to not taking forward the proposals in light of this. However, they are considered to be essential to support the delivery of the Council Plan. A strategic budget review is planned for 2022 as set out in the Medium Term Financial Strategy (CAB3318 refers).

- 20.3 Consideration has also been given to transferring the New Homes Bonus allocation for 2022/23 to reserves to mitigate against future deficits. However, it is recommended that this funding be used to support specific one off projects which make a positive contribution to the Council Plan as set out in the report.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

[CAB3318 - General Fund Budget Options and Medium Term Financial Strategy dated 20 October 2021](#)

Other Background Documents:-

[Winchester City Council Budget consultation results – website](#)

[Winchester City Council Budget consultation results - document](#)

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: Leisure Centre Fees and Charges

Appendix F: Council Tax 2022 Hardship Fund Policy