

REPORT TITLE: GENERAL FUND BUDGET 2023/24

9 FEBRUARY 2023

REPORT OF CABINET MEMBER: Cllr Margot Power, Cabinet Member for Finance and Value

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 2023/24 General Fund revenue budget, which proposes the Council Tax at Band D for the City Council be £155.29, an increase of £4.00 and reflecting an average Council tax increase of 2.65%.

The budget report details the options and investment proposals for the year ahead to deliver the priorities in the Council Plan and to support core council services. It details the use of reserves to ensure the council has a sustainable financial footing as well as allocating revenue funding to deliver the Capital Strategy (CAB3389).

Despite a more favourable than expected local government settlement announcement in December, the council is facing some of the most challenging financial conditions in recent years and to arrive at a balanced budget for 2023/24, £338k of savings proposals have been recommended. The settlement included an unexpected further year of New Homes Bonus. Whilst this does not assist the council to address longer term funding pressures, the report does recommend transferring £2m to reserves during the year to fund “one off” areas of known and uncertain future financial pressures.

Following approval of the refreshed 2023 edition of the Council Plan, this budget report includes proposals to set aside funding to enhance services in the following priority areas:

Greener Faster (£250k) – having declared a Climate Emergency in June 2019, the council is committed to becoming a carbon neutral local authority by 2024; and is aiming for the wider district to be carbon neutral by 2030. Recent roadmap work to inform how the ambitious carbon neutrality targets will be met, has indicated that significant work is required by the council to reduce its carbon footprint sufficiently. It

is recommended to create a Greener Faster Reserve to support the council's ambitions to become carbon neutral.

This reserve will enable the council to expand renewable energy; explore the use of council assets for carbon and nutrient offsetting, reduce energy demand in council-owned buildings, lower the carbon footprint of council and contractor vehicles; as well as enhance active travel provision (for instance secure bike parking options). In addition the Future Waste Reserve will enable the Council to roll out improved doorstep recycling including food waste collection at the earliest point practicable.

Future of Waste (£500k) - new services for food waste and other changes to waste and recycling collection will be introduced in early 2025. Whilst the government has committed to new burdens funding for collection authorities, the amount is unknown and we expect the new burdens funding to require supplementing if we are to follow the corporate strategy and require the new vehicles to be low carbon or zero carbon producing. This reserve will support the transition to these new services.

Pride in Place (£150k) – the Council Plan gives enhanced focus on making a visible difference to the district to improve the experience of those living in or visiting it. This reserve will be used to develop a 'toilet strategy' working with parish councils to ensure Winchester is providing safe, clean, appropriately maintained and accessible public conveniences. The reserve will also support the public conveniences upgrade programme and the higher levels of investment and work being undertaken due to anti-social behaviour, vandalism and fly-tipping in the district. This is in addition to extending the current one-off budget funding street scene works under the Pride in Place priority by £50k per annum.

Digital Transformation (£400k) – the council's service to customers is of critical importance and the drive to increase digital platforms to offer 24/7 services continues. The council aspires to make services as easy as possible for customers to access. Work to transform the digital customer experience is needed in various services. This reserve will support the introduction of 'spatial data visualisation' for the Planning service – by procuring a tool to digitally map places, we can help people visualise planning applications, regeneration schemes and the design of wider areas.

Other digital transformation work includes a review of the council's website and Your Winchester app; which both allow customers to report issues, check information and self-serve 24 hours a day, 7 days a week.

Regeneration (£300k) – further to the additional budget requirements for Central Winchester Regeneration (paragraphs 13.5 and 13.8), work to explore whether a viable scheme can be brought forward in the Station Approach area is underway. It is envisaged that a strategic case will be submitted to Cabinet in June 2023. If this leads to master-planning for the area, seed funding for the consideration and consultation of this will be required.

Cost of Living/Living Well (£170k) – without doubt, many residents are facing financial pressures and the council has worked over the year to support those in greatest need. As well as extending the existing Exceptional Hardship Fund that

benefits those council tax payers most in need of financial assistance; this reserve will be used to continue the council's commitment to the principles of the City of Sanctuary (meaning we will continue to support those who arrive from peril) and further support the cost of living initiatives (e.g. through advice services and the business support programme).

In addition, this paper confirms the other spending proposals agreed as a basis for the budget in the Medium Term Financial Strategy report in November (CAB3374).

RECOMMENDATIONS:

That Cabinet recommend to Council:

1. Agree the level of General Fund Budget for 2022/23, and recommend the summary as shown in Appendix A.
2. Approve the creation of and transfers to reserves (detailed in section 13.13 of this report) to support the delivery of the key priorities in the Council Plan, including:
 - a. Greener Faster (£250k)
 - b. Future of Waste (£500k)
 - c. Pride in Place (£150k)
 - d. Digital Transformation (£400k)
 - e. Regeneration (£300k)
 - f. Cost of Living/Living Well (£170k)
 - g. Transitional Reserve (additional £230k)
3. Support the Pride in Place investment proposals set out in section 13.5 of this report, including:
 - a. To increase the regeneration budget by £130k per annum to provide capacity to deliver the council's regeneration programme.
 - b. To increase the Town Forum bus shelter replacement programme by £10k per annum from 2023/24
 - c. To freeze the proposed grant funding reductions to Hampshire Cultural Trust and maintain pre-2022/23 funding levels until the end of 2024/25, at a cost of £43k per annum.
 - d. Extend the current one-off budget funding street scene works under the Pride in Place priority by £50k per annum
 - e. Increase the tree works budget by £78k per annum to fund ongoing essential works to the Council's trees across the district
 - f. Increase the Natural Environment and Recreation Team budget by £23k

per annum to fund a tree officer post to manage the council's trees.

4. To approve the proposed increase to the salary budget of £175k per annum to fund all grades being uplifted by one increment on the existing pay scales, in accordance with Appendix G, to give Winchester a more competitive market position for recruitment and retention of staff.
5. Approve a discretionary 7% cap for 2023/24 on the annual increase in rent for Partnered Home Purchase scheme property owners, in line with the increase in social and affordable rents to existing tenants in the HRA.
6. That the sum of £1,186,879 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.
7. That the Council Tax for the Special Expenses in the Winchester Town area at Band D for 2022/23 be increased by 5.5% to £80.93, an increase of £4.22.
8. That the surplus balance on the Council Tax Collection Fund for distribution to this Council, calculated in January 2023 of £39,724.63, be approved.
9. Recommend the level of Council Tax at Band D for City Council services for 2022/23 be increased to £155.29, an increase of £4.00 reflecting an average Council tax increase of 2.65%
10. Approve the new Council Tax Reduction scheme income bands (set out in appendix E) that ensure claimants continue to receive the same level of support after the increase in Universal Credit from April 2023.
11. Approve the distribution of the Government's £150,512 Council Tax Support Fund through a reduction to Council Tax balances, in line with the Government's guidance and additional local criteria, detailed in para 17 within this report.

IMPLICATIONS:1 COUNCIL PLAN OUTCOME

- 1.1 The refreshed 2023 edition of the Council Plan was approved by Council on 18 January (CAB3370). The key priorities set out in it remain unchanged but the actions and objectives for the coming years have been refined, taking into consideration both feedback from local people obtained during the council's district-wide 2022 Residents' Survey and changing economic circumstances.
- 1.2 The Council Plan now also outlines four areas of enhanced focus for the upcoming year. These are:
- a) **Cost of living** support – pivoting our services and resources to support our residents, businesses and voluntary organisations with the cost of living crisis.
 - b) **Greener faster** – adding weight to our commitment to achieve our net zero targets for 2024 and 2030.
 - c) **Pride in place** – making a visible difference to our places to delight residents and visitors.
 - d) **Listening better** – being more effective at hearing the voice of residents and enabling them to influence our decision making.
- 1.3 This budget underpins all 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.

2 FINANCIAL IMPLICATIONS

- 2.1 The proposals set out in this report represent a balance budget for 2023/24 and for 2024/25. A significant deficit of £1.4m is forecast for 2025/26, increasing to £3m by 2027/28. However, it should be noted that the forecasts are subject to a high degree of uncertainty, with the Government only confirming a one year Settlement Agreement announcement late in 2022 and no certainly over the promised Fair Funding Review.

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 the Natural Environment and Recreation Team and for regeneration project delivery. There is also a recommendation to uplift all pay grades by one spinal column point (also removing the bottom scale point of each grade) to give Winchester a more competitive market position for recruitment (making starting salaries higher) and retention of staff. These proposals have been included in the budget presented in Appendix A and full details of the new salary grades are shown in Appendix G.
- 4.2 A proposal to increase the vacancy management provision by an additional £200k (equating to a total vacancy rate of 4%) that was set out in the MTFS report in November (CAB3374) has been reviewed and as a result not been included 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.
- 5.2 A proposal in the November MTFS (CAB3374) was to reduce the contributions to the assets and parking reserves. The annual contribution to these reserves total £600k and is used to fund the maintenance and improvement of the council's property and car park assets. After reviewing the proposal to reduce the annual contribution by £100k for property and £350k for parking these have not now been included in Appendix A.

6 CONSULTATION AND COMMUNICATION

- 6.1 Budget options and the council's medium term financial strategy were presented to and discussed with parish council representatives at the Local Parish Briefing in November.

- 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.
- 6.3 The Scrutiny Committee discussed the Budget Options and Medium-Term Financial Strategy report (CAB3374) and commented on the proposals at its meeting in November 2022. It has also considered this report at its meeting held on 7 February 2023. Due to the dispatch dates any particular matters that the Committee wishes to raise with Cabinet will be reported at the meeting.
- 6.4 The council held a Residents Survey in 2022 and the views of a representative sample of over 1,700 residents across the district were sought. In addition to feedback on local priorities; views on emerging policy; and the relative perceived importance of council services; questions were asked on how to balance the budget to inform development of the MTFs.
- 74% agreed that the council should maximise use of its assets.
 - 74% agreed that the council should use reserves as far as possible.
 - 67% agreed that the council should reduce management costs.
 - 54% agreed that the council should dispose of council buildings.
 - 22% agreed that fees and charges should be increased.
 - 22% agreed that grants to the voluntary sector should be reduced.
 - 19% agreed that council tax should be increased.
- 6.5 A blended approach to balancing the budget has been adopted with the changing macroeconomic position and inflationary costs meaning that some less favourable options – such as increasing fees and charges – have had to be considered. However, a key part of the budget challenge programme is to seek how to make best use of assets and the emerging Medium Term Financial Strategy does include the use of reserves.

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 The budget set out in Appendix A includes revenue provision to support the delivery of the council's carbon neutrality programme. Specific proposals include additional resources for enhanced management of the council's trees.
- 7.2 It is also recommends to create a Greener Faster Reserve to support the council's ambitions to become a carbon neutral organisation by 2024 and a carbon neutral district by 2030. This reserve will enable the council to expand renewable energy; explore the use of council assets for carbon and nutrient offsetting; reduce energy demand in council-owned buildings; lower the carbon footprint of council and contractor vehicles; as well as enhance active travel provision (for instance secure bike parking options). In addition, the Future of Waste Reserve will enable the council to roll out improved doorstep recycling including food waste collection at the earliest point practicable.

8 PUBLIC SECTOR EQUALITY DUTY

- 8.1 Proposals for a strategic service review to identify appropriate measures to reduce net operating costs, the planning stages of which commenced in 2022, were set out in the MTFs report in November 2022 (CAB3374). As the review progresses, the council will carry out consultation to inform service delivery and all options will be assessed against the Public Sector Equality Duty; with Equality Impact Assessments undertaken.
- 8.2 An equality impact assessment (EqIA) was undertaken on the budget options in the Medium Term Financial Strategy report (CAB3374) in November and has been reviewed now for those options remaining in the proposed budget. No examples of the changes potentially affecting individuals or communities with protected characteristics differently, in a negative way, have been identified at this stage. Further EqIAs will be undertaken ahead of the implementation of detailed proposals.
- 8.3 Specifically, the 2023/24 budget's operational decisions being presented in this paper (e.g. staffing proposals; changes to funding; creation / deletion of general budgets; and those relating to reserves) do not directly impact residents and do not require an EQIA under the PSED. Other options with impact on the environment of the district (e.g. bus shelter replacement; increase in grant funding; additional street scene and tree works) have had an initial EQIA undertaken and no adverse impacts on any groups of residents with protected characteristics were identified. As detailed plans for spending come forward the PSED will be reconsidered as specific spending decision are made.

9 DATA PROTECTION IMPACT ASSESSMENT

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

10 RISK MANAGEMENT

Risk	Mitigation	Opportunities
<i>Property Commercial tenants unable to pay rents or subject to business failure</i>	Close monitoring of rent position by property team with support to tenants through effective working relationships.	
<i>Slowdown in commercial property investment, meaning that the council's development schemes achieve less interest or less income than expected</i>	The council's advisors are reviewing the property investment market and will provide advice as to timing of any marketing.	

<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> Slower than projected economic recovery affecting income received by the council</p>	<p>The council is actively supporting high street recovery through a EM3 LEP grant working with local partners. The council has £18m uncommitted revenue reserves available to support further increases to the projected deficit.</p>	
<p><i>Financial</i> The council is unable to balance the revenue budget</p> <p><i>Risk of lower than projected demand for income generating services specifically parking</i></p> <p><i>Inflation risk - Salary and contract inflation is higher than budgeted.</i></p> <p><i>Additional costs of national programmes such as waste strategy imposed on the council.</i></p>	<p>Proposals set out in this report, including the strategy for management of reserves mitigate against this.</p> <p>The council has £18m uncommitted revenue reserves available which can be utilised as a last resort as above.</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>Any 22/23 year end surplus to be transferred to reserves.</p>	

11 SUPPORTING INFORMATION:

22/23 budget outturn forecast

- 11.1 The latest detailed forecast for the 2022/23 general fund budget is set out in the *Quarter 3 Performance Report* (CAB3380 refers).

- 11.2 Additional contract, pay and energy inflationary costs are forecast to total £1.1m in excess of the original budget for 2022/23 and have been factored into the 2023/24 budget setting.
- 11.3 In Q1 it was forecast that these additional inflationary pressures would need to be funded from the exceptional inflation reserve. However, favourable variances were subsequently identified in Q2 which are forecast to fully offset these additional pressures. Some of the main areas where favourable variances are forecast are:
- Business Rates Retention and other funding
 - Net interest receivable (see para 12.3)
 - Recycling Income (due to increased materials prices for waste recycled)
 - Bus subsidy received / Park & Ride savings

12 Local Government Finance Settlement and the economic outlook

- 12.1 There are a lot of unknowns for the future of Local Government finance. The longer term outlook for the council's finances is dominated by two key factors; firstly the macro-economic volatility the UK is experiencing (with high inflation and rising interest rates); secondly, the unknown impact of the long awaited fair funding review and proposed further business rates retention proposals for 2024-25 and beyond.
- 12.2 Although the Bank of England are forecasting (in their *Monetary Policy Report*, November 2022) that inflation will fall sharply from the middle of 2023, prices for many of the council's service inputs (e.g. construction materials and electricity and gas supplies) remain high. The high inflation rates experienced in the autumn also cemented high cost increases to key service contracts at near 10%.
- 12.3 The Bank of England has been raising their base interest rate in an effort to reverse the rapid increases in consumer price inflation (CPI) and bring it back down to their 2% target. Over the 12 months to December 2022 the rate increased from 0.1% to 3.0%. This has had a positive effect in raising the returns from the council's investments (the Treasury Strategy, CAB3390 refers) with the average year to date return on the council's cash and investment balances up to 31 December 2022 being 3.0% versus 0.48% at the same time last year. However, the increased cost of borrowing available to the council has had a detrimental impact on the financial viability and affordability of capital schemes reliant on borrowing to fund them (the Capital Strategy report, CAB3389 refers). The annual revenue consequences (including costs of borrowing) of those capital schemes in the programme are included in Appendix A.
- 12.4 The absence of a longer term financial envelope for Local Government does mean that there remains significant uncertainty over the financial position from 2024-25.

12.5 In the shorter term, the provisional local government finance settlement for 2023/24 that was announced on 19 Dec 2022 confirmed a more favourable position than had been forecast in the Medium Term Financial Strategy. New Homes Bonus of £1.629m was £329k higher than expected and retained business rates were £0.5m higher than forecast. The settlement also included some new areas of funding for Winchester: a one-off Funding Guarantee that all councils would see 3% increase in Core Spending Power benefitted Winchester with £894k; and additional Revenue Services Grant (RSG) of £156k.

13 General Fund revenue budget forecasts and proposals

13.1 The *Budget Options and Medium Term Financial Strategy* report (CAB3374) to Cabinet in November 2022 set out the financial planning assumptions and resources available to the council to deliver the Council Plan. The MTFS attempts to balance the resources known, and estimated, to be available with the ambitions of the Council Plan. The MTFS report set out budget options for achieving this and Cabinet considered and approved these options for both income generation and cost savings at its meeting in November.

13.2 In light of the latest financial position and forecasts, these budget options have been reviewed and updated. Those included in the budget set out in Appendix A are as follows:

Budget Option	Description	Annual Saving
Garden Waste subscriptions	The 2022/23 subscriptions cover existing contract costs but not all admin and support costs. Contract costs this year increased in line with September CPI inflation (9.9%). As part of the MTFS in November, Cabinet approved a 9.9% increase in prices for 2023 renewals to take immediate effect. Cabinet also approved an increase in the discount for residents subject to council tax reduction from £10 to £15 which effectively 'froze' prices for these customers. These decisions kept the Winchester service in line with lower quartile of 22/23 charges for Hampshire Councils, although many will increase charges further before March.	£120k
Fees and charges uplift	Most charges are set on a "cost recovery" basis and with costs all increasing, fee increases cannot be avoided. Cabinet agreed to generally	£70k

	uplift by CPI (9.9%).	
Core Housing Grants funding	The Council has two core housing partners (Trinity and Beacon) and provide core grants totalling £68k annually. Rather than this continue to be funded from the core grants baseline budget, it is recommended that this support be met from the annual Homelessness Prevention Grant (the Council receives £300k annually to support homelessness). This proposal has no impact on approved grant levels, though it should be noted that the Homelessness Prevention Fund is subject to annual Government decisions.	£68k
Strategic Budget Review service efficiencies	Immediate savings from a review of all service budgets identified efficiencies and savings within support budgets totalling £100k. Budgets will be adjusted from April 2023 to recognise these savings.	£100k

13.3 The Council has 10 open-market shared property owners in the General Fund Partnered Home Purchase (PHP) scheme. The leases for these have an annual upward-only rent review based upon September RPI plus 0.5%. This would have meant that the rent increase for these residents from April 2023 would have been 13.1%. However, in recognition of the Cost of Living crisis and in line with requests from government, the council is proposing to cap the rent increase in 2023/24 to 7% in line with the 7% rent increase for social and affordable housing tenants. This will cost the General Fund circa £4,000 per annum in lost income.

13.4 Growth items included in appendix A

13.5 Whilst it is necessary to identify budget reductions to contribute towards funding forecast deficits, there are a number of issues that require attention and budget provision if the Council is to maintain delivery of its key priorities. These growth areas require an ongoing increase to the council's baseline budget and are summarised in the table below:

Growth Proposals	Description	Annual Cost
Salaries Increment Increase	A full review of salary grades was undertaken in 2017 and a further focussed review indicates that some comparable posts at neighbouring	£175k

	<p>councils attract more favourable terms. This directly impacts on recruitment and retention of staff and therefore service delivery. A more competitive market position could be achieved by uplifting all grades by one spinal column point and removing the lowest point in each grade. This will make starting salaries higher as well as providing headroom at the top of the grade for staff to progress further. In addition, a market-based salary adjustment has been made in respect of the Council's executive leadership team.</p>	
Regen Project staff	<p>Capacity to deliver existing and planned future regen projects is not sufficient to manage successful delivery of regeneration work. This provision for an addition Director post to specifically lead on regeneration projects will provide capacity at the strategic level which is essential for the successful and robust progression of the council regeneration ambitions.</p>	£130k
Bus Shelter Replacements	<p>Supporting the Pride in Place priority in the Council Plan this growth is needed for the replacement of ageing bus shelters which are reaching end of life. Report (WTF312) which went to November 2022 Town Forum sets out details of the requirements which were supported by the Town Forum and will be funded by the Town Account.</p>	£10k
Hampshire Cultural Trust (HCT) freeze in grant reduction	<p>Existing budgets assume HCT grant reduces in future years. However, staffing costs have increased like other services. It is therefore proposed that funding is retained at current levels for a three years in total (2022/23 – 2024/25).</p>	£43k
Street Scene / Pride in Place	<p>In support of the council plan focus on Pride in Place, a one-off provision was included in 22/23 for additional spend in the city centre and market towns. This has been used for a targeted effort on bench repairs, bin stores, graffiti</p>	£50k

	removal, weed clearance and jet washing across the district. This smaller ongoing provision is required for future years to fund these works and their maintenance on an ongoing basis.	
Essential Tree Works	Spend on essential tree works has increased this year as a direct result of issues such as “ash die back”, climate conditions and an improved inspection regime. This is projected to continue and additional budget is needed for further essential works and to ensure the effective management of council trees.	£101k

- 13.6 One-off reserve-funded items included in Appendix A
- 13.7 As well as the ongoing budget growth items in table above (para 13.5) there are a number of one-off budgets required to deliver the council’s regeneration plans.
- 13.8 **Central Winchester Regeneration** – Throughout 2022 a procurement process has been underway to secure a development partner to take forward and help deliver the council’s vision for the regeneration of this area of the town. Once the development partner has been chosen (a decision due to be made in March 2023) the next phase of the project is to work together to submit a planning application. Additional budget of **£175k** is required to fund specialist consultancy work for this phase including property, financial, legal, planning and communications advice.
- 13.9 **Strategic development advice** - the existing contract for strategic development advice ends in 2023, **£150k** is included in Appendix A for the next phase of professional advice needed to assist in preparing for the major decisions we will be bringing forward for regeneration projects.
- 13.10 **Relocation of the Bone Store** – Proposals to develop the former depot at Bar End have not been finalised but it will be necessary to relocate the bone store to F2. A total budget of £150k is required of which £75k is capital (new racking) and **£75k revenue** (relocation costs).
- 13.11 Options in MTF5 but not now included in appendix A
- 13.12 The budget options below were approved by Cabinet in November for inclusion in the budget preparation. However, in light of the latest financial position, economic conditions and forecasts, they have been reviewed and are no longer included in Appendix A.

- a) The increase of the vacancy target by £200k in 23/24.
- b) The suspension of the contributions to the parking and asset reserves by £450k in 23/24.
- c) The saving of £200k if existing growth areas in the grounds maintenance contract.

13.13 Proposal for transfer to reserves for 2023/24 surplus

13.14 The council faces some of the most challenging financial conditions in recent years but the Local Government Settlement that was announced in December (set out in paragraph 12.5) has enabled the council to recast its projections.

13.15 It is recommended that forecast surpluses in 2023/24, due to the favourable settlement be used to fund future commitments the council knows it will face in the medium term, both to meet the priorities in the Council Plan or because of legislative changes that are being developed.

13.16 It is proposed to create the following reserves:

Greener Faster (£250k) – having declared a Climate Emergency in June 2019, the council is committed to becoming a carbon neutral local authority by 2024; and is aiming for the wider district to be carbon neutral by 2030. The Greener Faster overarching priority as set out in the refreshed Council Plan was supported by 85% of residents in the recent residents' survey.

Recent roadmap work to inform how the ambitious carbon neutrality targets will be met, has indicated significant work is required by the council to reduce its carbon footprint sufficiently. It is also recommended to create a Greener Faster Reserve to support the council's ambitions to become a carbon neutral organisation by 2024 and a carbon neutral district by 2030.

This reserve will enable the council to expand renewable energy; explore the use of council assets for carbon and nutrient offsetting, reduce energy demand in council-owned buildings, lower the carbon footprint of council and contractor vehicles; as well as enhance active travel provision (for instance secure bike parking options). In addition the Future Waste Reserve will enable the Council to roll out improved doorstep recycling including food waste collection at the earliest point practicable.

Future of Waste (£500k) - new services for food waste and other changes to waste and recycling collection will be introduced in early 2025. Whilst the government has committed to new burdens funding for collection authorities, the amount is unknown and we expect the nationwide need for food waste refuse vehicles and new bins for homes to drive up the prices. We also expect the new burdens funding to require supplementing if we are to follow the corporate strategy and require the new vehicles to be low carbon or zero carbon producing. This reserve will support the transition to these new services.

Pride in Place (£150k) – enhanced focus on making a visible difference to the district to improve the experience of those living in or visiting it, has been outlined in the refreshed Council Plan (CAB3370 refers). This reserve will be used to develop a ‘toilet strategy’ working with parish councils to ensure Winchester is providing safe, clean, appropriately maintained and accessible public conveniences. The reserve will also support the public conveniences upgrade programme and the higher levels of investment and work being undertaken due to anti-social behaviour, vandalism and fly-tipping in the district. Although listed under pride in place, the importance of the rural economy cannot be underestimated and ensuring there are facilities in the market towns and villages to enable visitors and residents to enjoy the district is essential.

Digital Transformation (£400k) – the council’s service to customers is of critical importance and the drive to increase digital platforms to offer 24/7 services continues. The council aspires to make services as easy as possible for customers to access. Work to transform the digital customer experience is needed in various services. This reserve will support the introduction of ‘spatial data visualisation’ for the Planning service – by procuring a tool to digitally map places, we can help people visualise planning applications, regeneration schemes and the design of wider areas. This tool will help customers understand the impact of future planning applications and regeneration schemes by presenting a 3D map of what it could look like.

Other digital transformation work includes a review of the council’s website and Your Winchester app; which both allow customers to report issues, check information and self-serve 24 hours a day, 7 days a week.

Regeneration (£300k) – further to the additional budget requirements for Central Winchester Regeneration (paragraphs 13.45 and 13.8), work to explore whether a viable scheme can be brought forward in the Station Approach area is underway. It is envisaged that a strategic case will be submitted to Cabinet in June 2023. If this leads to master-planning for the area, seed funding for the consideration and consultation of this will be required.

Cost of Living/Living Well (£170k) – without doubt, many residents are facing financial pressures and the council has worked over the year to support those in greatest need. As well as extending the existing Exceptional Hardship Fund that benefits those council tax payers most in need of financial assistance (regardless of whether they are in receipt of Council Tax Reduction); this reserve will be used to continue the council’s commitment to the principles of the City of Sanctuary (meaning we will continue to support those who arrive from peril) and further support the cost of living initiatives (e.g. through advice services and the business support programme).

Transitional Reserve (additional £230k) – this reserve is being used to support a council-wide transformation challenge programme; incorporating focussed independent reviews of key services over the next 12 months with

the clear aim of determining longer term savings or income generation to support the delivery of the Medium-Term Financial Strategy and the Council Plan. Additional funding will be used to further support this programme of savings that are required to solve the £3m budget gap that is forecasted within 4 years.

14 Collection Fund

- 14.1 Business Rates – The business rates collection fund is forecast to be in deficit by £1,145,958 by the end of 2022/23. This is shared between Central Government £572,979, the County Council £103,136, the Fire & Rescue Authority £11,460 and this Council £458,383.
- 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 surplus of £320,795 is forecast for 2022/23, to be distributed in 2023/24. This is shared between the County Council £228,372, the Police & Crime Commission £40,182, the Fire & Rescue Authority £12,516 and this Council £39,725.
- 14.3 The council tax referendum limits on precept increases have been confirmed at 2.99% or £5, whichever is higher, for shire districts such as Winchester (where £5 equates to just over 3%). 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 2023 or setting a lower increase than the 2.5% recommended in CAB3374 Budget Options report in November. The better than expected settlement detailed in section 12.5 is expected to be only short term; and the forecast deficits from 2025/26 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 increase of 2.65%. 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 medium term projected shortfalls, the proposed budget set out in Appendix A assumes a 2.65% increase in council tax for the district along with a town forum recommended increase of 5.5% for the Winchester town area, in 2022/23.
- 14.6 The current level of tax for the district is £151.29 (Band D equiv.). The proposed tax for 2023/24 is £155.29, an increase of £4.00.
- 14.7 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.
- 14.8 The current level of tax for the town is £76.71 (Band D equiv.). An increase of 5.5% would increase this to £80.93.

- 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 2023/24. 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.
- 15 Winchester Town Charge – Section 35
- 15.1 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.
- 15.2 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.
- 15.3 The services currently covered by special expenses are listed in Appendix D.
- 15.4 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 2022/23 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 £1,186,879 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.
- 15.5 The Winchester Town Forum met on 26 January 2022 and recommended the budget which is currently set out in Appendix D, including a proposed Council Tax increase of 5.5% for 2023/24.
- 16 Council Tax Reduction (CTR) Scheme
- 16.1 To reflect the inflationary increases of the cost of living crisis, the Government will increase national benefits (Universal Credit (UC), Job Seekers Allowance, Housing Benefit (applicable amounts), Tax Credits etc.) & pension rates by 10.1% with effect from 1 April 2023. In light of this change, it was necessary to review the income bands within the CTR scheme. The income bands are set to ensure that people on the standard rates of UC receive sufficient assistance with their council tax liability. This rate is 100% and those who receive an enhanced rate of UC due to disability, receive CTR of 75% of their council tax liability. The proposed new income bands, set out in Appendix E) ensure that these people continue to receive the same level of support.
- 16.2 Any CTR claimant suffering with financial difficulties can apply for assistance through the Exceptional Hardship Fund. 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.

17 Council Tax Support Fund

17.1 The government has provided councils with a Council Tax Support Fund for 2023/24 to assist its most vulnerable households with the increase in council tax from 1 April 2023. Winchester will receive a provisional allocation of £150,512 with allocations to be confirmed at the final Local Government Finance Settlement.

17.2 Guidance for the scheme has been provided by government and is available at Appendix F. The key points from the guidance are:

- a) Government expect councils to use the majority of funding to reduce 2023-24 council tax bills for all CTR claimants (pension and working age) with an outstanding balance, by up to £25;
- b) Councils will automatically apply the reduction without the need to claim;
- c) It is the government's intention that any reduction to council tax bills provided through this scheme will not affect the eligibility of recipients for other benefits;
- d) Councils are expected to use a proportion of their allocation to establish their own local approach to helping economically vulnerable households with council tax bills i.e. a "discretionary scheme".
- e) Government expects councils to deliver this scheme using their discretionary powers under s13A(1)(c) of the Local Government Finance Act 1992. This requires approval by full Council.

17.3 It is proposed that the government's guidance is adopted in full with the following additional criteria:

- a) An initial £50 reduction will be made to council tax bills for all households on CTR at 1 April 2023. This amount will be less where the remaining council tax liability for the year, after all other reductions, is less than £50.

This will spend an estimated £109,000 of funding.

- b) The remaining balance of funding will be used to provide -
 - (i) up to £50 reduction of council tax to all households making a new CTR claim after 1 April 2023; and

- (ii) a discretionary hardship fund, allocated on a case-by-case basis. This is for households which are either not eligible for CTR or receiving CTR, plus the top-up described in Part 1 of the policy, but still have a council tax liability to pay. In both scenarios the council tax payer must be financially struggling to pay their council tax.

It is estimated that the majority of this balance will be paid to those newly claiming CTR after 1 April.

- c) Awards from this fund will cease when the full amount of £150,512 has been allocated to council tax payers. The fund will be monitored.

18 Earmarked Reserves

- 18.1 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.
- 18.2 Total General Fund earmarked reserves, including proposals in this paper, are forecast to reduce from £38m at 1 April 2022 to £26.8m at 31 March 2026. The forecast closing balances (as at 31 March 2026) of key earmarked reserves are summarised below;
 - a) Operational reserves (£3.0m), 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 (£12.2m), 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 (£2.8m), 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 (£8.6m), 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.
- 18.3 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.

19 Balances / risk reserves

- 19.1 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.

- 19.2 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.

20 Adequacy of reserves and robustness of estimates

- 20.1 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.

- 20.2 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.

- 20.3 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.

- 20.4 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.

21 OTHER OPTIONS CONSIDERED AND REJECTED

- 21.1 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.

- 21.2 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.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

[CAB3374 – General Fund Budget Options & Medium Term Financial Strategy \(Nov 2022\)](#)

Other Background Documents:-

[Residents' Survey 2022 – Executive Summary](#)

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: Council Tax Reduction (CTR) Scheme income band changes

Appendix F: Council Tax Support Fund Guidance 2023/24

Appendix G: Salary grades