

REPORT TITLE: GENERAL FUND BUDGET 2025/26

12 FEBRUARY 2025

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

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WARD(S): ALL

### PURPOSE

The purpose of this paper is to consider and recommend to Council the 2025/26 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 delivery of the priorities in the newly adopted Council Plan 2025-2030.

The Medium-Term Financial Strategy (report CAB3483 in November 2024) 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 2027 is stable, there are increasing forecast deficits in the longer term.

To address these future pressures, the Council has a well-established, organisation wide transformation programme to close the £3m gap in funding within 3 years. Transformation Challenge 2025 (TC25) has identified ongoing savings of £1.29m per annum 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 2025/26 and recommend the summary as shown in Appendix A.

2. Approve the Greener Faster and carbon investment proposals, used as the basis of this budget and as set out in the CAB3483 including:
  - a. £135,000 additional budget per annum for the ongoing costs of providing the food waste collection service.
  - b. £460,000 one-off budget to fund the phased roll out of the food waste service from October 2025, without government funding.
3. In relation to the Healthy Communities priority of the new Council Plan:
  - a. Approve the revised income bands for the Council Tax Reduction scheme for working age applicants (set out in appendix E) that ensure claimants continue to receive the appropriate level of support after the DWPs increase in Universal Credit rates with effect from 1 April 2025.
  - b. Approve the amendment of the Council Tax Reduction scheme for working age applicants to include all additional support and new disregards with effect from 1 April 2025, as set out in this report.
  - c. That £15,000 from the Cost of Living Reserve be used to extend the Council Tax Exceptional Hardship Fund into 2025/26.
4. In relation to the Good Homes for All priority, approve additional investment of £300,000 per annum to fund increased demand for temporary accommodation to prevent homelessness.
5. That an additional £50,000 per annum be included to fund additional pressures on council contracts.
6. Approve service income annual budgets be amended as follows, in response to revised estimates:
  - a. Garden Waste income increased by £30,000 (to reflect increases subscriptions, although partly off-set by increased contract costs of delivering the service to more households).
  - b. Planning fee income reduction of £200,000 (to reflect the current reduced levels of applications received).
7. Following a review of earmarked reserves that they be amended as follows:
  - a. £200,000 of the Transitional Reserve be re-allocated to the Thriving Places Reserve to invest one-off resources into planning enforcement.
  - b. £2m of the Transitional Reserve be re-allocated to the Property Reserve to fund maintenance requirements of corporate properties.
  - c. £902,000 of the Exceptional Inflation Reserve be re-allocated to the Car Parks Property Reserve to fund maintenance of and investment in parking.
  - d. £425,000 from the Major Investment Reserve be re-allocated to the Local Development Framework Reserve to fund Local Plan requirements.
  - e. An additional £250,000 per annum be set aside into the Property Reserve, for the maintenance of and investment in operational assets.

- f. An additional £100,000 per annum be set aside into the Car Parks Reserve to fund maintenance of and investment in parking.
8. That the sum of £1,364,045 be treated as Special Expenses under Section 35 of the Local Government Finance Act 1992 in respect of the Winchester Town area as set out in section 16 and Appendix D.
9. That the Council Tax for the Special Expenses in the Winchester Town area at Band D for 2025/26 be increased by the maximum allowed under the referendum limit of 2.99% combined between the town and district.
10. That the deficit balance on the Council Tax Collection Fund for distribution to this Council, calculated in January 2025 of £142,787, be approved.
11. Recommend the level of Council Tax at Band D for City Council services for 2025/26 be increased to £163.66, an increase of £4.30 reflecting an average Council tax increase of 2.7%.
12. The approval of a Second Home premium for Council Tax which will take effect from 1 April 2026 (12 months' notice is required to implement this premium), and the adoption of exceptions (listed at Appendix F) in respect of properties included in the Council Tax Premium schemes.

That Cabinet approve:

13. Delegation of authority to the Corporate Head of Economy and Community, in consultation with the Cabinet Member for Business and Culture, to devise and agree:
- a. The Community and Voluntary Sector grant programme funding criteria, detailed outcomes, application processes and assessments and the allocation of grants.
  - b. The UK Shared Prosperity Fund programme, implement and administer the scheme and the allocation of grants, in line with government guidance.

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 new Council Plan 2025-30 was adopted by Full Council at its meeting on 15 January 2025 with effect from April 2025. The new Council Plan sets out the council's key ambitions and outcomes across six priorities.

- a) **Greener Faster** - working with and enabling businesses, organisations and residents to reduce carbon emissions and achieve the council's net zero carbon commitment for the district by 2030.
- b) **Thriving Places** – making our district a place where residents want to live, visitors come and visit and attractive for sustainable business investment and growth that provides opportunities for young people to live and work in the district.
- c) **Healthy Communities** – providing safe and attractive public facilities and open spaces to enable our residents to improve their health and wellbeing. Working collaboratively with voluntary and community sector partners to tackle social isolation, build community cohesion and support those most in need including targeted support for residents affected by the increased cost of living
- d) **Good Homes for All** - Focussing on increasing the number of affordable homes across the district while taking action to ensure our tenants live in council homes that are decent, safe and energy efficient and resilient to the effects of climate change.
- e) **Effective and Efficient** - improving online customer experience by adopting a customer-centred approach to deliver digital solutions for our most used services around the needs of our customer and residents
- f) **Listening and Learning** - being more effective at hearing the voice of our residents, including under-represented groups, enabling them to influence decision making.

1.3 The budget as set out in this paper has been prepared on this basis and aligned to the six new Council Plan priorities.

2 FINANCIAL IMPLICATIONS

2.1 The proposals set out in this report represent a balanced budget for 2025/26 and for 2026/27. A significant deficit of £1.20m is forecast for 2027/28, increasing to £4.46m by 2029/30. However, it should be noted that the

forecasts are subject to a high degree of uncertainty, with the Government funding review only due to take place over the next year to commence from 2026/27.

### 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 31 March 2024 the council had a workforce of 408 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.

### 5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 The council's General Fund has a property portfolio valued at £179m as at 31 March 2024 of which £72m 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 make 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

### Budget consultation 2025/26

- 6.1 Stakeholder engagement is an important part of the council's budget planning process. Feedback from the regular Residents' Survey provides opinion on local priorities; views on emerging policy; and the relative perceived importance of council services. This insight helps the council to take financial decisions; to plan and manage budgets; and to use its financial resources to support delivery of priorities.
- 6.2 Consultation principles including those of consulting in good time; being inclusive but with clear and appropriate limits; consulting using clear, simple information; and using responses to inform decision making are specified in and underpin the TC25 programme.
- 6.3 The 2025/26 budget consultation exercise was undertaken in October and the results helped inform the 2025/26 budget presented in this report.
- 6.4 The results show:
- a) Strong support for the TC25 programme and transforming services.
  - b) Strong support for the use of technology to improve efficiency and online access (79% agreed in total).
  - c) Strong support for using reserves to balance deficits over 1 or 2 years (65% agreed in total).
  - d) Slight disagreement on reducing or stopping some non-essential services (46% disagreed).
  - e) Strong support for central government providing full funding for all additional costs of food waste collection (69% agreed in total).
  - f) Strong disagreement on higher council tax band properties paying additional, voluntary, council tax (78% disagreed).
  - g) Mixed feedback on increasing council tax but general disagreement on using this to fund new or enhanced services.

### Other budget consultation

- 6.5 Discussions have been had with local business representatives through the Chamber of Commerce and the BID at their Winchester District Strategy Group business briefing in December 2024. No comments were made.
- 6.6 The Scrutiny Committee discussed the Budget Options and Medium-Term Financial Strategy report (CAB3483) and commented on the proposals at its meeting in November 2024. 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 20 November.
- 6.7 Scrutiny Committee is due to consider this report at its meeting on 4 February 2025 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 Council Plan recognises one of the main challenges facing the district as "the climate emergency and the pressing need to reduce the Winchester district's carbon footprint." In response, an enhanced focus has been given to going greener faster. The main areas of activity are reducing carbon emissions; ensuring environmental resilience; reducing energy demand; and increasing renewable energy.
- 7.2 It is recognised that significant investment will be required to achieve carbon neutrality targets and that this must be balanced against the challenging budget conditions being faced by all local authorities.
- 7.3 The MTFs includes a £200,000 per annum baseline revenue budget to fund carbon programme delivery work.
- 7.4 As well as these revenue resources, a total budget of £1m over 4 years, funded by prudential borrowing, has been allocated in the capital programme for energy management projects that would cover their financing costs. These projects may, for example, include further provision of solar panels to council properties and local business; further EV charging infrastructure; and other interventions to reduce energy usage. Further proposals for investment in a significant energy generation project on Council land is also being investigated. In addition, projects within the capital programme that are not primarily for carbon reduction must consider the council's Greener Faster objective where possible; for example, the design of the new pavilion at KGV park completed earlier this year includes elements to ensure a sustainable and energy efficient building such as high-performance insulation and solar PV.

## 8 PUBLIC SECTOR EQUALITY DUTY

- 8.1 The council, in the exercise of all its functions, must have due regard to the Public Sector Equality Duty in section 149 of the Equality Act 2010. The content of this report is part of the budget consultation process, and the requirements of the Public Sector Equality Duty are considered alongside any relevant budget options put forward.
- 8.2 The Medium-Term Financial Strategy is an overarching framework relating to financial resources and priorities at a very high level. A full Equality Impact Assessment will be undertaken for each proposed service change or proposal that aligns to the principles included in this MTFS to highlight the potential equality impacts.

## 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>
<i>Property</i> Commercial tenants unable to pay rents or subject to business failure	Close monitoring of rent position by property team with support to tenants through effective working relationships.	Potential to increase commercial property income when rent reviews are carried out.
Slowdown in commercial property investment, meaning that the council's development	The council's advisors are reviewing the property investment market and will provide	



<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
schemes achieve less interest or less income than expected.	advice as to timing of any marketing.	
<i>Legal</i> The council is unable to balance the revenue budget resulting in the issuing of a S114 notice.	Proposals set out in this report, including the strategy for management of reserves mitigate against this.	Present a balanced budget in difficult circumstances
<i>Timescales</i> Slower than projected economic recovery affecting income received by the council  TC25 does not deliver the required level of savings.	The council has set aside an Exceptional Inflation reserve of £1.9m to mitigate slower than expected recovery. Other uncommitted revenue reserves are available to support further increases to the projected deficit.  The programme is governed by a Programme Board and progress (financially and timescales) is being monitored through PAC Board as a tier-one corporate project. As a tier-one project, quarterly highlights are reported to the Scrutiny Committee.  The next phase of transformation is being scoped.	
<i>Financial</i> The council is unable to balance the revenue budget  Risk of lower than projected demand for	Proposals set out in this report, including the strategy for management of reserves mitigate against this.  The council has uncommitted revenue reserves available	Streamlining of services and digitalisation provides opportunities to improve the customer experience as well as making savings.

Risk	Mitigation	Opportunities
income generating services	which can be utilised as a last resort as above	

## 11 SUPPORTING INFORMATION:

- 11.1 As set out in the November Medium Term Financial Strategy (MTFS) report (CAB3488), the financial pressures faced by local authorities remain very challenging. Projections have now been updated and the new Medium-Term Financial Plan (MTFP) is set out in appendix B and summarised below.

### English Devolution White Paper announced in December 2024

- 11.2 The Government published its English Devolution White Paper on 16 December 2024 setting out a programme of devolution and Local Government reorganisation across England. The vision outlined by Government is that all parts of England are to be part of regional Strategic Authorities that have a regional Mayor.
- 11.3 These Strategic Authorities, working in a similar way to existing Mayoral Combined Authorities, will have responsibility for driving growth and shaping public services across wider regional geographies. The combined authorities will cover strategic leadership of key place shaping responsibilities such as economic regeneration and growth, strategic planning, skills and employment, and strategic transport.
- 11.4 The government's programme for devolution and reorganisation of local government will have significant implications for the budgets of all existing local authorities in the county of Hampshire. At this stage, it is not known how the finances of constituent councils which form a new unitary council will be considered.
- 11.5 This budget has been prepared on the basis that the council's Medium Term Financial Strategy is required as-is for the delivery of services to Winchester residents for the foreseeable future.
- 11.6 The development and implementation of proposals for both Devolution and Local Government Reorganisation are expected to have one off resourcing implications for the council and will be considered in future budget reports, once there is some clarity on plans.

### Local Government Finance Settlement and the economic outlook

- 11.7 The government have indicated that new and future funding will focus on 'need' and this will therefore benefit higher need, lower tax base authorities.

However, this redistribution in funding will create significant challenges for authorities, such as Winchester, who have benefit from the current 'reward' based system.

- 11.8 This change in funding distribution has commenced from 2025/26 where Winchester has seen a number of immediate changes:
- a) A significant reduction in 'Funding Floor' grant which was £1.193m in 2024/25 and had been forecast at £0.866m in 2025/26. The settlement has reduced this to £0.575m based on a redistributive mechanism.
  - b) Rural services delivery grant, previously £0.063m and expected to continue, has been abolished.
  - c) Services grant, which was previously £0.016m, is now NIL.
  - d) Compensation funding for increases in Employers NI contributions have not yet been confirmed by the government but the current basis of calculation leads us to forecast a significant shortfall of funding compared to the actual cost increase (based on increased costs of approx. £500k across the General Fund and Housing Revenue Account; but only £200k of potential funding). This is a shortfall based on direct employee costs and does not take into account the additional future shortfalls caused by increased contractor costs.
  - e) Extended Producer Responsibility funding has now been confirmed as a minimum of £0.834m in 2025/26, if the final calculation is higher then the higher amount will be received. Future funding could either increase or reduce and so forecasts show a flat £0.834m per annum over the MTFP period.
  - f) New Homes Bonus will end in 2025/26, the final funding of £1.811m is £0.062m above forecast.
  - g) Revenue Support Grant of £0.212m is £0.079m above forecast.
- 11.9 Council chief financial officers (CFOs) must set a balanced budget for the financial year ahead. If the council's forecast income is insufficient to meet its forecast expenditure for the next year the CFO must issue a 'section 114 notice' to publicly indicate that it cannot meet its spending commitments.
- 11.10 Based on the expected review and redistribution of funding the MTFP (appendix 1) is showing a projected annual budget shortfall of £1.20m per annum in 2027/28, rising to a shortfall of £4.46m by 2029/30.

- 11.11 The MTFP is showing a sound and stable position for Winchester for the next two financial years through to April 2027. This gives us a limited window of opportunity to tackle the looming crisis forecast from 2027 onwards.

	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
Budget surplus / (shortfall)	0.000	0.000	(1.197)	(3.034)	(4.459)

*Table 2 Medium Term Financial Forecast*

- 11.12 The MTFP is showing a sound and stable position for Winchester for the next two financial years through to April 2027. This gives us a limited window of opportunity to tackle the looming crisis forecast from 2027 onwards.

## 12 Forecast outturn position for 2024/25.

- 12.1 The latest forecast for the 2024/25 general fund budget is a surplus of £1.460m and is due to be reported in the Quarter 3 Performance Report. Out of the forecast surplus, £1.060m is related to the release of additional NNDR surplus gains from 2024/25 and reported in the General Fund 2023/24 Outturn (CAB3464). The forecast surplus is the net of a number of forecast favourable and adverse income and expenditure variances, relating to services.

- 12.2 Adverse service income variances relate to;

- a) Planning Fees - £200k
- b) Homelessness B&B costs - £30k

- 12.3 Favourable service income variances relate to;

- a) Car Parking Income - £100k
- b) Garden Waste Fees - £30k
- c) WS&LP Energy Benchmarking - £300k
- d) Employees - £200k (relating to lower than budgeted pay inflation in 2024/25)

- 12.4 The forecast surplus for 2024/25 is assumed in the MTFP (appendix 1) as being transferred to the transitional reserve to support the transformation programme and provide a buffer against the impact of future deficits in the transitional period before all transformational savings are realised.

## 13 Transformation Challenge (TC25) progress update

- 13.1 As set out in the updated MTFP, the medium-term financial challenge for the council continues to be of a completely different magnitude to previous rounds of savings since the mid-2000s. In response, Transformation Challenge (TC25) is an organisation-wide, tier-one strategic project. Progress is

monitored by the Programme and Capital Strategy Board and reported through the quarterly performance reports to The Scrutiny Committee.

- 13.2 A core element of the TC25 programme is around digital transformation of council services. Delivering customer centred, data-driven digital solutions will streamline our internal operations, make us more efficient and elevate our customers' experience. The council is aiming to make intelligent use of data to optimise decision making; to reduce carbon emissions by printing and posting less; and to provide intuitive and easy to use digital solutions to access our services when it's convenient for customers.
- 13.3 A Digital Vision to underpin our customer-centred approach has been agreed by the Transformation Programme Board and the Digital Strategy adopted in December 2024. An experienced Digital Programme Manager is leading three core workstreams around the digitalisation of the planning service; improving our customers' experience; and enhancing efficiency, effectiveness and collaboration using the Microsoft 365 platform.
- 13.4 A summary of the TC25 budget reductions achieved, over-and-above those previously reported (£607,000 in CAB3444 and £250,000 in CAB3483) is set out below:

<b>Review</b>	<b>Budget Reduction</b>
Additional planning income	£76,000
Bar End disposal (annualised capital)	£320,000
Regulatory fee increases to recover costs of services	£11,000
Building Control – various budget reductions	£25,000
<b>Total.</b>	<b>£432,000</b>

- 13.5 The total TC25 savings achieved to date and removed from the baseline budget across 2024/25 and 2025/26 is £1.29m (43% of the £3m-in-3-years target). In addition to these budget reductions that have been achieved, there have also been cost reductions / cost avoidance (that would otherwise have resulted in an overspend) as a direct result of TC25, totalling a further £212,000 as below:

<b>Cost reductions</b>	<b>All years</b>
Energy Management	£108,000
Goods Shed letting - income in perpetuity	£60,000
Postage	£10,000
Cost avoidance as a result of a review of the pest control delivery model	£34,000
<b>Total</b>	<b>£212,000</b>

- 13.6 Reviews expected to result in further savings through the 2025/26 financial year but not yet recognised in the budget shown in appendix A include:

- Emergency Planning management arrangements
- Cleaning of City Offices contract review
- Further printing and postage reductions
- Improved commercial strategy for contract negotiations
- Land Charges future delivery model
- Further energy management measures

13.7 In the absence of clarity at this stage on the impact of devolution and reorganisation of local government for the council is committed to delivery of the current TC25 programme and budget reductions. Alongside this, we are actively working on the next phase of our transformation journey. Activities within the programme and new activity will continue to be appraised in terms of viability and potential benefits as we get more clarity on devolution and reorganisation.

#### 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 assumptions were approved by Cabinet on 20 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) An inflation-linked increase to council tax of 2.7% equating to an increase of £4.30 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.

##### Service income adjustments:

- b) Estates property income – an income budget reduction of £150,000 per annum to align the property portfolio target income to current market conditions.

##### Service expenditure:

- c) An additional budget of £215,000 per annum to support the ongoing maintenance and running requirements of the Guildhall.
- d) A river maintenance budget of £50,000 per annum to support the ongoing maintenance of river banks.

- e) A fly tipping budget of £30,000 per annum to support the current level of cost of dealing with fly tipping incidents, particularly relating to asbestos.

Increased contributions to reserves:

- f) Car Parks Property Reserve – increase the annual contribution from £150,000 to £250,000 per annum to support the Car Parks 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.

## 15 Transfers to / from reserves

- 15.1 Reserves play a major role in the Council's overall financial stability. They ensure that funding is available over the medium term to support major one-off expenditure covering areas such as major projects, the repair and maintenance of Council assets, risk management, and for the management of certain government funding such as Homelessness.
- 15.2 The estimates shown in Appendix 1 assume there will be no draws from reserves in order to meet ongoing expenditure. However, risk reserves are available to support the TC25 programme where required and also could act as a temporary buffer against the risk of changes in government funding, such as a reset of business rates retention.
- 15.3 The most significant reserve balance, outside of CIL, is the "Transitional Reserve" which was established 5 years ago. This reserve has an uncommitted balance of c£10m and has the dual purpose of supporting the critical transformation and digitalisation investment required in order to deliver the required future baseline budget savings; and also acting as a temporary buffer should savings take longer to deliver than had originally been planned.
- 15.4 It should be noted that major projects and regeneration work is usually funded from the Major Investment Reserve. With existing commitments, there is only just over £4.3m remaining in that reserve and all future business cases for regeneration work will need to take this into account (a clearer and stronger focus on financial viability). Whilst many costs can be capitalised and funded from borrowing if works proceed, upfront investment has been high for previous projects, arguably with insufficient focus on cost recovery.
- 15.5 The following baseline changes in contributions to earmarked reserves are included within this paper:
- a) An increase in contribution to the car parks property reserve from £150,000 to £250,000 per annum. This takes into account the latest maintenance plans which show increased expenditure requirements.
  - b) An increase in contribution to the property reserve (assets) from £250,000 to £500,000 per annum. This takes into account the increased

maintenance requirements recently identified, such as works to the Guildhall.

- 15.6 The following one-off transfers within earmarked reserves are included within this paper:
- a) A transfer of £200,000 from the Transitional Reserve to the Thriving Places Reserve to invest additional resources into the planning enforcement service.
  - b) A transfer of £425,000 from the major investment reserve to the LDF reserve. This takes into account latest local plan estimates for both the current and subsequent local plans.
  - c) A transfer of £902,000 from the exceptional inflation reserve to the car parks property reserve in order to replenish the reserve which had been forecast to be fully depleted by current spending plans.
  - d) A transfer of £2,000,000 from the transitional reserve to the property reserve (assets) to reflect the current estimated maintenance requirements of corporate properties such as the Guildhall.

## 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 deficit of £1,154,099 is forecast for 2024/25, to be collected in 2025/26. This is shared between the County Council £825,859, the Police & Crime Commission £140,832, the Fire & Rescue Authority £44,621 and this Council £142,787.
- 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 2025 or setting a lower increase than the 2.5% baseline assumption in CAB3488 Budget Options report in November. Given the increasing deficits forecast from 2026/27 it is recommended that consideration be given to an increase in line with inflation of 2.7%. 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 2.7% increase in council tax for the district along with a town forum recommended increase of 5.5% for the Winchester town area, in 2025/26.









- 16.5 The current level of tax for the district is £159.36 (Band D equivalent). The proposed tax for 2025/26 is £163.66, an increase of £4.30.
- 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 £85.38 (Band D equiv.). An increase of 5.5% would increase this to £90.08.
- 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 2025/26. 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 2024.
- 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 2024/25 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 £1,364,045 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 23 January 2025 and recommended the budget which is 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 +2.7%.




- 18 Council Tax Reduction (CTR) Scheme – the inclusion of new income disregards for 2025/26
- 18.1 Consistent with changes to the wider benefits system, the government amended regulations with effect from February 2024 to the national CTR scheme, in respect of pension age applicants only, which currently runs alongside the council's local CTR scheme (for working age claimants). These regulations to the pension age CTR scheme required that a number of new or revised payments must be disregarded when assessing a person's income.
- 18.2 Each year the council considers whether any amendments are required to the local CTR scheme for working age applicants in its area, but due to the lateness of the regulations referred to above these changes could not be considered in time for the 2024/25 CTR working age scheme.
- 18.3 There are no changes for Pension Age applicants as they are part of the national scheme which is legislated for by central government. This year the council considered those changes referred to above for the working age CTR scheme in relation to a number of new income disregards.
- 18.4 Due to the impact of these changes, not only on certain CTR applicants, but on the wider Council Tax payer in Winchester (i.e. due to a potential increase in Council Tax due to more or larger awards of CTR), a consultation was undertaken in December and early January to determine if changes should take effect from 1 April 2025. The consultation was open to all Winchester residents and was widely publicised on social media, the council's website and outgoing emails and correspondence issued to CTR applicants through December and early January.
- 18.5 The following changes were proposed in order to provide additional support to these groups of CTR applicants:
- a) provide additional support to persons who are in receipt of Bereavement Support Payments and Widowed Parents Allowance;
  - b) disregard the childcare element of Universal Credit; and
  - c) include disregards for the:
    - (i) Post Office compensation payments;
    - (ii) Infected Blood compensation scheme;
    - (iii) Vaccine Damage Payments scheme;
    - (iv) Grenfell Tower compensation payments
    - (v) Carer Support Payments (paid by the Scottish Government).
- 18.6 Whilst the effect of these changes on the existing CTR budget is likely to increase the spend for the council, that increase is expected to be minimal. A large influx of claims from the above groups is not expected. The largest increase in CTR is likely to come from b) above, the disregard for childcare element of Universal Credit, which is estimated to be in the region of £20,000.

However, the overall spend on CTR continues to fall following the hike in spend during the Covid pandemic, and therefore any increased cost is expected to be maintained within or close to the existing budget, not accounting for any increases in council tax from preceptors in 2025/26.

18.7 The results of the consultation are as follows:

<b>Part 1 - Provide additional support to persons who are in receipt of Bereavement Support Payments and Widowed Parents Allowance</b>				
<b>Do you agree with this proposal?</b>				
<b>Answer Choices</b>			<b>Response Percent</b>	<b>Response Total</b>
1	Yes		61.20%	153
2	No		24.80%	62
3	Don't Know		14.00%	35
			answered	250

<b>Part 2 - Disregard the childcare element of Universal Credit</b>				
<b>Do you agree with this proposal?</b>				
<b>Answer Choices</b>			<b>Response Percent</b>	<b>Response Total</b>
1	Yes		51.53%	118
2	No		35.81%	82
3	Don't Know		12.66%	29
			answered	229

<b>Part 3 - Include a disregard for Post Office Compensation Scheme payments, Infected Blood Scheme payments, Vaccine Damage Scheme payments, Grenfell Tower payments and Carer Support Payments (paid by the Scottish Government)</b>				
<b>Do you agree with this proposal?</b>				
<b>Answer Choices</b>			<b>Response Percent</b>	<b>Response Total</b>
1	Yes		59.45%	129
2	No		31.80%	69
3	Don't know		8.76%	19
			answered	217

18.8 The overall response to the proposed changes is positive and the consultees largely support the amended CTR scheme for working age applicants. The first proposal on Bereavement Support payments received 250 responses which demonstrates a significant interest in these proposals.

18.9 It is recommended that the council's CTR scheme for working age applicants is amended with effect from 1st April 2025 to take account of the proposed changes in para 18.5 above, taking into account the positive impact the changes will have on those groups of applicants, the overall positive support received through the consultation and the minimal impact that any additional spend will have on this budget.

#### 19 Council Tax Reduction (CTR) Scheme – revised income bands for 2025/26

19.1 To reflect the inflationary increases of the economy, 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 1.7% with effect from 1 April 2025. Considering this change, and following similar analysis last year, it is necessary to review the income bands within the council's local CTR scheme for working age applicants.

19.2 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 set at 100%. Those who receive an enhanced rate of Universal Credit due to disability receive CTR of 75% of their Council Tax liability.

19.3 The proposed income bands set out in Appendix E have been revised to ensure that CTR for working age applicants continue to receive a similar level of support through 2025/26. It is recommended that the council's CTR scheme for working age applicants is amended with effect from 1st April 2025 to take account of these proposed changes, as described above.

#### 20 Exceptional Hardship Fund for 2025/26

20.1 Any CTR claimant suffering with financial difficulties can apply for assistance through the council's Exceptional Hardship Fund which will be extended into 2025/26 using the existing allocation of funding (£35k), together with a proposed top up of funding of £15,000 from the Cost of Living Reserve.

20.2 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 CTR scheme income bands.

#### 21 Second Homes Premium

21.1 Within the 2023 Levelling-up and Regeneration Act, the government made provision for a new Council Tax premium to be introduced against Second Home properties. This premium will attract the same 100% charge, on top of

the initial Council Tax, for that property and it is proposed that the council agree to implement this with effect from 1 April 2026. The government requirements on this provision are that 12 months' notice to any implementation is provided to Council Tax payers. At the time of writing the council has 324 second homes recorded, although a review of these records will be undertaken in 2025/26 to establish the accuracy of this data. There is potential for this number to be smaller due to the charge on second homes being no different at present to full-paying council tax properties.

- 21.2 Within the same Act the government also made a commitment to regulate for a number of exceptions to both the empty and second home premiums. These exceptions have been regulated for by government and will take effect from 1 April 2025. The government class these exceptions as a mandatory condition of the Council Tax Premium schemes and so are noted as a change to any premiums, effective from 1 April 2025 A list of the exceptions is available at Appendix F.

## 22 Earmarked Reserves

- 22.1 The strategy for managing reserves was set out in CAB3483 in November 2024 and forms part of the overall Medium Term Financial Strategy that was approved as part of that report.
- 22.2 Total General Fund earmarked reserves, including proposals in this paper, are forecast to reduce from £41.3m at 1 April 2024 to £34.2m at 31 March 2028 (detailed in appendix C). The forecast closing balances (as at 31 March 2028) of key earmarked reserves are summarised below;
- (i) Operational reserves (£7.3m), 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 (£13.3m), 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 (£5.4m), 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 (£8.2m), 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.
- 22.3 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 2025/26 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 2026/27 the spending plans for the Transitional Reserve will be included and therefore the balance is likely to fall again in the medium term.

## 23 Balances / risk reserves

- 23.1 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. The current balance of £2.789m gives additional cushioning particularly against the uncertainty of government funding over the medium-term projections.
- 23.2 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.

## 24 Adequacy of reserves and robustness of estimates

- 24.1 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.
- 24.2 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.
- 24.3 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.
- 24.4 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.

## 25 Authority to deliver grants programmes

- 25.1 During 2022-2025 the council delivered two major grant programmes. Its own Community and Voluntary Sector grants and the government's UK Shared Prosperity and Rural England Funds. Cabinet approved delegated authority to manage these programmes to the Corporate Head of Economy & Community which are valid until March 2025 (CAB3323, CAB3356, and CAB3372 refer respectively).

25.2 The council's Community and Voluntary Sector grants programme is part of a TC25 review that is yet to conclude. To enable funding to be awarded in 2025/26, under the current programme arrangements, delegated authority to manage the programme and award grants requires approval.

25.3 The government announced in December 2024 an additional year of funding under the Shared Prosperity programme and so to enable the management and awarding of grants, delegated authority is also required for 2025/26.

## 26 OTHER OPTIONS CONSIDERED AND REJECTED

26.1 Consideration has been given to not increasing Council tax in 2025/26. 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:-

CAB3483 General Fund Budget Options & Medium-term Financial Strategy dated 20 November 2024

CAB3444 General Fund Budget 2024/25 dated 8 February 2024

CAB3443 Capital Investment Strategy 2024-2034 dated 8 February 2024

CAB3464 General Fund Outturn 2023/24 dated 11 September 2024

### Other Background Documents:-

None

## 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: Revised 2025/26 CTR Income Bands

Appendix F: Empty and Second Home Council Tax Premium Exceptions