

REPORT TITLE: GENERAL FUND BUDGET 2024-25

8 FEBRUARY 2024

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

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 2024/25 General Fund Revenue Budget. The report details the proposals for additional savings, spending and investment for the year ahead in order to support core council services and enhance continued delivery of the priorities in the Council Plan. There is particular focus on the Greener Faster priority by investing in enhanced recycling and food waste collection, and decarbonisation of our waste vehicle fleet, which will cut the Council's carbon emissions by 25%. Support for residents experiencing Cost of Living hardship is maintained by uprating the Council Tax Reduction scheme and additional funding for the Council Tax Hardship schemes, while the Council continues to maintain its community grants scheme.

The financial landscape is particularly challenging for local government with more than one in five councils at risk of financial failure within the next 12 months if they do not receive significant additional income or make substantial cuts to services<sup>1</sup>.

Winchester City Council faces many of the same pressures, particularly the uncertainty about future funding, with no indication of settlements beyond this next year. However, due to sound financial management in the difficult last 5 years, it is in a strong and stable position in the short term. The General Fund budget shown in Appendix B shows a balanced position for 2024/25 without needing to draw down reserves to achieve this.

The Medium-Term Financial Strategy (report CAB3430 in November 2023) set out the forecast position for the medium term. Projections have now been updated and the new Medium Term Financial Plan (MTFP) is shown at Appendix A. This shows that, although the council's immediate financial position to 2026 is stable, there are

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<sup>1</sup> Grant Thornton UK 'Financial Foresight' analysis at January 2024

increasing forecast deficits in the longer term. To address these future pressures, the Council has embarked on an organisation wide transformation programme in order to close the £3m gap in funding within 3 years. *Transformation Challenge 2025* (TC25) has already identified immediate savings of £0.6m which have been removed from the baseline budget. Transformational changes over the next few years are underway, focusing on digital redesign to enhance service delivery while producing savings, income generation and contracts review.

## RECOMMENDATIONS:

### That Cabinet recommend to Council:

1. Agree the level of General Fund Budget for 2024/25, and recommend the summary as shown in Appendix A.
2. Approve the Greener Faster and carbon reduction investment proposals set out in section 14 of this report, including:
  - a. £200,000 per annum for the carbon reduction measures on waste and recycling vehicles to enable the change to HVO fuel.
  - b. £1,400,000 per annum (less assumed 80% government funding) to expand recycling services to include food waste collections.
  - c. £400,000 per annum to implement other changes to the collection of recyclables.
  - d. £250,000 reduction in the annual waste income budget to reflect proposed changes to the Hampshire Inter Authority Agreement on waste.
  - e. The creation of an earmarked reserve, using the £130,000 of additional 4% Funding Guarantee income, to invest in the implementation of the food waste collection service.
3. In relation to the Cost of Living focus of the Council Plan, approve:
  - a. In the absence of any government funded scheme, the allocation of up to £100,000 from the Cost of Living / Living Well reserve to wholly or partially fund a local Council Tax Support Fund for 2024/25 in accordance with section 1919 of this report.
  - b. Extending the council tax Exceptional Financial Hardship Fund, with the remaining balance of 2023/24 funding (£38,000 as at Jan 2024), to 2024/25 to support any council taxpayers experiencing exceptional hardship, regardless of whether they are in receipt of Council Tax Reduction.
  - c. Approve a discretionary 7.7% cap for 2024/25 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 and for shared owners in the HRA.
4. Approve, in relation to the council's Homes for All priority,
  - a. an additional £20,000 per annum contribution to the New Burdens Reserve to support the Preventing Homelessness Strategy, including funding the increased costs of providing temporary accommodation for homeless households where required.

- b. to reduce the long term empty property period from 2 years to 1 year, of the 100% council tax premium which applies to all unoccupied and unfurnished property.
5. Approve, in relation to the council's TC25 transformation programme:
  - a. The £607,000 of immediately recognised TC25 savings set out in section 13 of this report be reassigned to contributions to the Transitional Reserve for 2024/25 and 2025/26 to support the delivery of the wider transformation programme.
  - b. A new budget of £100,000 per annum for the support and coordination of digital channel shift work across the council's services.
6. Approve the unavoidable budget growth of £100,000 per annum to fund increased external audit fees.
7. Approve savings in corporate property budgets for Non Domestic Rates (NNDR) of £177,000 to reflect reduced liabilities.
8. Approve service income annual budgets be amended as follows, in response to revised estimates:
  - a. Building control fees reduced by £100,000
  - b. Land charges income reduced by £100,000
  - c. Legal services reduced by £50,000
  - d. Garden waste service income increased by £90,000
  - e. Car parking income increased by £100,000
9. That the sum of £1,273,758 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.
10. That the Council Tax for the Special Expenses in the Winchester Town area at Band D for 2024/25 be increased by the maximum allowed under the referendum limit of 2.99% combined between the town and district.
11. That the surplus balance on the Council Tax Collection Fund for distribution to this Council, calculated in January 2024 of £118,152.14, be approved.
12. Recommend the level of Council Tax at Band D for City Council services for 2024/25 be increased to £159.36, an increase of £4.07 reflecting an average Council tax increase of 2.6%
13. 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 2024.

## IMPLICATIONS:

### 1 COUNCIL PLAN OUTCOME

1.1 This budget underpins delivery of all the priorities in the Council Plan and all core services provided across the district of Winchester. Specific proposals to invest in services to support the Council Plan outcomes and areas of enhanced focus are set out in the report.

1.2 The refreshed and current Council Plan was adopted by Full Council at its meeting on 18 January 2023 and at the same time adopted four areas of enhanced focus which include:

- **Cost of living** support – pivoting our services and resources to support our residents, businesses and voluntary organisations with the cost of living crisis.
- **Greener faster** – adding weight to our commitment to achieve our net zero targets for 2024 and 2030.
- **Pride in place** – making a visible difference to our places to delight residents and visitors.
- **Listening better** – being more effective at hearing the voice of residents and enabling them to influence our decision making.

1.3 Following consideration of the current priorities in the Council Plan, it is proposed that there will be no changes to the priorities and objectives for the coming year. The budget as set out in this paper has been prepared on this basis and aligned to the five Council Plan priorities and areas of focus.

### 2 FINANCIAL IMPLICATIONS

2.1 The proposals set out in this report represent a balanced budget for 2024/25 and for 2025/26. A significant deficit of £1.6m is forecast for 2026/27, increasing to £4.1m by 2028/29. 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 2023 and no certainty 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 This report sets out the organisational approach for managing financial resources to protect our core council services and enable delivery of the Council Plan priorities going forward. Employees are critical to the delivery of these services and priorities and at 31 March 2023 the council had a workforce of 405 FTEs.
- 4.2 The report sets out the current challenges in local government finances and proposals for the council to deal with these locally with a major transformation programme. It is recognised that successful transformation of services will involve significant staff resource to implement and may result in changes to team structures. The union have been actively involved in the staff engagement exercises that have been undertaken in the early stages of the TC25 project.
- 4.3 The budget presented in appendix A includes a proposal to remove three vacant posts from the establishment.

#### 5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 The council's General Fund has a property portfolio valued at £170m as at 31 March 2023 of which £68.4m is classified as investment properties (held solely for rental income and/or capital appreciation). A key strand of the Council's financial strategies is to maximise income from its assets, where possible, and seek to manage risk by achieving a balanced portfolio of assets.
- 5.2 A key area of focus within TC25 is the use of the property portfolio to drive additional income sources. Opportunities to consolidate corporate accommodation as well as the best use of vacant properties and maximising rents are being actively explored. The progress of this work is being reported to the Property Board quarterly.

## 6 CONSULTATION AND COMMUNICATION

- 6.1 Engagement with the district's residents, businesses and other stakeholders on the options being considered to ensure a balanced budget and on the decisions in the TC25 programme is critical.

### Budget consultation 2024/25

- 6.2 An online budget consultation on the options put forward in the Medium Term Financial Strategy was launched on 12 December and ran for five weeks. The survey asked for expressions of the level of support for the various options, from strongly agree to strongly disagree. As well as asking views on the overall approach to the budget, the questions covered the specific proposals to:

- Use Hydrotreated Vegetable Oil (HVO) instead of diesel in our waste and recycling vehicles.
- Invest in improving our recycling service to make it easier for residents to recycle more.
- Transformation of our services to make it easier for everyone to contact the council and do business with us online instead of having to phone or visit us in Winchester.
- Increase Council Tax by the below-inflation referendum limit of 2.99% which is approximately £5.30 per year for a band D property.
- Use the principle that chargeable services should cover all costs and that residents should not routinely subsidise the cost of services.

- 6.3 211 consultation responses were submitted from across the district. When the responses for all questions are combined to give an overall picture, the average responses are summarised in the following chart.

Average Option Response across all questions

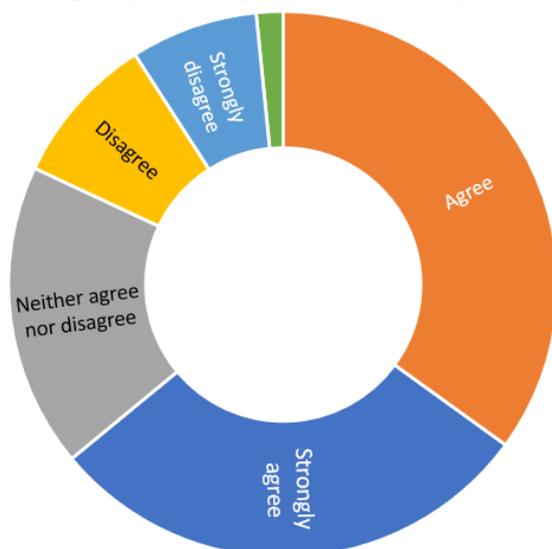


Figure 1 Budget Consultation Summary Outcome 2024/25

6.4 The proportion of responses that agreed (or strongly agreed) with the budget options are set out in the table below and show a clear majority of support from those surveyed. Across all the questions, only an average of 16% of responses disagreed (or strongly disagreed) with the proposals (with a slightly greater average percentage of 18% neither agreeing nor disagreeing).

Consultation question	Agreed or strongly agreed
Use Hydrotreated Vegetable Oil (HVO) instead of diesel in waste and recycling vehicles.	54%
Invest in improving our recycling service to make it easier for residents to recycle more.	66%
Transformation of our services to make it easier for everyone to contact the council and do business with us online.	70%
Increase Council Tax by the below-inflation referendum limit of 2.99%	69%
Chargeable services should cover all costs and that residents should not routinely subsidise the cost of services.	75%

Table 1 Budget consultation outcomes 2024/25

#### Other budget consultation

- 6.5 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 2023. No comments were made.
- 6.6 Discussions have also been had with local business representatives through the Chamber of Commerce and the BID at their Winchester District Strategy Group business briefing in January 2024. No comments were made.

6.7 The Scrutiny Committee discussed the Budget Options and Medium-Term Financial Strategy report (CAB3430) and commented on the proposals at its meeting in November 2023. There were no comments on the specific budget proposals set out within the report but the committee's resolutions regarding member involvement in TC25 and the capital programme were responded to by the Deputy Leader and Cabinet Member for Finance and Performance at the decision day on 4 December.

6.8 Scrutiny Committee is due to consider this report at its meeting on 6 February 2024 after this report has been dispatched. Any matters that the Scrutiny Committee wishes to raise or asks the Cabinet to note before making their decision will be reported and considered fully at the Cabinet meeting.

## 7 ENVIRONMENTAL CONSIDERATIONS

7.1 The budget set out in appendix A includes revenue provision to support the delivery of the council's carbon neutrality programme. Specific proposals include investment to switch the fleet of waste and recycling vehicles from running on diesel to Hydrotreated Vegetable Oil fuel (HVO). Although this will require an estimated £200,000 extra per year, this single change can save 25% of the carbon output of the whole council.

7.2 New legislation supports the council's commitment to recycling and there are also proposals to invest to implement the collection of food waste from dwellings across the district as well as other changes required to expand the range of recycling collected to include plastic pots, tubs and trays.

7.3 Many of the TC25 proposals combine both budget savings and carbon reduction. These include digital redesign of key services; encouraging customers to take up e-billing; reducing printing through better mobile-working provision for staff; and pivoting the way we communicate with residents through digital news channels.

## 8 PUBLIC SECTOR EQUALITY DUTY

8.1 An equality impact assessment (EqIA) was undertaken on the budget options in the Medium Term Financial Strategy report (CAB3430) 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.

## 9 DATA PROTECTION IMPACT ASSESSMENT

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

- 9.2 The council has continuing ambitions to improve the experience of our customers and make services more accessible and efficient using digital transformation. A key strand of the transformation under TC25 is digitalising services for the majority of customers, so telephone and face-to-face services can be prioritised for those vulnerable customers who really need them. Technological innovation and digitalisation change the risks the council faces in keeping data secure. Data security considerations and data protection impact assessments will be undertaken for individual projects as they are scoped and developed.
- 9.3 In accordance with our existing Data Protection Policy, The Council will continue to regard the lawful and correct treatment of personal information as very important, in order to maintain confidence between us and the people we deal with. We ensure that the Council treats personal information lawfully and correctly, with due regard to the rights and freedoms of individuals.

## 10 RISK MANAGEMENT

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
<p><i>Property</i>  <i>Commercial tenants unable to pay rents or subject to business failure</i></p> <p><i>Slowdown in commercial property investment, meaning that the council's development schemes achieve less interest or less income than expected</i></p>	<p>Close monitoring of rent position by property team with support to tenants through effective working relationships.</p> <p>The council's advisors are reviewing the property investment market and will provide advice as to timing of any marketing.</p>	
<p><i>Legal</i>  <i>The council is unable to balance the revenue budget resulting in the issuing of a S114 notice.</i></p>	<p>Proposals set out in this report, including the strategy for management of reserves and the Transformation Challenge 2025 programme mitigate against this.</p>	<p>Present a balanced budget in difficult circumstances</p>
<p><i>Timescales</i>  <i>Slower than projected economic recovery affecting income received by the council</i></p>	<p>The council has £18m uncommitted revenue reserves available to support further</p>	

Risk	Mitigation	Opportunities
	increases to the projected deficit.	
<p><i>Financial</i> <i>The council is unable to balance the revenue budget</i></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>Immediate TC25 savings and any 23/24 year end surplus to be transferred to reserves to re-invest in and deliver the TC25 programme.</p>	

## 11 SUPPORTING INFORMATION:

### Local Government Finance Settlement and the economic outlook

- 11.1 As set out in the Medium Term Financial Strategy (MTFS) in November (CAB3430), the public sector is facing the most significant financial challenges and demand pressures in living history. Projections have now been updated and the new Medium-Term Financial Plan (MTFP) is set out in appendix B and summarised below.

	2024/25	2025/26	2026/27	2027/28	2028/29
	£m	£m	£m	£m	£m
Budget surplus / (shortfall)	0.000	0.000	(1.566)	(2.869)	(4.079)

Table 2 Medium Term Financial Forecast

- 11.2 The council is in a sound financial position in the short term, projecting to balance both the 2024/25 and 2025/26 budgets. However, Winchester faces unprecedented financial pressures over the medium-term, due to interest rate rises, inflation and the impact of budget decisions by other public sector bodies. There is a recurring £2.9m annual deficit forecast by 2027/28; rising to £4.1m per annum by 2028/29.
- 11.3 The provisional local government finance settlement for 2024/25 that was announced on 19 December 2023 broadly confirmed the core funding level that had been anticipated in the MTF5. Overall, the settlement totalled £2.933m, which was £11,000 short of the forecast in November. However, it was back to a one-year settlement agreement. The absence of a longer-term financial envelope for Local Government, leaves significant uncertainty over the financial position from 2025-26.
- 11.4 In addition to the finance settlement announcement in December, a Local Government Finance Update was given by the Secretary of State for Levelling Up, Housing and Communities on 24th January. This set out plans to provide exceptional funding for Local Government to be set out in the upcoming budget. For Winchester City Council, there is a promise of an increase in the Funding Guarantee to make the minimum increase in core spending power 4% (rather than the 3% announced in the December settlement agreement). This is forecast to equate to around £130,000 additional income for the council, with final confirmation expected in early February. It is recommended to ring-fence this last-minute additional funding for the implementation of the food waste collection service.
- 11.5 There are significant unknowns for the future of Local Government finance. The longer-term outlook for the council's finances remains dominated by two key factors: firstly the macro-economic volatility the UK is experiencing (with stubbornly high inflation and borrowing rates not seen since the Global Financial Crisis of 2007/08); secondly, the unknown impact of the long awaited fair funding review and proposed further business rates retention changes for 2025-26 and beyond.
- 11.6 Although inflation rates have fallen through 2023, this only means the rate of price increases has slowed. Key council contracts experienced nearly 10% price increases in 2022 and then a further 6.7% in 2023 which has baked-in high prices for many service contracts. Despite the Bank of England's confidence that maintaining their interest rate at August 2023's higher, inflation-controlling rate of 5.25%, the Consumer Price Index (CPI) measure of inflation actually rose again 0.1% in the year to December (for the first time since February 2023).

11.7 In addition to the uncertainty with funding, significant new responsibilities for councils have been created by legislative change. Free weekly food waste collections must be introduced by 31 March 2026. This will have a significant impact on all waste collection authorities such as Winchester City Council, who will need to invest in new vehicles and infrastructure to expand the existing recycling offer. Budget forecasts for the revenue and capital costs of these are set out in this budget and the Capital Investment Strategy (CAB3443) elsewhere on this agenda.

11.8 In addition, demand for services such as temporary accommodation to prevent homelessness is rising. With the potential for homelessness rates to increase if economic conditions exacerbate the cost-of-living difficulties already felt by many households. This budget proposes to set aside an additional £20,000 a year that is forecast as required to tackle the increased demands for these services under the Homelessness Prevention Strategy.

12 Forecast outturn position for 23/24.

12.1 The latest detailed forecast for the 2023/24 general fund budget will be presented in the *Quarter 3 Finance and Performance Report* (CAB3441 refers). An overall net underspend of £0.53m is forecast for the year and all of the projected variances have been reviewed and considered as part of the budget setting process for 2024/25.

12.2 It is proposed to transfer any year end surplus to the Transitional Reserve to support the delivery of the TC25 transformation programme.

13 TC25 progress update

13.1 As a result of the Star Chambers, 12 rapid reviews have been completed for quick implementation and immediate savings. A summary of these is below.

Review	24/25 Budget Reduction
Private Sector Housing additional income - 5-year HMO cycle	£50,000
Development Management Planning fee income increases	£242,000
Building Control fee increase to reduce losses on chargeable service	£50,000
Reduction in City Offices and Guildhall cleaning	£40,000
Reduction in external design and print	£24,000
Digitalised design of About Winchester	£10,000
Redesign of the Community Safety Team	£42,000
Redesign of the Private Sector Housing Team	£38,000
Redesign of the Civil Enforcement Team	£34,000

Private Sector Housing legal services external costs	£10,000
Community Safety third party contractors	£15,000
Other minor savings	£52,000
<b>TOTAL IMMEDIATE TC25 SAVINGS</b>	<b>£607,000</b>

Table 3 Rapid review savings and income generation adjustments within the 2024/25 budget

- 13.2 The above budget savings and areas of income generation form a solid foundation for TC25 and show a positive start to the transformation programme from across the organisation. However, considerable work is required to meet the *£3m per annum within 3 years* target.
- 13.3 Reviews expected to result in further savings through the 2024/25 financial year but not yet recognised in the budget shown in appendix A include:
- approach to tree watering;
  - Guildhall and Abbey House corporate lettings strategy;
  - improvements for on-the-go mobile working for on-site teams;
  - e-billing and digital customer communication
  - corporate telephony review
  - contract negotiation and management approach
  - tourism and marketing commercialisation
- 13.4 Longer-term, in-depth invest-to-save plans include improvements to our website and app to make contacting us and reporting things to us easier; streamlining the back-office of our parking service to improve the operation of our car parks; and digitalisation of the planning service to make submission of applications easier and the processing of them more efficient.
- 14 Changes since the draft budget proposals in the MTFS
- 14.1 Taking in mind the feedback from Scrutiny Committee’s review of the MTFS paper in November (where comments were predominately focused on the medium term forecast deficits and the measures being taken to address those) the draft budget options and assumption were approved by Cabinet on 21 November and the budget has been prepared in accordance with those as set out in the MTFS report.
- 14.2 As a result of the public’s overall positive support for the budget proposals consulted on in the budget consultation exercise, all of the options put forward at budget preparation have remained in the final budget that is set out below and detailed in appendix A. They are:

#### Council Tax increase:

- a below-inflation increase to council tax of 2.6% equating to an increase of £4.07 for the Winchester City Council share of a band D property. This lower increase will allow a slightly higher increase in the “Town” precept, required to meet additional funding pressures on the Town account.

#### Greener Faster investment:

- £200,000 per annum for the carbon reduction measures on waste and recycling vehicles to enable the change to HVO fuel (saving 25% of the council’s carbon emissions).
- £1,400,000 per annum (less assumed 80% government funding) to expand recycling services to include food waste collections.
- £400,000 per annum to implement other changes to the collection of recyclables.

#### Service income adjustments:

- Building Control Fees – reduction in the annual income budget of £100,000 following a two year downward trend in income.
- Land Charges Income – reduction in the income budget of £100,000 following a two year downward trend in income.
- Legal Income – reduction of £50,000 following a review of the existing budget.
- Car Parking income – an annual budget increase of £100,000 to reflect usage levels gradually recovering post-pandemic.
- Garden Waste Income – budget increase of £90,000 based on increased subscriptions projected for 2024.
- Waste income – additional annual budget of £250,000 reflecting the changes to the Hampshire Inter-Authority Agreement.

#### Service expenditure:

- A new budget of £100,000 per annum for the support and coordination of digital channel shift work across the council’s services.
- An unavoidable budget increase of £100,000 per annum to fund increased external audit fees.
- Savings in corporate property budgets for Non-Domestic Rates (NNDR) of £177,000 following the successful delisting of a corporate property.

Increased contributions to reserves:

- IT Reserve – increase the annual contribution from £280,000 to £380,000 per annum to support the IT Strategy.
- Homelessness Prevention – an additional £20,000 per annum contribution to the New Burdens Reserve to support the Preventing Homelessness Strategy.

14.3 In addition, there are adjustments included in the budget in appendix A for the savings achieved to date under TC25 and revised operational budget adjustments for higher interest receivable estimates and lower utilities inflation assumptions.

## 15 Transfers to / from reserves

15.1 As set out above, in the MTFS assumptions used in the preparation of this detailed budget (para 14.2), the only modifications to contributions to earmarked reserves that have been adjusted for 2024/25 are for annual increases for IT and Homelessness Prevention. Otherwise all annual contributions to reserves remain as in previous years.

15.2 As the 2024/25 and 2025/26 budgets were forecast to be balanced before the £0.6m of immediate savings were realised, the resulting forecast surplus has been transferred to the Transitional Reserve to provide the investment necessary for the TC25 transformation programme. Whilst this results in a short-term increase to the balance of this reserve, it is anticipated that significant investment will be needed to realise the remainder of the TC25 programme over the next 3 years. The available reserves will underpin the investment in service and digital redesign.

15.3 It is recommended that the additional £130,000 of 4% Funding Guarantee announced in the January in the Local Government Finance Update is transferred to the Future of Waste reserve to fund the implementation costs of the roll-out of changes to recycling collections.

## 16 Collection Fund

16.1 Council Tax - Regulations require the Council to approve the collection fund balance at 31 March, calculated at 15 January preceding. For council tax a surplus of £949,490 is forecast for 2023/24, to be distributed in 2024/25. This is shared between the County Council £677,381, the Police & Crime Commission £116,647, the Fire & Rescue Authority £37,310 and this Council £118,152.

16.2 The council tax referendum limits on precept increases have been confirmed at 2.99% or £5, whichever is higher. Central Government spending power projections assume that all authorities will increase their precepts by the maximum amount.

- 16.3 The council could consider not increasing council tax in 2024 or setting a lower increase than the 2.5% baseline assumption in CAB3430 Budget Options report in November. Given the increasing deficits forecast from 2026/27 it is recommended that consideration be given to a below-inflation increase of 2.6%. This increase would also allow a slightly higher increase in the “Town” precept, required to meet additional funding pressures on the Town account.
- 16.4 Therefore, to assist in addressing medium term projected shortfalls, the proposed budget set out in Appendix A assumes a 2.6% increase in council tax for the district along with a town forum recommended increase of 5.5% for the Winchester town area, in 2024/25.
- 16.5 The current level of tax for the district is £155.29 (Band D equivalent). The proposed tax for 2024/25 is £159.36, an increase of £4.07.
- 16.6 In considering the level of district tax, regard must be had to the tax for the town area in order to ensure that the overall increase does not exceed the referendum limits.
- 16.7 The current level of tax for the town is £80.93 (Band D equiv.). An increase of 5.5% would increase this to £85.38.
- 16.8 The council is required to present a council tax resolution document to the Council meeting for final approval of all precepts and council budgets for 2024/25. The current precept table is awaiting confirmation from a number of parishes who have their budget meetings in late January so a precept table will be dispatched for the Council meeting.
- 17 Winchester Town Charge – Section 35
- 17.1 In accordance with Section 35 of the Local Government Finance Act 1992 the council has taken the decision in previous years to treat all expenses of the council as general expenses other than those identified as special expenses. The council endorsed this policy in February 2023.
- 17.2 Special expenses are costs incurred for the provision of an amenity or service that is primarily for the benefit of one locality. In the Winchester district these expenses are levied by the council to cover the costs of local services in the Winchester “Town” area which elsewhere would be dealt with by parish councils.
- 17.3 The services currently covered by special expenses are listed in Appendix D.
- 17.4 It is recommended that the policy as previously agreed by the council on 14 July 1999 (minute 186) and confirmed in the budget and council tax report for 2023/24 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 £1,273,758 will be treated as Special Expenses under Section 35 of the Local

Government Finance Act, 1992 in respect of the Winchester “Town” area, summarised in Appendix D.

- 17.5 The Winchester Town Forum met on 25 January 2024 and recommended the budget, which is currently set out in Appendix D, including a proposal that Council Tax increase by the maximum allowable under the referendum limits (+2.99% combined with the District). This equates to +5.5% based on the assumed District increase of +2.6%.

## 18 Council Tax Reduction (CTR) scheme

- 18.1 To reflect the inflationary increases of the cost of living crisis, the Government will increase working age benefits (Universal Credit, Job Seekers Allowance, Housing Benefit (applicable amounts), Tax Credits etc.) and pension rates by CPI at 6.7% with effect from 1 April 2024. In light of this change, and following similar analysis last year, it is necessary to review the income bands within the CTR scheme. The income bands are set to ensure that people on the standard rates of Universal Credit receive sufficient assistance with their council tax liability. This rate is 100% and those who receive an enhanced rate of Universal Credit 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.

- 18.2 Any CTR claimant suffering with financial difficulties can apply for assistance through the Exceptional Hardship Fund which will be extended into 2024/25 using the existing allocation of funding. Eligible applicants will receive a further reduction to their council tax liability. This fund exists for the benefit of all council taxpayers, 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.

## 19 Council Tax Support Fund

- 19.1 The government 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 received an allocation of £150,512.
- 19.2 The government has not indicated that they will continue to support vulnerable households with an extension of the Council Tax Support Fund into 2024/25. However, because the cost of living crisis remains for many households, and in line with the Council Plan priority to use available resources to support residents, it is recommended that if no national Council Tax Support Fund scheme is provided, that the council locally fund a further year of the scheme.

- 19.3 This local scheme for 2024/25 would be on the same basis as the government scheme (guidance for which was detailed in CAB3388, appendix F, and summarised in section 19.5 and 19.6 below) with the only changes being that:
- it will be capped at £100,000 total funding;
  - reductions to council tax bills for all households on CTR at 1 April 2024 will be a maximum of £30; and
  - any remaining balance used to provide up to £30 reduction of council tax to households making a new CTR claim after 1 April 2024.
- 19.4 If the government do extend the national Council Tax Support Fund Scheme by providing an allocation of funding which is less than £100,000, it is proposed that the council top-up the funding to the capped level of £100,000.
- 19.5 Guidance for the 2023/24 scheme was provided by government and the key points from that were:
- Government expected 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;
  - Councils automatically applied the reduction without the need to claim;
  - It was the government's intention that any reduction to council tax bills provided through this scheme would not affect the eligibility of recipients for other benefits;
  - Councils were 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"; and
  - Government expected councils to deliver this scheme using their discretionary powers under s13A(1)(c) of the Local Government Finance Act 1992. This required approval by full Council.
- 19.6 In February 2023, the council adopted the government's guidance in full with the following additional criteria:
- An initial £50 reduction was made to council tax bills for all households on CTR at 1 April 2023 (or less where the remaining council tax liability for the year, after all other reductions, was less than £50).
  - The remaining balance of funding was 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 was for households which were 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 taxpayer had to be financially struggling to pay their council tax.
- Awards from the fund would cease when the full amount has been allocated to council taxpayers.

## 20 Empty Properties Premium

- 20.1 The council is committed to reducing the number of empty properties in the district. As part of this commitment, from April 2019 a premium of 100% was introduced in addition to the council tax that would otherwise be due on properties which have been unoccupied and unfurnished for a period of 2 years or more.
- 20.2 In the government's 2023 Levelling-up and Regeneration Act they have amended the powers given to local councils to increase this premium further. Empty homes can now trigger the additional 100% premium to council tax on properties which have been unoccupied and unfurnished for a period of **1 year** or more, rather than the current 2 years.

## 21 Earmarked Reserves

- 21.1 The strategy for managing reserves was set out in CAB3430 in November 2023 and forms part of the overall Medium Term Financial Strategy that was approved as part of that report.
- 21.2 Total General Fund earmarked reserves, including proposals in this paper, are forecast to reduce from £38m at 1 April 2023 to £33m at 31 March 2027 (detailed in appendix C). The forecast closing balances (as at 31 March 2027) of key earmarked reserves are summarised below;
  - (i) Operational reserves (£8.9m), significantly the major investment reserve, are revenue reserves which can be used to support revenue or capital expenditure, for example major projects.
  - (ii) Risk reserves (£13.2m), 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.
  - (iii) Asset reserves (£3.6m), such as the asset management reserve, are used to maintain existing council assets and are supported by spending plans such as the asset management plan.
  - (iv) Restricted reserves (£7.5m), such as the Community Infrastructure Levy, can only be used for restricted purposes and therefore must be considered separately to other reserves which can be used for wider purposes.

21.3 Within the risk reserves subheading is the Transitional Reserve which was established by council as part of the 2021/22 budget to mitigate the risk of future budget shortfalls. The balance in this reserve is forecast to increase through 2024/25 as TC25 savings and forecast surplus year end balance are set aside to re-invest in the delivery of the transformation programme. Whilst it is certain these invest-to-save measures will be necessary to achieve the budget savings required to address projected shortfalls in the medium term, the business cases for specific changes are still in development (e.g. for the digitalisation of the planning service). During budget setting for 2025/26 the spending plans for the Transitional Reserve will be included and therefore the balance is likely to fall again in the medium term. The £9.9m balance seen in Appendix C is unusually high due to the timing of this report.

## 22 Balances / risk reserves

22.1 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.

22.2 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.

## 23 Adequacy of reserves and robustness of estimates

23.1 There are specific requirements under Section 25 of the Local Government Act, 2003, for the Chief Financial Officer to provide a positive assurance statement about the adequacy of proposed financial reserves and the robustness of estimates made for the purposes of the budget calculation.

23.2 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.

23.3 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.

23.4 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.

### 23.5 Council Plan 2024/25

23.6 The Council Plan was refreshed towards the end of 2022 and adopted by Full Council at its meeting on 18 January 2023. At this time 4 areas of focus were incorporated in the plan – Listening Better, Green Faster, Cost of Living and Pride in Place.

23.7 Supporting progress in these four areas, significant revenue and capital investment is allocated in budgets and includes:

- **Cost of living** – supporting residents with their payment of council tax by allocating up to £100,000 from the Cost of Living / Living Well reserve to wholly or partially fund a local Council Tax Support Fund and extending the council tax Hardship Fund for 2024/25.
- **Greener faster** – a £42.9m capital budget has been allocated to invest in the council's housing stock to improve energy efficiency and reduce carbon emissions. A £1m capital budget for energy management projects over 4 years from 2024/25. Further investment in improving our recycling service and converting to our vehicles to run on HVO will contribute to reducing the council's carbon emissions.
- **Pride in place** – a total programme of works amounting to a proposed £2.2m in 2024/25 for planned parking and access and improvements across the district (Report CAB3384 refers).
- **Listening better** – several of the budget proposals recommended in this report are in response to the feedback received from residents to the budget consultation including increasing council tax by the below inflation referendum limit of 2.99% and investing in transforming our services to make it easier for everyone to contact the council and do business with us online.

23.8 Progress against all the actions delivering the priorities in the Council Plan and the four areas of enhanced focus are included in the quarterly Finance and Performance report and were reviewed by the Performance Panel on behalf of the Scrutiny Committee.

23.9 Individual business plans provide the details of the activities, projects and actions that will deliver the priorities included in the Council Plan and these are under construction for 2024/2025 by corporate heads of service and heads of programme.

23.10 Also included in business plans will be details of the actions that will also contribute to delivery of the four areas of enhanced focus and the Transformation Challenge (TC25). Capturing these actions in business plans will enable the council to create individual action plans for the coming year and enable progress to be monitored and reported.

23.11 The coming financial year will be the final year of the current Council Plan and over early summer the council will undertake a district wide Residents' and Young Persons Survey which will capture the views and opinions of our residents' and young people. The results from the survey will provide valuable evidence that will be used to support the shaping of the priorities and objectives to be included in the next Council Plan.

23.12 A number of strategic key performance indicators are used to measure the progress the council is making in achieving the priorities set out in the Council Plan. These indicators were approved by Cabinet at its meeting on 14 December 2022 (Report CAB3370 refers). Where appropriate key performance indicators are updated to reflect the most appropriate metrics for service delivery.

## 24 OTHER OPTIONS CONSIDERED AND REJECTED

24.1 Consideration has been given to not increasing Council tax in 2024/25. 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.

### BACKGROUND DOCUMENTS:-

#### Previous Committee Reports:-

[CAB3388](#) – General Fund Budget Options and Medium Term Financial Strategy

#### Other Background Documents:-

### 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