

REPORT TITLE: GENERAL FUND BUDGET 2026/27

12 FEBRUARY 2026

REPORT OF CABINET MEMBER: Cllr Neil Cutler, Deputy Leader and Cabinet Member for Finance and Transformation

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WARD(S): ALL

PURPOSE

The purpose of this paper is to consider and recommend to Council the 2026/27 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 Council Plan 2025-2030.

The Medium-Term Financial Strategy (report CAB3522 in November 2025) 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 financial position to 2029 is stable, there are increasing forecast deficits in the longer term.

Forecast deficits from 2029/30 are largely due to the impact of the Government's funding settlement 'Fair Funding 2.0' which included their long-promised full baseline reset of business rates. Strong business growth in the district over the last decade has mean the district benefitted from retaining a greater proportion of business rates locally. The reset will see much of that growth now shared nationally rather than retained locally.

As set out in the Medium Term Financial Strategy report in November (CAB3522) this budget for 2026/27 has limited 'budget options'. Instead, it focusses on continuing to deliver greener faster initiatives and maintaining the council's existing, high quality and resilient services. At the same time, it includes provision for preparing the council for the implementation of the Government's Local Government Reorganisation (LGR) plans. The council's 'unitary ready' transition plan is being formed around three themes:

- **Focusing** on the delivery of our Council Plan priorities, ensuring service stability and delivering continuous improvement through our established transformation challenge programme.
- **Preparing** our systems, processes and services for a smooth transition and continuing our digital transformation.
- **Developing** and supporting our workforce to adapt confidently and thrive in change.

The implementation cost to Winchester of Local Government Reorganisation cannot be known until the Government decides the final configuration in March 2026. The LGR submissions highlighted costs to the entire Hampshire & Isle of Wight area of between £128m and £132m. The Transitional Reserve will be the first funding source for the council's contribution towards these implementation costs.

RECOMMENDATIONS:

That Cabinet recommend to Council to:

1. Agree the level of General Fund Budget for 2026/27 and recommend the summary as shown in Appendix A.
2. In relation to the Greener Faster Council Plan priority:
 - a. Approve a growth of £30,000 to increase the annual Town Account tree maintenance budget as a result of risks associated with the effects of climate change and associated tree disease.
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 2026.
4. In relation to the Efficient and Effective priority:
 - a. Approve a growth to the annual expenditure budget of £89,000 for improvements to make the way our residents' contact us is easier and faster.
5. Approve other service expenditure annual budgets be amended as follows, in response to revised estimates:
 - a. Utility budget increased by £150,000 in order to cover the additional forecast utility costs from 2026/27.
 - b. An additional budget of £115,000 per annum from 2026/27 for the Corporate Head of Resources.
 - c. A growth of £130,000 to reflect the net budget pressure of the migration of the Land Charges service to HM Land Registry.

- d. A net budget saving of £215,000 per annum to reflect changes to forecast employers' pension contributions and rates.
6. Approve one-off service expenditure budgets as follows:
 - a. A £470,000 digital transformation budget, relating to the implementation of improvements to make our residents' digital contact with us easier and faster, with £400,000 funded from the digital transformation reserve and £70,000 funded from the transitional reserve.
 - b. A Town Account budget of £15,000 for feasibility work related to speed indicators within the town area, funded by the town reserve.
 - c. £1.7m for essential structural and repair works to the Guildhall to maintain this listed civic building (and required prior to further decision making on the future operating model of the Guildhall and Abbey House) funded from Property - Asset Management Reserve, and delegates authority to:
 - i. the Strategic Director to appoint, in accordance with the council's Contract Procedure Rules (CPRs), all necessary consultants to prepare design work for the works required to the Guildhall through a competitive bid process or framework;
 - ii. the Strategic Director to undertake a procurement exercise to obtain bids or use of a framework to appoint a contractor(s) for the works required to the Guildhall, in accordance with the council's CPRs;
 - iii. the Strategic Director to appoint the relevant contractors and to negotiate and agree contractual heads of terms with the contract appointment; and
 - iv. the Service Lead: Legal to prepare and enter into all relevant agreements, negotiate the contractual agreements and see them to completion to enable the Guildhall works.
 7. Following a review of earmarked reserves, that they be amended as follows:
 - a. £2m of the Major Investment Reserve be re-allocated to the Property Reserve to fund maintenance requirements of corporate properties.
 - b. £1m from the Major Investment Reserve be re-allocated to the Car Parks Property Reserve to fund maintenance of and investment in parking.
 - c. An additional £500,000 per annum be set aside into the Property Reserve, for the maintenance of and investment in operational assets.
 8. That the sum of £1,434,779 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 17 and Appendix D.
 9. That the Council Tax for the Special Expenses in the Winchester Town area at Band D for 2026/27 be increased by 5% (£4.50) to £94.58.
 10. That the surplus balance on the Council Tax Collection Fund for distribution to this Council, calculated in January 2026 of £107,910, be approved.
 11. Recommend the level of Council Tax at Band D for City Council services for 2026/27 be increased to £168.49, an increase of £4.83 reflecting an average

Council tax increase of 2.95% (the maximum allowed under the referendum limit of 2.99% when combined with the increase to the Special Expenses for the town area).

12. Approve the carry forward of the balance of the Council Tax Exceptional Hardship Fund in 2025/26 to 2026/27 in order to extend this vital support for those on low income.

That Cabinet approve:

13. Delegate authority to the Director (Finance), in consultation with the Cabinet Member for Finance and Transformation, to procure, award and enter into any necessary contract(s) required to progress the Customer Experience Digital Project, within the approved budget envelope.
14. Approve the proposal to write-off the three individual outstanding Non-Domestic Rate debts totalling £228,435.25, listed in Appendix F, in accordance with Financial Procedure Rule 12.7(f).
15. Approve the proposal to write-off the debt of £53,649.94 owed by Provident Asset Management in connection with rent arrears of £27,649.94 and dilapidation liabilities for external repairs of £26,000.

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 Whilst the new Council Plan was being developed in late 2024, the Government announced a major programme of reform for local government, including the creation of new unitary authorities to replace the current two-tier structure of a County Council working with District and Borough Councils – ‘Local Government Reorganisation’ (or ‘LGR’).
- 1.3 In September, 11 councils across Hampshire submitted a joint business case to Government, proposing the creation of four new unitary authorities for mainland Hampshire. It became clear from drawing up the business case, that implementing LGR (including the amalgamation of some and disaggregation of other existing services) will require a huge amount of time and resources from all existing local authorities in the county.
- 1.4 Maintaining the council’s existing high quality and resilient services at the same time as delivering LGR will require prioritisation of resources to focus on key priorities. A series of ‘Preparing for Change’ meetings with Cabinet members and senior officers has helped to shape both the priority projects list and formed the basis of the service plans. These service plans focus on the delivery of key outcomes and now span the remaining two municipal years until Winchester City Council hands over to a new unitary authority.
- 1.5 It is expected that Government will announce the outcome of the recent LGR consultation exercise and the Minister’s decision about the form of the new unitary councils in early spring.

2 FINANCIAL IMPLICATIONS

- 2.1 The proposals set out in this report represent a balanced budget for 2026/27 and for 2027/28.
- 2.2 A significant deficit of £3.6m is forecast for 2029/30, increasing to £7.2m by 2034/35. However, it should be noted that not only are forecasts after 2028/29 subject to a high degree of uncertainty, but they also relate to the period beyond LGR, and therefore to the planning window for the new unitary council.

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 both the Council Plan priorities, and LGR. Employees are critical to the delivery of these services and priorities as at 31 March 2025 the council had a workforce of 415 FTEs.
- 4.2 The report sets out the current challenges in local government finances and proposals for the council to deal with some of these locally. 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 for the TC25 project. The union are also briefed on LGR proposals and will continue to be as more detail become known about the formation and shape of the new councils.

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 The council's General Fund has a property portfolio valued at £176.2m as at 31 March 2025 of which £69m 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

- 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.

Budget consultation 2026/27

- 6.2 The Chief Financial Officer attended the January meeting of the Chamber of Commerce and Winchester BID's Winchester and District Business Strategy Group to present an overview of the financial position of the council, along with details of the budget proposals for 2026 and beyond.
- 6.3 The Scrutiny Committee discussed the Budget Options and Medium-Term Financial Strategy report (CAB3522) and raised several queries including clarification of the £2.28m estimated Local Government Reorganisation costs; projected rental income risks; and whether the solar PV programme could be accelerated. Concern was raised about the deteriorating condition of the former River Park Leisure Centre site and the need for provisions to secure and maintain the area; questions about TC25 delivering only half of its £3m annual savings target and suggestions to recommit to the programme while protecting local benefits ahead of LGR; alongside concerns that a proposed long-term grounds maintenance contract represented a continuation of the status quo. This budget has been prepared considering all these points.
- 6.4 Scrutiny Committee is due to consider this report at its meeting on 10 February 2026, 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 £2m over 4 years, provisionally funded by prudential borrowing, has been allocated in the capital programme for energy management projects that would at least 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. 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 a building may include elements to ensure a sustainable and energy efficient building such as high-performance insulation and solar PV, and several capital grants have been made to community groups and small businesses for the installation of 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

Risk	Mitigation	Opportunities
<i>Property</i>		

Risk	Mitigation	Opportunities
<p>Commercial tenants unable to pay rents or subject to business failure.</p> <p>Slowdown in commercial property investment, meaning that the council's development schemes achieve less interest or less income than expected.</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>Potential to increase commercial property income when rent reviews are carried out.</p>
<p><i>Legal</i></p> <p>The council is unable to balance the revenue budget resulting in the issuing of a S114 notice.</p>	<p>Proposals set out in this report, including the strategy for management of reserves mitigate against this.</p>	<p>Present a balanced budget in difficult circumstances.</p>
<p><i>Timescales</i></p> <p>An economic environment which may impact on income received by the council.</p> <p>Local Government Reorganisation (LGR) – failure to budget effectively and ensure sufficient resources are available to support both ongoing baseline requirements and one-off revenue projects.</p>	<p>The council has set aside an Exceptional Inflation reserve of £1m to mitigate higher than expected inflation and an economic environment which may impact on income. Other uncommitted revenue reserves are available to support further increases to the projected deficit.</p> <p>Production of forward looking 10-year financial projections including reserve forecasts.</p>	<p>Being part of a larger unitary authority will present new opportunities for both funding and further efficiencies.</p>

Risk	Mitigation	Opportunities
<p><i>Financial</i> The council is unable to balance the revenue budget.</p> <p>Risk of lower than projected demand for income generating services.</p>	<p>Proposals set out in this report, including the strategy for management of reserves mitigate against this.</p> <p>The council has uncommitted revenue reserves available which can be utilised as a last resort as above.</p>	<p>Streamlining of services and digitalisation provides opportunities to improve the customer experience as well as making savings.</p>

11 SUPPORTING INFORMATION:

11.1 As set out in the November Medium Term Financial Strategy (MTFS) report (CAB3522), 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.

Local Government Reorganisation

- 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.
- 11.3 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.
- 11.4 This budget has been prepared on the basis that the council's Medium Term Financial Strategy (MTFS) is required as-is for the delivery of services to Winchester residents for the foreseeable future.
- 11.5 The development and implementation of proposals for both Devolution and Local Government Reorganisation are expected to have significant 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

- 11.6 The provisional settlement details were received from the Ministry for Housing, Communities and Local Government (MHCLG) on 17 December. This settlement will result in more redistribution of funding within the sector than any other settlement in the last 25 years. Funding distribution was last updated in 2013-14 and, since 2020, has been via a series of one-year settlements. The potential for redistribution was significant, even if the only changes had been to update key datasets and council tax levels.
- 11.7 For 2026/27, Government have brought in the long-promised full baseline reset of business rates (for the first time since the BRRS was introduced in 2013-14); major changes to all the Relative Needs Formulas (RNFs); and the simplification of many grants into either SFA or into one of four Consolidated Grants. However, this is a 3-year settlement, which gives certainty in the second and third year of the settlement. Each of these latter two years will still be subject to an annual settlement process, but any changes will be upwards, with the 3-year settlement representing a minimum level of funding. However, the lateness of the 2026-27 settlement - and the lack of certainty about its outcome - effectively means that authorities have had no certainty in advance of budget setting for this coming year.
- 11.8 The provisional settlement is in line with the November MTFS estimates for the three years 2026/27 to 2028/29 but this relies heavily on damping, whereas the November MTFS did not include any short-term damping funding. In 2028/29 damping funding of £3.761m is due to be received and this reflects the long-term reduction of funding over and above the forecasts within the MTFS.
- 11.9 Forecast deficits from 2029/30 are significantly increased compared to the November MTFS. This is due to changes in government plans (districts saw significant reductions in the settlement) and the latest forecast assumes no food waste new burdens. This results in a 2029/30 forecast deficit of £3.60m compared to the £1.85m forecast in the November MTFS. However, 2028/29 forecasts are for after the Government's planned LGR implementation date, so will be considered by the new unitary council as part of preparing their Medium Term Financial Plan.
- 11.10 Council chief financial officers (CFOs) must set a balanced budget for the financial year ahead and this report focusses on the budget for 2026/27.
- 11.11 The MTFP is showing a sound and stable position for Winchester for the next three financial years through to April 2029.

	2026/27	2027/28	2028/29	2029/30	2030/31
	£m	£m	£m	£m	£m
Budget surplus / (shortfall)	0.000	0.000	(0.050)	(3.598)	(3.500)

Table 2 Medium Term Financial Forecast

12 Forecast outturn position for 2025/26.

12.1 The latest forecast for the 2025/26 general fund budget is a surplus of £1.881m and is due to be reported in the Quarter 3 Performance Report. Out of the forecast surplus, £0.846m is related to the additional Extended Producer Responsibility funding confirmed for 2025/26. 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 variances relate to;

- a) Increased Utility costs - £150,000
- b) Reduced Guildhall Income - £60,000
- c) Parking overtime costs - £30,000

12.3 Favourable service variances relate to;

- a) Employees - £400,000 – relating to lower than budgeted pay inflation and additional vacancy management savings
- b) TC25 - £310,000 – additional in-year savings which are also recognised as ongoing baseline savings from 2026/27
- c) Car Parking income higher than forecasted - £200,000
- d) Savings against the planned price of purchasing Hydrotreated Vegetable Oil (HVO) for vehicles not yet fully electric - £160,000

12.4 The forecast surplus for 2025/26 is assumed in the MTFP (appendix 1) as being transferred to the Major Investment Reserve.

13 Update on Transformation Challenge 2025 (TC25)

13.1 The organisation-wide TC25 transformation programme has continued to successfully deliver savings. A further net £0.056m of ongoing savings have been removed from the revenue budget set out in appendix 1. This is over-and-above those reported in the November 2025 General Fund Budget Options and Medium Term Financial Strategy report (CAB3522) and they are summarised below:

Review	Budget Reduction
Courier Van lease	£5,000
HR savings	£3,000
Public Health Burials	£5,000

Review	Budget Reduction
Bar end forecast delisting (tbc) – NNDR saving	£100,000
Less: Reduction in community grants savings	-£57,000
Total.	£56,000

13.2 To date, TC25 has secured total budget reductions of £1,675,000 (£927,000 identified prior to this report, of which £857,000 was reported in February 2025, CAB3494).

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 19 November and the budget has been prepared in accordance with those as set out in the MTFS report.

14.2 Since the MTFS was approved in November, the following adjustments have been made to the proposals in this paper.

Council Tax increase:

- a) An inflation-linked increase to council tax of 2.95% equating to an increase of £4.83 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 expenditure:

- b) A net budget pressure of £130,000 to reflect the net cost of the migration of the Land Charges service to HM Land Registry.
- c) A growth of £89,000 from 2026/27 for improvements to our customers’ digital experience.
- d) A growth of £30,000 from 2026/27 to increase the Town Account tree maintenance budget as a result of risks associated with the effects of climate change and associated tree disease.

One-off budgets:

14.3 An additional one-off budget of £470,000 has been included for the Digital Customer Experience (Digital CX) project. Following extensive discovery work, this project is in a position to procure a CRM and digital telephony platform to improve council customers’ experience of interacting with us or requesting services digitally. Existing forms of digital contact with the council can be ‘clunky’, slow, and frustrating for users. This project aims to make

quick, easy, 24/7 digital services; bringing us in-line with many of our neighbouring authorities (including potential LGR partners) and preparing our systems and workforce for a smooth transition to a new Unitary Authority. It supports delivery of our Digital Strategy by modernising core customer-facing systems and enabling consistent, user-centred digital services across the organisation.

- 14.4 This project will bring in a modern cloud-based platform that connects systems end-to-end, so customers can book, pay, and get updates online easily. It aims to save time, cut costs, reduce carbon, and provide a smooth, more efficient experience for those who prefer digital channels. A modern system will also free up customer service support to help those who need face-to-face or telephone support to access services.
- 14.5 A revenue budget of £1.7m has been included for essential works to the Guildhall. This is part of a package of capital and revenue works totalling £5m and identified in a recent condition survey. The forecast revenue costs are:
- Roof Repairs £600k
 - Stonework Repairs £300k
 - Window Repairs £300k
 - Internal Decorations £200k
 - External Decorations £100k
 - Professional Fees £100k
 - Carpets £100k

TC25 savings:

- 14.6 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 6 years ago. This reserve has an

uncommitted balance of c£8m 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. Going forward, this reserve will be the first funding source for the council's contribution towards the implementation costs of LGR.

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 £5.6m 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 change in contributions to earmarked reserves is included within this paper:

a) An increase in contribution to the property reserve (assets) from £500,000 to £900,000 per annum. This takes into account forecast maintenance requirements over the next 10 years.

15.6 The following one-off transfers within earmarked reserves are included within this paper:

a) A transfer of £2,000,000 from the Major Investment Reserve to the Property Reserve to support Asset Management expenditure plans.

b) A transfer of £1,000,000 from the major investment reserve to the Car Parks Property Reserve in order to support capital expenditure plans.

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 £873,566 is forecast for 2025/26, to be distributed in 2026/27. This is shared between the County Council (£624,680), the Police & Crime Commissioner (£106,890), the Fire & Rescue Authority (£34,086) and this Council (£107,910).

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 2026 or setting a lower increase than the 2.5% baseline assumption in CAB3522 Budget Options report in November. Given the increasing deficits forecast it is recommended that council tax be increased by the below-inflation amount of

2.95%. This increase would 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 budget requirements, the proposed budget set out in Appendix A assumes a 2.95% increase in council tax for the district along with a town forum recommended increase of 5% for the Winchester town area, in 2026/27.
- 16.5 The current level of tax for the district is £163.66 (Band D equivalent). The proposed tax for 2026/27 is £168.49, an increase of £4.83.
- 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 £90.08 (Band D equiv.). An increase of 5% would increase this to £94.58.
- 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 2026/27. 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 2025/26 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 £1,434,779 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 22 January 2026 and recommended the budget which is set out in Appendix D, including a proposal that the town precept increases by 5%.

18 Discretionary Housing Payments (DHP)

18.1 Council approved on 14 January 2026 that 'All Armed Forces compensation and War Pension income is fully disregarded when assessing eligibility or award levels for Discretionary Housing Payments (DHP).

18.2 In the event of the DHP fund being exhausted, consideration will need to be given to a top up from reserves.

19 Council Tax Reduction (CTR) Scheme – revised income bands for 2026/27

19.1 To reflect the inflationary increases of the economy, the government will increase working age benefits (most elements of Universal Credit and Housing Benefit (applicable amounts)) by CPI at 3.8% with effect from 1 April 2026. 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 the majority of people on the standard rates of Universal Credit receive sufficient assistance with their Council Tax liability. This rate is set at 100%. Claimants in receipt of the enhanced rate of Universal Credit due to disability generally receive CTR of 75% of their Council Tax liability.

19.3 Income bands have been revised to ensure that CTR for the majority of working age applicants continue to receive a similar level of support through 2026/27. While the scheme aims to protect vulnerable households and limit reductions in entitlement, additional safeguards remain in place for those experiencing exceptional hardship. Any claimant who experiences hardship following the award of CTR may apply for support from the Exceptional Hardship Fund. Applications are assessed on an individual basis, taking account of household income and essential expenditure.

19.4 It is recommended that the council's CTR scheme for working age applicants is approved for amendment to take account of the proposed changes described above, with effect from 1 April 2026. A copy of the new proposed income bands for 2026/27 can be viewed at Appendix E.

20 Exceptional Hardship Fund for 2026/27

20.1 As referred to at section 18.3, any CTR claimant suffering with financial difficulties can apply for assistance through the council's Exceptional Hardship Fund. This will be met by using the existing balance of funding from 2025/26 (currently £45k) carried forward to 2026/27.

- 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 income bands within the CTR scheme.

21 Debt Write-Off

- 21.1 The Council adopts a robust but supportive approach to managing debt. Formally writing off debt is always only considered a last resort. As a result, some older debts remain in the accounts for as long as it is considered a possibility to recover them (including the completion of administration decisions in the event of business closure). However, there are a small number of debts which should now be written off.

NNDR Debts

- 21.2 There are three debts included at Appendix F, for uncollected Non-Domestic Rates. Cabinet approval for the write-off of these debts is sought in accordance with Financial Procedure Rule 12.7(f), as there are no longer options available to the council to recover any payment. The debts have all gone through an insolvency process, of one variation or another.
- 21.3 This is a summary of the debts. Further details are contained in Appendix F:

Case	Debt period	Total debt for Write-Off	Insolvency Action
1	01 Apr 2025 - 31 Mar 2026	£105,910.00	Restructuring (Insolvency)
2	25 Sep 2021 - 09 May 2023	£60,840.92	Liquidation (Insolvency)
3	01 Apr 2023 - 01 May 2025	£61,684.33	Dissolved (Insolvency)
		£228,435.25	

Sundry Debts

- 21.4 Cabinet is asked to approve the write-off debt of £53,649.94 owed by Provident Asset Management. The debts are in connection with rent arrears of £27,649.94 and dilapidation liabilities for external repairs of £26,000. The tenant has agreed to pay a further £49,000 of dilapidation liabilities, and settling this case will expedite finalising a new lease with a new tenant and bringing the building back into use.

22 Earmarked Reserves

- 22.1 The strategy for managing reserves was set out in CAB3522 in November 2025 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 £49.5m at 1 April 2025 to £30.3m 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 (£8.0m), 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 (£10.7m), 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 (£2.4m), 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 (£9.2m), 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 initially mitigate the risk of future budget shortfalls and then later to also fund the council's transformation programme. 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. However, this reserve will be the first funding source for the council's contribution towards the implementation costs of LGR. Whilst the amount of the necessary contribution is yet to be estimated, it is almost certain this will be multiple millions of pounds, leaving none for further investment by the existing council.

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 £3.5m 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 OTHER OPTIONS CONSIDERED AND REJECTED

- 25.1 Consideration has been given to not increasing Council tax in 2026/27. However, it should be noted that the Government settlement and resulting forecasts still indicate increasing deficits in future years and therefore this cannot be recommended.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

CAB3522 General Fund Budget Options & Medium-term Financial Strategy dated 19 November 2025
 CAB3494 General Fund Budget 2025/26 dated 12 February 2025
 CAB3495 Capital Investment Strategy 2025-2035 dated 12 February 2025
 CAB3514 General Fund Outturn 2024/25 dated 10 September 2025

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: NNDR Write-offs