

REPORT TITLE: GENERAL FUND OUTTURN 2024/25

10 SEPTEMBER 2025

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

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WARD(S): ALL

PURPOSE

This report provides an overview of the General Fund Revenue outturn and Capital Programme outturn for 2024/25.

The 2024/25 General Fund budget was approved by Council in February 2024 (CAB3444 refers). The budget was set based on a stable financial position with a forecast balanced budget now covering 2024/25 and 2025/26. Quarterly monitoring has kept the forecast 2024/25 outturn under close review. A final outturn favourable variance of just over £2.4m is reported, resulting from additional interest receivable and a number of service variances.

RECOMMENDATIONS:

That Cabinet:

1. Note the General Fund Revenue Outturn and Capital Programme Outturn as set out in the report
2. Approve the transfers to and from the Major Investment Reserve as detailed in Appendix 1 and note the reserves and closing balances at 31 March 2025 (as set out in Appendix 2)
3. Approve the revised 2025/26 capital programme as set out in appendix 5 including the following new budgets:
 - a. Special maintenance vehicles replacements - £251,000
 - b. Rural Enterprise Prosperity Fund (additional funding received) - £223,000
 - c. Disabled Facilities Grant (additional funding received) - £185,000
4. Note the revised 2025-2035 capital programme as set out in appendix 6.
5. Approve the proposal to write-off the five individual outstanding Non-Domestic Rate debts totalling £458,213.50, listed in exempt Appendix 7, in accordance with Financial Procedure Rule 12.7(f).

IMPLICATIONS:

1 COUNCIL PLAN OUTCOME

- 1.1 The budget approved in February 2024 (CAB3444 refers) directly supported the delivery of all outcomes set out in the Council Plan. This included revenue budget support for Greener Faster and carbon reduction investment proposals and funding to support cost of living through the Council Tax Support Fund and Exceptional Hardship Support Fund.
- 1.2 The council plan outcome focusing on Homes for All is also supported by the Housing Revenue Account Business Plan considered elsewhere on this agenda (CAB3516).

2 FINANCIAL IMPLICATIONS

- 2.1 As set out in the report.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 Local authorities are required by law to have a balanced budget. However, what is meant by 'balanced' is not defined in law and Chief Finance Officers are to use their professional judgement to ensure that the local authority's budget is balanced, robust and sustainable.
- 3.2 The Local Government Act 1972 (Section 151) makes the Chief Financial Officer responsible for the proper administration of the Council's financial affairs. The responsibilities of the Chief Finance Officer, including in relation to section 114 notices, are set out primarily in section 151 of the Local Government Act 1972.
- 3.3 All Members and officers have a general responsibility which is a fiduciary duty to residents to take reasonable action to provide for the security of the assets under their control and for ensuring that the use of these resources is legal, is properly authorised and achieves value for money. In doing so proper consideration must be given at all times to matters of probity and propriety in managing the assets, income, and expenditure of the Council.

4 WORKFORCE IMPLICATIONS

- 4.1 The council employed 460 permanent and fixed term staff at 31 March 2025 (General Fund and HRA), as reported to Audit and Governance in July (AG163). This is one of the most significant costs to the council and therefore as services change, the staffing requirements also change. This represents a net 14FTE increase during the year.

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 The Asset Management Strategy (CAB3377 refers) highlights how the Council's non-housing property assets (the Estate) play a significant role in

generating rental income and creating opportunity for social, economic, environmental, and cultural and regeneration interventions.

- 5.2 Overall property income for 2024/25 was £4.8m, including investment and non-investment properties. This is offset by expenditure of £1.2m, leaving a net surplus of £3.6m (excluding the Minimum Revenue Provision and borrowing costs).

6 CONSULTATION AND COMMUNICATION

- 6.1 The 2024/25 budget (CAB3444) and Capital Investment Strategy 2024-34 (CAB3443) were set in February 2024 and this followed consultation with stakeholders, including with parish councils through the parish liaison meetings; with local businesses through discussions with the Chamber of Commerce / BID Business forum; and with the public through an online survey.
- 6.2 Throughout the year, the financial monitoring reports have been to Scrutiny Committee quarterly.

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 The commitment to carbon neutrality and investment in the Carbon Neutrality Programme is maintained in full. The capital programme also included provision specifically aimed at reducing carbon emissions.

8 PUBLIC SECTOR EQUALITY DUTY

- 8.1 The recommendations in this report do not amend budget proposals that have been subject to previous assessment. Officers have regard to the considerations as set out in the Equalities Act 2010 and will assess the Public Sector Equality at the time of decision making and implementation on any specific recommendations for changes to future budgets.

9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 None required.

10 RISK MANAGEMENT

- 10.1 Significant changes to local council funding from central government are under review as part of the Government's Fair Funding Review 2.0 consultation exercise, with changes expected to take effect from 2026/27. These changes, which have long been expected, will hopefully bring a multi-year settlement to give greater certainty over the medium-term once confirmed. However, until confirmed there remains significant uncertainty over medium-term funding levels. Modelling of sensitivities and scenarios is kept under review and as information becomes available forecasts will be updated.

Risk	Mitigation	Opportunities
<p><i>Financial</i> Budget deficit or unforeseen under or overspends.</p> <p>Financial pressure caused by influences outside the control of the council such as high rates of inflation, high borrowing costs, and uncertainty around local government funding settlements.</p>	<p>Regular monitoring of budgets and financial position including forecasting to year end to avoid unplanned over/underspends.</p> <p>Regular monitoring of macroeconomic situation and recommended establishment of an Exceptional Inflation Pressures reserve.</p>	<p>Early notification of unplanned under / overspends through regular monitoring allows time for plans to be put in place to bring the finances back into line with budget forecast.</p>
<p><i>Legal</i> Risk that external factors, such as high inflation, have an impact on budgets that is so severe that the Council cannot balance the budget and is at risk of needing to issue a s114 notice.</p>	<p>Enhanced monitoring of key at-risk areas (including parking and commercial rent income) and the establishment of an additional risk reserve to cover exceptional inflation pressures.</p>	
<p><i>Team capacity</i> Availability of staff to effectively monitor budgets and produce / report on outturn.</p>	<p>Resources to deliver projects are discussed at the project planning stage and agreed by the project board and monitored by the Programme and Capital Strategy Board. If, at critical budgeting times, resource shortages are identified, funding has been set aside in the budget to fund external support.</p>	<p>Opportunities present themselves for staff to get involved in projects outside their normal role enabling them to expand their knowledge and skills base as well as working with others.</p>
<p><i>Achievement of outcome</i> Risk that the balanced budget and stable finances required by the Your services, your voice Council Plan priority is not achieved or is not perceived to be open and transparent.</p>	<p>Through the quarterly monitoring reports, officers and members can monitor the ongoing financial position.</p>	

11 SUPPORTING INFORMATION:

General Fund Revenue

- 11.1 A high quality of service delivery has been maintained during the year. In addition, progress continues to be made in delivering key areas of work and the council's major projects.
- 11.2 The final outturn position in Appendix 1 shows an increased transfer to reserves, compared to budget in February 2024, of just over £1.7m. Whilst regular updated forecasts have been reported throughout the year, the budget is not revised mid-year, so this report highlights all significant variations compared to the original budget (many of which have been reported previously).
- 11.3 Careful management of earmarked reserves has resulted in a £10m increase in overall balances at the end of 2024/25. However, significant commitments are in place against these balances and along with continued uncertainty around funding and interest rates, the council will continue to manage reserves in a prudent manner.

12 Impact on the collection fund

- 12.1 The Council acts as billing authority for the Winchester district and is therefore responsible for the collection of business rates and council tax on behalf of Hampshire County Council, Police and Fire authorities, parish councils and Central Government.
- 12.2 **Council Tax** - In January 2024, the Council forecast a collection rate of 99% based on previous experience of collection rates across the district. The outturn surplus of £1.3m reflected this high collection rate and also higher than forecast rateable properties during the year.
- 12.3 **Business Rates** – The total collectable business rates for 2024/25 were over £60m within the year including significant ongoing and new reliefs. The outturn deficit of £1.1m related mainly to increasing the allowance for doubtful debts and a significant increase in the appeals provision.

13 Revenue Baseline Budget Variances

- 13.1 Total general fund baseline net service expenditure was originally budgeted at £18.9m for 2024/25. A final outturn of £16.1m is £2.8m below budget. However, a number of these variances relate to additional funding received in year such as UK Prosperity Fund and homelessness, with unspent funding transferred to reserves for use in future financial years.
- 13.2 The most significant variances to the original budget are summarised in the table below, with further explanation in paragraphs 13.3 and 13.4 below.

<u>Income Variances</u>	Favourable / (Adverse) Variance £000
a) Local Economy (UKSPF)	373
b) Elections	323
c) Leisure Centre	308
d) Central Winchester	224
e) Homelessness	204
f) Car Parking	113
g) General Fund Property	102
h) Recycling Income	98
i) Private Sector Housing	70
j) Other	211
TOTAL INCOME VARIANCE	<u>2,026</u>
 <u>Expenditure Variances</u>	
a) Leisure Centre Provision Reversal	394
b) Support Service charges to HRA	209
c) Employee underspend	164
d) Other	236
e) Elections	(222)
TOTAL EXPENDITURE VARIANCE	<u>781</u>
TOTAL FAVOURABLE SERVICE VARIANCE	<u>2,807</u>

13.3 The reasons for the “income” variances in the above table can be summarised as:

- a) Local Economy (UKSPF) – additional in-year funding has been received and budget is proposed to be brought forward to 2025/26 to match expenditure plans.
- b) Elections – additional income is matched to additional expenditure relating to non-WCC elections in 2024/25.
- c) Leisure Centre – reduced energy costs from the annual energy benchmarking exercise has reversed previous additional costs from 2023/24 and resulted in a higher management fee being payable to the council.

- d) Central Winchester – unbudgeted contribution towards project management fees which only became payable upon signing of the development agreement in April 2024.
- e) Homelessness – additional in-year funding was received and budget is to be brought forward to 2025/26 to match expenditure plans.
- f) Car Parking Income – additional income of £0.113m over a budget of £7.672m represents a variance of 1.5% and relates to higher than forecast car park usage during the year.
- g) General Fund Property – additional income of £0.102m relates mainly to additional income resulting from the surrender of a lease.
- h) Recycling Income – additional income of £0.098m relates to additional income from glass due to a higher than forecast price per tonne and also higher than forecast 2023/24 materials recycling facility income.
- i) Private sector housing – higher than forecast DFG payments in 2024/25 resulted in a higher than forecast recovery of administrative costs (£0.07m higher than budgeted) which are based on 12% of cost.
- j) Other income variances – various smaller variances relating to higher income from fees and charges.

13.4 Explanations for the “expenditure” variances in the above table are provided below:

- a) Leisure centre provision reversal – a £394k accrual was charged to revenue for a potential liability relating to the construction of the leisure centre. The actual liability was paid via capital and so this variance arises due to the reversal of the not needed revenue accounting adjustment.
- b) Support Service recharges to the HRA – an increase in support service recharges to the HRA as a result of the latest agreed apportionment methodologies. This increase is reflected in the baseline budget from 2025/26.
- c) Employees – net vacancy savings and a slightly lower than budgeted inflationary increase for the year led to lower than budgeted expenditure of £0.164m (total savings of £0.57m including vacancy management target savings achieved).
- d) Other minor savings across numerous service areas across the general fund.
- e) Elections – additional expenditure relates to the additional income shown under ‘income’ variances above.

- 13.5 An overall income surplus of £0.6m within 'Investment Activity' relates to:
- Additional net interest receivable of £1.1m caused by higher than expected balances (specifically s106 balances) and higher than forecast rates of return.
 - Additional investment property income of £0.2m caused by unused contingency budgets for void properties and rent reviews in 2024/25. Baseline budgets from 2025/26 have been updated to reflect latest forecasts.
 - An adverse variance of £0.7m relating to the minimum revenue provision, is mainly due to the reclassification of lease budgets between services and investment activity, due to the introduction of the accounting standard IFRS16.

14 "One Off" Budgets

- 14.1 In addition to the baseline budget to fund core services, a number of "one off" provisions were approved and included in the 2024/25 budget to fund key projects. The original one-off revenue budgets totalled £1.378m and this was revised to £6.166m during the year taking into account of budget brought forwards and in-year approvals. The final outturn of £3.395m was therefore £2.017m below revised budget. There were also a number of additional grants received in-year which increased the budget available to carry forward. The key one-off revenue budgets are listed below:

General Fund One-off Expenditure Budgets	Original Budget	Revised Budget	Outturn	Variance to Revised Budget	Additional Govt. Funding	Budget Brought Forward to 25/26
	£000	£000	£000	£000	£000	£000
1 Homes for Ukraine	0	980	315	664	99	763
2 Other smaller 'one-off' projects	498	2,215	1,525	690		573
3 Homelessness New Burdens	0	40	489	-449	910	461
4 Central Winchester Regeneration	0	663	222	441		441
5 Monuments	0	437	6	431		431
6 Climate Emergency	0	403	107	296		296
7 Food Waste Implementation	0	232		232		232
8 Car Parks	320	450	117	333		220
9 Future of Waste	0	161	52	109		109
10 Employee project budgets	666	585	743	-158		
	1,484	6,166	3,578	2,588	1,009	3,525

- Homes for Ukraine – additional funding planned to be spent in 2025/26.
- Other smaller 'one-off' projects such as the IMT 10-year plan and community grants.
- Homelessness New Burdens – additional funding planned to be spent in 2025/26.

- 4) Central Winchester Regeneration – approved project budget now planned to be spent in 2025/26.
- 5) Historic Buildings / Monuments budget has been brought forward to 2024/25 to reflect latest spend forecasts.
- 6) Climate Emergency work – this budget supports ongoing climate emergency revenue projects. The underspend has been carried over to 2025/26.
- 7) Food Waste Implementation – to support the implementation of food waste which is due for phased commencement from October 2025.
- 8) Car Parks Maintenance – budget brought forward to reflect the latest spend forecasts from the 2024/25 programme.
- 9) Future of Waste – to support the ongoing future of waste project.
- 10) Employee Project Budgets – relating to various projects such as food waste, planning, homelessness, and homes for Ukraine.

15 Outturn by Council Plan outcome

15.1 The Council Plan outcome summary outturn below shows the full general fund revenue outturn position for 2024/25.

15.2 Out of the final net surplus of £2.437m, £0.711m has been transferred to the General Fund balance, and £1.726m has been transferred to earmarked reserves. The full budget variance analysis is shown in section 13 above and variances in the table below show variations to original budget which may for example be additional expenditure which is fully funded by government grants.

General Fund 2024/25 Outturn	Budget	Actual	Variance
	£000	£000	£000
ENVIRONMENT	6,945	6,851	94
LIVING WELL	3,348	2,669	679
HOMES FOR ALL	2,512	2,364	148
VIBRANT LOCAL ECONOMY	981	1,159	(178)
YOUR SERVICES, YOUR VOICE	6,518	6,470	48
TOTAL	20,304	19,513	791
FUNDING AND OTHER ACTIVITY	23,139	27,866	(4,727)
TRANSFERS TO (FROM) EARMARKED RESERVES	(2,835)	(8,352)	5,518
SURPLUS TRANSFERRED TO GF BALANCE		(711)	
SURPLUS TRANSFERRED TO MAJOR INVESTMENT RESERVE		(1,726)	

- 15.3 The outturn underspend has enabled the council to increase the general fund balance by £0.7m to £3.5m and also increase the net transfer movement to earmarked general fund revenue reserves by £1.7m. Funding and other activity outturn of £4.8m higher than budget was largely related to £3.5m of CIL funding billed during the year and additional government funding totalling £1.7m and relating to grants such as Preventing Homelessness, Rough Sleeping, and Simpler Recycling implementation.

16 Funding including Government financial support

- 16.1 In total, including Council Tax, funding of £22.4m was £1.7m higher than the original budget of £20.7m. All of the additional funding is one-off in nature but there is a distinction between retained business rates which is available for general use and Other Government Grants, significantly new homes bonus, which is available for specific purposes such as Homelessness and Homes for Ukraine.
- 16.2 The Government distributed a number of specific support packages during the year. The city council has received/claimed during 2024/25:

	<u>£000</u>
a) Preventing Homelessness	0.742
b) Homes for Ukraine	0.365
c) Simpler Recycling Implementation	0.306
d) Rough Sleeping	0.214
e) Asylum Dispersal Grant	0.187
f) Electoral Integrity	0.067
g) Domestic Abuse Grant	0.050
h) Redmond Review Implementation	0.044
if) Housing Benefits	0.037
j) Defra Biodiversity	0.027
k) Tenant Satisfaction measures	0.018
l) Cyber Assessment Framework	0.015
m) Transparency	0.008
n) Neighbourhood planning grant	0.005
TOTAL	2.085

17 Earmarked Reserves

- 17.1 General Fund earmarked reserve balances have increased from £41.3m at April 2024 to £49.5m at the end of March 2025. This increase was mainly caused by additional funding such as Community Infrastructure Levy, government funding relating to Homes for Ukraine and Homelessness which

has been transferred to earmarked reserves for spend in 2025/26, plus general underspends transferred to reserves.

- 17.2 Earmarked reserve balances are set out in appendix 2. The 'operational reserves' balance has increased from £11.5m at the end of 2023/24 to £14.2m at the end of 2024/25. This balance also includes reserves set aside for Homelessness and Future of Waste where budget spending plans will come forward in due course.

18 NNDR Debt Write-off

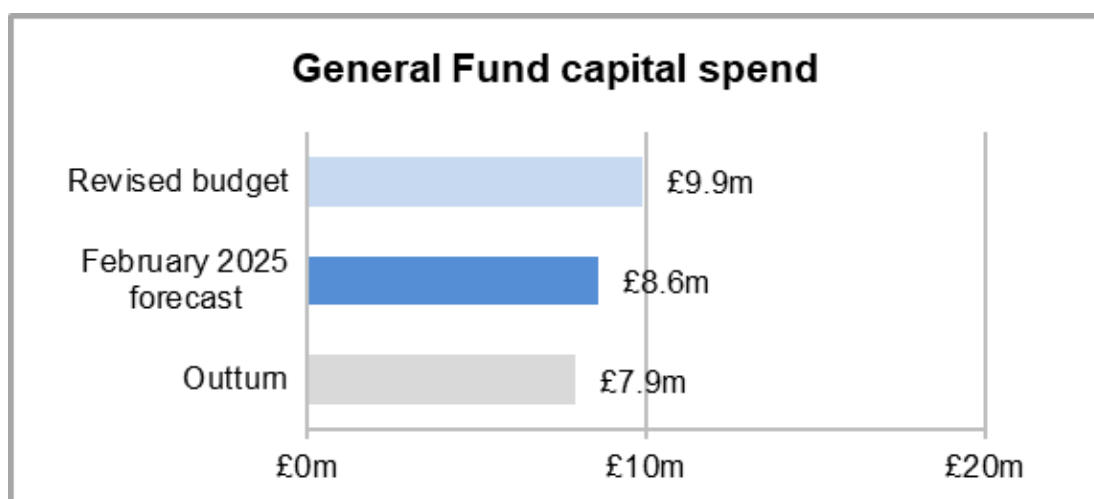
- 18.1 The Council adopts a robust but supportive approach to managing debt. Formally writing off debt is always only considered a last resort. As a result, some older debts remain in the accounts for as long as it is considered a possibility to recover them (including the completion of administration decisions in the event of business closure). However, there are a small number of debts which should now be written off.
- 18.2 There are five debts included at exempt Appendix 7, for uncollected Non-Domestic Rates (aka Business Rates), for which approval to write-off the debt is sought in accordance with Financial Procedure Rule 12.7(f), due to the lack of options available to the council to recover any payment. The first four debts have already gone through an insolvency process, of one description or another, and the fifth debt is mid-process, but due to the existing nature of the company there remains no avenue of recovery for the council to obtain any payment for this debt.
- 18.3 This is a summary of the debts and further details are contained in exempt Appendix 7:

Case	Debt period	Total debt for Write-Off	Insolvency Action
1	1 April 2023 to 3 December 2024	£85,353.17	In Administration (Insolvency)
2	1 March 2022 to 31 August 2024	£74,192.16	Dissolved (Insolvency)
3	1 April 2019 to 31 March 2020	£68,150.00	Creditors Voluntary Liquidation (Insolvency)
4	1 December 2018 to 11 March 2021	£91,090.86	Dissolved (Insolvency)
5	1 July 2021 to 19 November 2023	£139,427.31	To be Dissolved (Insolvency)
		£458,213.50	

19 **General Fund Capital**

- 19.1 Total capital expenditure in year was £21.2m - of which £13.3m relates to the Housing Revenue Account (HRA). The detailed HRA outturn is reported separately to Cabinet (CAB3516).

- 19.2 General Fund capital expenditure amounted to £7.9m. Excluding the SAPS scheme (see below), this compares to an original budget of £12.1m, set in February 2024 (CAB3443) and a revised budget of £9.9m (including 'brought forwards' and other revisions) set in September 2024 (CAB3464). Following subsequent approvals and reprogramming, the forecast expenditure was amended to £8.6m as reported in February 2025 (CAB3495). Further details by project are provided in Appendix 4.
- 19.3 In addition, a budget of £4m in respect of the Strategic Asset Purchase Scheme (SAPS) was allocated. When the scheme was approved by Council a SAPS Board was created which includes members and officers; the board receives recommendations of potential purchases and the s151 officer has delegated authority to make acquisitions up to £4m following discussions with the board, subject to due diligence, or recommend to Cabinet and Council to approve for acquisitions above £4m. During the financial year no suitable purchases were identified.



20 Key items of expenditure

20.1 The following are some of the key items of expenditure in 2024/25:

i. **King George V (KGV) Pavilion**

Total Budget: £3.3m

Exp: Prior years £3.09m

2024/25 £0.33m

Total £3.42m

Work on the new pavilion was completed in spring 2024 and has been available to users since June 2024. It replaces two out-dated, underused, and inaccessible pavilions with a single larger, accessible, modern facility designed with sustainability and carbon saving measures. The new pavilion will benefit communities across the city and district and looks to support the development of 'grass roots' football, with a particular focus on women's, girls', and youth football.

There was a small overspend on the total budget equivalent to roughly 3.5%. This was funded from uncommitted capital receipts.

ii. **Disabled Facilities Grants**

24/25 Budget: £1.23m

Exp: recurring

2024/25 £1.6m

The Private Sector Housing (PSH) Team is responsible for the administration of Disabled Facilities Grants (DFGs). Such grants enable residents of private and / or social housing who are disabled or have a mobility or other limiting condition to apply for adaptations to be undertaken in their home. Such adaptations can include the installation of stair lifts, level access showers, kitchen adaptations or ramping etc. and enable residents to remain in their homes rather than having to move, go into hospital or residential care. In 2024/25 the PSH Team approved 100 DFG applications enabling families to be kept together.

The original budget was based on the previous annual grant receivable from government. The actual spend exceeded this but was funded by £298,000 additional grant received, a contribution of £15,000 from Hampshire County Council in respect of one case, and unapplied DFG grant received in prior years of which £0.6m is now remaining.

iii. **River Park Cricket Pavilion**

Total Budget: £2.3m

Exp: Prior years £nil

2024/25 £0.039m

Total £0.039m

Work on the new pavilion has commenced and is expected to be completed in early 2026. Expenditure in 2024/25 related to preliminary items including design. The new pavilion will be a valuable additional asset in River Park, which is already a hub for sporting, community and social activity and recreation. It will provide the required standard of changing rooms, umpire facilities, toilets, and accessibility to enable a wide and diverse range of people to participate in cricket. By providing high quality facilities, increased community sport outcomes can be achieved across a wider demographic and the pavilion can be used to support users of River Park, not just cricket, by provided changing and club house facilities to support their events or sports.

iv. **Friarsgate – interim open space**

Total Budget: £0.441m

Exp: Prior years £0.114m

2024/25 £0.219m

Total £0.333m

Following the demolition of the former medical centre, work was completed on the interim open space, Friarsgate Park, which will serve as a meanwhile use while plans are drawn up for the wider Central Winchester Regeneration scheme in the longer term. The park includes benches and planters, as well as a small bridge and beds of wildflowers.

v. **WCFC all-weather 3G pitch**

Total Budget: £1.466m

Exp: Prior years £nil

2024/25 £1.408m

Total £1.408m

Following a successful grant application which funds almost 90% of the project costs, work has been completed on the installation of a 3G artificial turf pitch at the Winchester City Football Club alongside some stadium improvements. The project will deliver on aims and commitments such as reduced health inequalities, a wide range of physical and cultural activities for all ages and abilities and supporting communities to extend the range of sports and cultural facilities across the district. In addition to providing opportunities to host inter-school tournaments and skills workshops for under 16s, older adults, and disability football, the new facilities offer new opportunities for female coaches and players through the involvement of Winchester City Flyers FC.

- vi. **59 Colebrook St.** *Total Budget: £0.61m*
- | | | |
|---------------------------------|------------------------|----------------------|
| <i>Exp: Prior years £0.003m</i> | <i>2024/25 £0.556m</i> | <i>Total £0.559m</i> |
|---------------------------------|------------------------|----------------------|

The refurbishment and conversion of 59 Colebrook Street for shared accommodation has been completed and is at the final account stage with the final cost expected to be just under budget. Around 75% of the budget is funded from external grants and initially the property will be used to house those from the Ukrainian Resettlement scheme.

- vii. **CIL funded community projects** *24/25 Budget: £0.47m*
- | | |
|-----------------------|-----------------------|
| <i>Exp: recurring</i> | <i>2024/25 £0.23m</i> |
|-----------------------|-----------------------|

Several grants totalling £227,000 were paid over in 2024/25 as part of the ongoing CIL funded community projects programme. As these are external projects, often relying on other funding sources, the exact timing is uncertain and subject to delay. The scheme allows community groups to apply for a share of between £10,000 and £200,000 for essential infrastructure projects. Supported projects included the refurbishments of a community centre and a village hall, a church extension and refurbishment, the installation of solar PV, and the provision of several recreational facilities – play equipment, play area refurbishment, and the installation of a multi-use games area.

- viii. **UKSPF & REPF** *24/25 Budget: £0.83m*
- | | |
|-----------------------|-----------------------|
| <i>Exp: recurring</i> | <i>2024/25 £0.83m</i> |
|-----------------------|-----------------------|

The UK Shared Prosperity Fund (UKSPF) is the UK's replacement of the EU European Structural and Investment Programme and provides local authorities funding for communities, places, businesses, people and skills. Funding is provided for both revenue and capital purposes. In 2024/25, £233,000 of capital grants were made for a number of projects including low carbon technology training bays, EV chargers, a sound system for the Hat Fair, solar infrastructure, and a fleet of e-bikes for local businesses.

The Rural England Prosperity Fund (REPF) is a top up to UKSPF and is the replacement for the EU funded LEADER Programme used to support the

development of rural economies. Capital grants are awarded to small businesses, voluntary organisations, charities, and community groups. In 2024/25 a total of £598,000 in capital grants were paid to help with the installation of solar PV, a community bus replacement, a baby balcony at a nursery, and the purchase of a tuk tuk as well as several other projects.

- 20.2 In addition to the projects detailed above, the following projects were either complete or substantially complete in 2024/25: the purchase of land at the Dean in Alresford for the development of a car park; a number of public convenience refurbishments as part of the ongoing programme; Guildhall Fire Safety works; Chesil multi-storey resurfacing and LED light replacement; The Weirs essential repairs final phase; St Giles Hill stabilising works; KGV play area; the purchase of shares in Venta Living; the installation of bus shelters in Cromwell Road and Andover Road; the purchase of new racking for the bone store relocation to F2; and a capital grant to Bishop's Waltham Parish Council for a footpath and cycle link. Works were also carried on several other schemes – detail of expenditure on all capital projects is provided at Appendix 4.

21 Reforecast of capital programme

- 21.1 The 2025/26 capital programme has been reforecast to include adjustments made for brought forward budgets from 2024/25 and other adjustments such as budget reductions following tender or reforecasting to the subsequent period.
- 21.2 With the exception of budgets funded by external grant or unfinanced (prudential borrowing), reduced budgets result in funding being released back to earmarked reserves or to the capital receipts reserve where it becomes available to fund future projects.
- 21.3 In addition to the reforecast of the programme, the following budgets have been added to the programme in 2025/26 and 2026/27:
- a) Special maintenance vehicles – a budget of £251,000 has been added in 2025/26 for the purchase and conversion of new vehicles including a panel van, two transit tippers, and a heavy-duty tipper subject to approval to spend. These will replace the existing leased vehicles which have reached the end of their useful lives.
 - b) Rural Enterprise Prosperity Fund – since February budget, an allocation of £223,000 of new funding for 2025/26 has been provided to the council.
 - c) Disabled Facilities Grant – MHCLG funding in 2025/26 has been increased by £185,000.
 - d) CIL – additional budgets have been added in respect of new allocations to projects (CAB3518 refers) including: £36,393 to Hampshire County Council (HCC) in 2025/26 for the upgrade of the

existing pedestrian crossing at Friarsgate in Winchester; £282,000 to HCC in 2026/27 for the provision of a footway adjacent to Andover Road Micheldever; and £153,000 in 2026/27 for the provision of a perimeter footpath at River Park recreation ground in Winchester (a council led project).

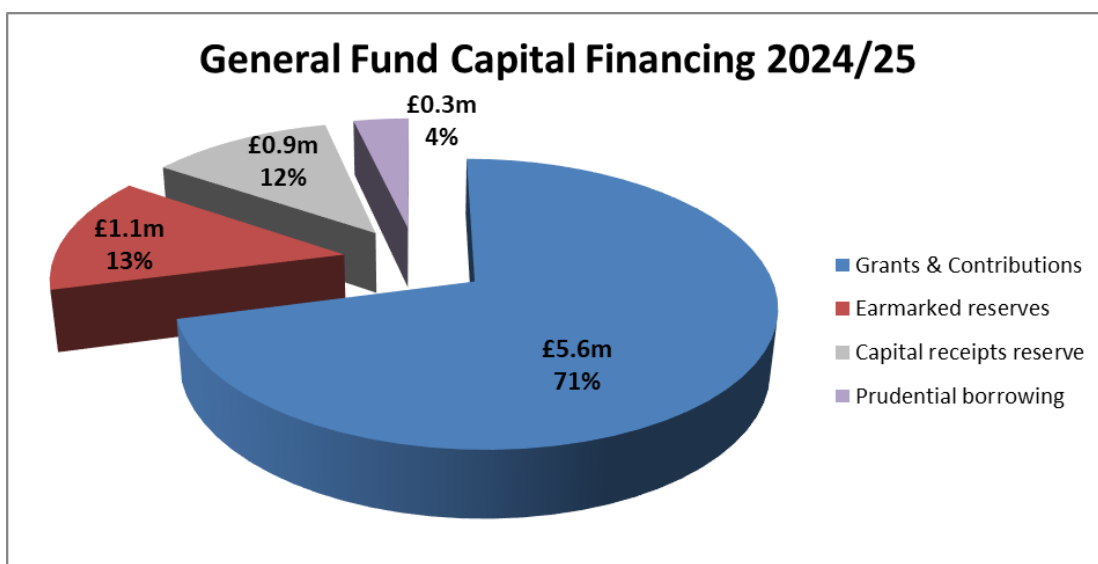
- 21.4 Full details of all changes to the 2025/26 capital programme are provided in Appendix 5 and the impact on the overall 10-year capital programme is provided at Appendix 6.

22 Flexible use of capital receipts

- 22.1 Ordinarily, capital resources such as capital receipts can only be used on capital expenditure (i.e. the creation or enhancement of a capital asset). However, the MHCLG Secretary of State issued a direction to local authorities in order to give them the freedom to use capital receipts from the sale of their own assets (excluding Right to Buy receipts) to help fund the revenue costs of transformation projects and release savings, including through redundancy, for the financial years 2016/17 to 2021/22. The government has since extended this to 2029/30 although redundancy costs must no longer be included unless “necessarily incurred and limited to...statutory payments”. By using capital receipts, the council is able to avoid the negative impact of on its annual revenue budget of one-off costs, but this will reduce the available resources for future capital projects.
- 22.2 In the Capital Investment Strategy approved in February 2021 (CAB3283), £194,000 of eligible capital receipts were set aside for this purpose which were applied to partially fund £266,000 in severance costs in 2020/21. This resulted in ongoing annual savings of circa £700,000 per annum. No further use of capital receipts has been made since then and the council currently has no specific plans to apply further capital receipts to transformation plans through its flexible use of capital receipts strategy (most recently approved in the Capital Investment Strategy in February 2025 (CAB3495)). However, the approved strategy allows it to do so should there be qualifying spend and if sufficient eligible capital receipts are available.

23 Capital financing

- 23.1 The sources of finance available for capital projects include capital receipts, grants and contributions, reserves, revenue contributions, and prudential borrowing or “Capital Financing Requirement” (unfinanced capital expenditure met by future revenue provision). Under the Prudential Code, the council can invest in a capital programme so long as its capital spending plans are “affordable, prudent and sustainable”. The financing of the 2024/25 General Fund capital expenditure is illustrated in the following graph. The single largest source of finance was capital grants and contributions.



- 23.2 Where capital expenditure is to be financed in future years by charges to revenue, the expenditure results in an increase in the council's borrowing need known as "Capital Financing Requirement" (CFR), a measure of the capital expenditure incurred historically by the council that has yet to be financed. While the council has sufficient cash and investment balances, it is able to internally borrow but as CFR increases, and cash and investment balances decrease, it will need to increase its external borrowing in addition to the £154.5m the council has already borrowed to finance HRA projects including the HRA self-financing settlement. In the General Fund an annual charge called Minimum Revenue Provision (MRP) is required to finance prior year unfinanced expenditure; this reduces the CFR over the lives of the related assets. Following the adoption of IFRS 16 (leases) in local government from 1 April 2024, an asset representing the right to use the item over the lease term will be recognised for all leases (except for those that are for low value items or whose term is less than one year). Liabilities are also recognised in the Balance Sheet for the obligations that the council has to pay rents for the rights acquired, discounted to their present value. In accounting terms, this is a form of borrowing and so increases the CFR. This will be reduced over time as the lease liability reduces with each subsequent payment.

Capital Financing Requirement	General Fund £000	Housing Revenue Account £000	Total £000
Capital Financing Requirement at 1 April 2024	70,160	212,546	282,706
Unfinanced capital expenditure - in year	1,383	0	1,383
Introduction of IFRS 16	602	0	602
Minimum revenue provision (MRP)	(1,737)	0	(1,737)
Voluntary provision for the financing of capital	0	0	0
Capital Financing Requirement at 31 March 2025	70,408	212,546	282,954
Made up of:			
External borrowing	0	154,491	154,491
Internal borrowing	70,408	58,055	128,463

24 Commercial activities: property

- 24.1 The council owns an investment property portfolio (assets held solely for rental income or capital appreciation) which was valued at £68.7m as at 31 March 2025 (£69.7m as at 31 March 2024) and generated gross income of £4.16m and net income after costs, including minimum revenue provision, of £2.70m in 2024/25. This income helps contribute to the Council Plan outcomes. This represents an average net yield of 3.9%.
- 24.2 In 2024/25, the council disposed of the remainder its share in a Partnered Home Purchase (PHP) scheme shared property following staircasing. In addition, the council transferred 59 Colebrook St from investment properties to operational assets following its conversion to shared accommodation.

Property held for investment purposes in £000s

1 April 2024	69,667
Acquisitions	0
Enhancements	1
Disposals	(160)
Gains/(losses) in fair value	(605)
Transfer (to)/from PPE (operational assets) *	(168)
31 March 2025	68,735

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

25 Proportion of financing costs to net revenue stream

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

25.2 The Council's General Fund capital programme includes a number of unfinanced projects (i.e. funded by prudential borrowing). MRP (equivalent to the repayment of loan principal) is applied annually and commences in the financial year following an asset becoming operational and increases the financing costs.

25.3 The General Fund financing costs as a proportion of net revenue stream are lower than forecast due to higher than forecast income from council tax, business rates, and non-ringfenced government grants. The HRA financing costs are lower than budgeted as the council had sufficient cash and investment balances to delay additional external borrowing thus reducing the interest cost against forecast.

Prudential Indicator: Proportion of financing costs to net revenue stream

	2023/24 actual	2024/25 forecast	2024/25 actual	2025/26 budget
GF financing costs (£m)	1.6	1.7	1.8	1.7
GF proportion of net revenue stream	7.2%	7.8%	8.1%	8.1%
HRA financing costs (£m)	5.3	7.4	5.2	8.3
HRA proportion of net revenue stream	15.9%	20.0%	13.9%	21.9%

26 Hampshire Community Bank

26.1 In November 2024, Hampshire Community Bank went into administration. The council had purchased 188 shares over three tranches totalling £188,000. As a consequence, the shares already purchased have been written out of the council's balance sheet and the fourth tranche purchase of an additional 62 shares at a cost of £62,000 will no longer go ahead.

26.2 The bank was started in 2014 to help small firms across the county and was supported by a number of other local authorities and universities. Its aim was to become a licensed retail bank, but it was unable to do this within the funding and timescales available.

26.3 When the council originally made the decision to invest (CAB2630 refers), it recognised that there was considerable risk with this investment and no guarantee that the bank would be successful in its application to become licensed.

27 OTHER OPTIONS CONSIDERED AND REJECTED

27.1 The potential to use the additional surplus for specific investment has been considered. However, in light of the specific emerging pressures identified within the MTFs, this is not recommended at this stage.

BACKGROUND DOCUMENTS

Previous Committee Reports:

CAB3494 - General Fund Budget 2025/26 dated 12 February 2025

CAB3495 – Capital Investment Strategy 2025-2035 dated 12 February 2025

CAB3483 - General Fund Budget Options and Medium-Term Financial Strategy dated 20 November 2024

Other Background Documents:

None

APPENDICES:

Appendix 1 – General Fund Summary Outturn

Appendix 2 – General Fund Earmarked Reserves

Appendix 3 – Winchester Town Account Outturn

Appendix 4 – General Fund Capital Expenditure 2024/25 outturn

Appendix 5 – Revised 2025/26 General Fund Capital Programme

Appendix 6 – Revised 2025-2035 General Fund Capital Programme

Appendix 7 (exempt) – Non-domestic rates debts write-off