

WINCHESTER TOWN FORUM

24 November 2010

WINCHESTER TOWN ACCOUNT BUDGET 2011/12

REPORT OF THE HEAD OF FINANCE

Contact Officer: Darren Kennedy Tel No: 01962 848464 Email:  
[dkennedy@winchester.gov.uk](mailto:dkennedy@winchester.gov.uk)

RECENT REFERENCES:

[WTF147: Winchester Town Account Financial Strategy 2011/12 to 2014/15 - 6 October 2010](#)

[CAB2078: General Fund Budget Consultation 2011/12, 10 November 2010](#)

EXECUTIVE SUMMARY:

This report provides a summary of the Winchester Town Account revenue projections, for the period 2010/11 to 2014/15 as a basis for consideration of the Winchester Town Account Budget for 2011/12.

RECOMMENDATIONS:

1. That the Winchester Town Forum identifies any budget issues it wishes to consider further at its meeting on 26 January 2011 in advance of recommending a Town Account Budget to Cabinet.
2. That the Winchester Town Forum considers any feedback it wishes to give to Cabinet as part of the consultation on the current budget proposals in relation to the Town Account.

WINCHESTER TOWN FORUM24 November 2010WINCHESTER TOWN BUDGET 2011/12REPORT OF HEAD OF FINANCE1. Introduction

- 1.1. The Council's General Fund Budget Options for 2011/12 are currently being consulted on.
- 1.2. The revenue projections are presented for the Winchester Town Account in line with the baseline assumptions.
- 1.3. The work undertaken to date of the Informal Budget Review Group is reflected, although some work is ongoing which may impact on the final budget to be recommended to Cabinet.

2. Winchester Town Account – Financial Strategy

- 2.1. The financial strategy for the Winchester Town Account (agreed by the Town Forum at its meeting in October) set the following key budget principles:
  - The revenue budget for the forthcoming year will be balanced – this may include Revenue contributions to specific reserves for future extraordinary spending plans, and/or releases from specific reserves to fund such items.
  - Reserves will not be used to fund annual, recurring expenditure.
  - Earmarked reserves will only be created where there are specific future spending plans.
  - Income from fees and charges will be optimised.
  - Capital and Revenue grant applications which impact on the Town Centre will go through a rigorous assessment process prior to being considered in detail by an informal sub-group of the Town Forum. This sub-group will make recommendations to the Town Forum concerning the level of funding and those groups they consider should be funded through the grant process (*see paragraph 2.2 below*).
  - Growth proposals will not create a revenue deficit in future financial years
  - Value for money and efficiency savings will be sought at every opportunity
  - The Town Tax increase will not take the total for the Council above any capping constraints set by Government.
- 2.2 The Town Forum budget has in the past provided a proportion of the Council's grants to voluntary organisations working in the Town area. At the time of writing the grants programmes for 2011/12 have been suspended, and a report will be coming forward to Cabinet proposing a move away from traditional grants towards the commissioning of projects and services. A

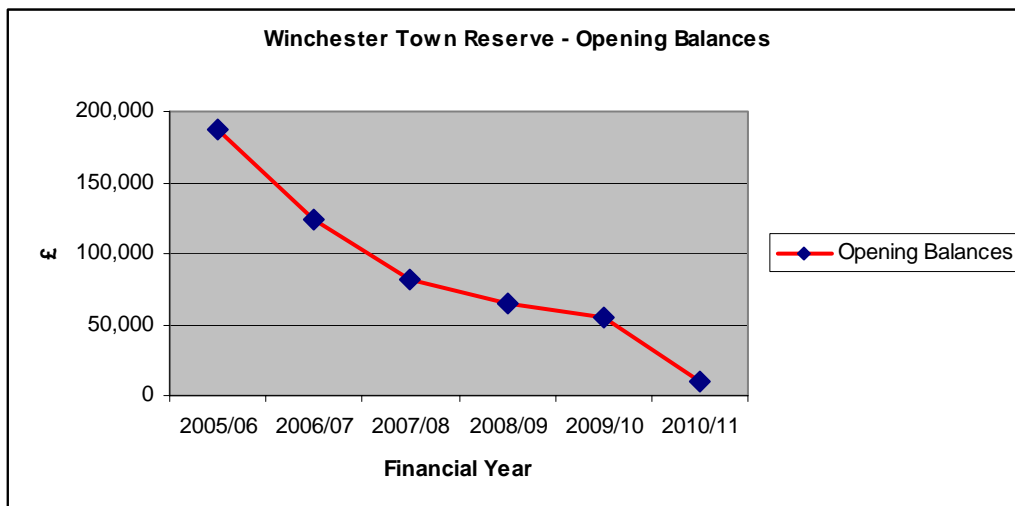
reduction to the current grants budget is proposed in the budget options paper which is currently being consulted on, with the remaining sum forming the basis of a commissioning fund. This fund would – ideally – still be supported by the Town Forum budget, particularly in view of the fact that the two priority neighbourhoods identified in the new Community Strategy for the coming three years and which will therefore continue to benefit from commissioned initiatives are in Winnall and Stanmore. Members may also wish to consider direct support for any organisations in the Town area that will no longer be receiving revenue funding from the City Council General Fund.

### 3. Projections

- 3.1. In order that the Winchester Town Forum can consider specifically the implications for the Winchester Town Area, updated projections for the financial strategy period are included at Appendix 1, together with the key assumptions and sensitivity analysis.
- 3.2. Estimates are presented pending budget decisions which may impact on the Town Account. Those budget options that are clearly identifiable with the Town have been included. Any further refinement will be included in the figures presented to the Forum in January.
- 3.3. Setting the baseline for the Town Account is an integral part of the General Fund Budget setting exercise for the whole Council; the baseline has been set using consistent assumptions to that for the General Fund.
- 3.4. Growth and increased income options are included in Appendix 2 and identified as recurring or one-off:
  - recurring items, if approved, would be included in the baseline budgets and would need to be funded by annual tax to achieve a balanced budget.
  - only one-off items can be funded by reserves.

### 4. Reserves

- 4.1. To cover the inherent uncertainty in the projections, the Town Account financial strategy sets a target to maintain reserves at a level of 10% of the total annual net expenditure.
- 4.2. However, the Revised Estimates for 2010/11 present a forecast closing balance of £22,366 which equates to c3% of the total annual net expenditure. Appendix 1 shows that before budget options the reserve is forecast to rise to 7% at the end of this year.
- 4.3. Going forward, consideration should also be given to achieving a reserve level of 10%, in line with the strategy. This is particularly important when considering the growth and savings options. The six year graph below shows the result of pressures on the town account reserve in recent years, highlighting the need for a sufficient balance to cover one-off expenditure and in year budget pressures.



## 5. Taxation

- 5.1. The Government have announced an intention that council tax bills will be frozen next year. In accordance with the General Fund Financial Strategy, approved in July, the baseline assumption is that Council Tax will be frozen at 2010/11 levels. This will also apply to the Winchester Town Account.
- 5.2. To facilitate this, a new grant scheme will be open to all billing and major precepting authorities which decide to freeze or reduce their council tax next year; they will receive additional funding in 2011-12, equivalent to raising their 2010-11 council tax by 2.5 per cent. This has been calculated at c£22,000 for the Town Account and is included in the forecasts.
- 5.3. The Spending Review also commits to providing authorities with additional funding in future years to 'lock in' the benefits of the one year freeze and help ensure council tax payers will not face subsequent excessive increases. The details of this are not yet known, so nothing has been presumed for future years.
- 5.4. The forecasts are currently calculated on the Council Tax base for 2010/11. The final budget will be updated when the forecast Council Tax Base is approved. The cumulative effect of increases to the base on income are illustrated below:

	2010/11	2011/12	2012/13	2013/14	2014/15
Increase in Properties	50	150	250	350	450
<b>(Increase) to Council Tax (£000)</b>	<b>(3)</b>	<b>(9)</b>	<b>(15)</b>	<b>(21)</b>	<b>(28)</b>

## 6. Risk/uncertainty/sensitivity

- 6.1. The Council's budget and projections will be influenced by various factors that cannot be quantified or assessed fully at this stage and these may impact on the Town Account projections. These will be kept under review and

appropriate adjustments made if necessary before the final projections are presented in January.

7. Consultation

- 7.1. The opportunity for consultation on the budget proposals with the Winchester Town community is provided by means of open budget meetings of the Winchester Town Forum.

OTHER CONSIDERATIONS:

8. SUSTAINABLE COMMUNITY STRATEGY AND CORPORATE BUSINESS PLAN (RELEVANCE TO):

- 8.1. The Council's Financial Strategy is part of the Council's Corporate Policy Framework and is key to the achievement of the Council's Sustainable Community Strategy and emerging Change Plans.
- 8.2. The Winchester Town Account Financial Strategy is aligned with the Council's Financial Strategy, and its budget is set within this framework.

9. RESOURCE IMPLICATIONS:

These are detailed in the body of the report.

10. RISK MANAGEMENT ISSUES

- 10.1. The budget for next year and the forward projections will be influenced by various factors that cannot be quantified or assessed fully at this stage.

BACKGROUND DOCUMENTS:

Working papers in the Finance Team

APPENDICES:

Appendix 1: Winchester Town Revenue Projections 2010/11 – 2014/15

Appendix 2: Budget Options

Appendix 3: Key Highlights from Informal Sub Group meetings

## WINCHESTER TOWN ACCOUNT- REVENUE PROJECTIONS 2010/11 - 2014/15

WINCHESTER TOWN ACCOUNT REVENUE PROJECTIONS 2010/11 - 2014/15							
Assumptions	2009/2010	2010/2011	2010/2011	2011/12	2012/13	2013/14	2014/15
	Outturn	Original	Revised	Original	Forecast	Forecast	Forecast
2010/11 levels have been assumed pending budget decisions which may also impact on the Town Account							
Management overheads/ recharges							
Contract inflation				4.0%	4.0%	4.0%	4.0%
Utilities				4.0%	4.0%	4.0%	4.0%
Contractual Expenditure - Waste Project (Savings)				-2.5%	-2.5%		
Percentage increase in tax	4.80%	6.30%	6.30%	0.0%	0.0%	0.0%	0.0%
Tax Base	14,005.38	14,081.66	14,081.66	14,081.66	14,081.66	14,081.66	14,081.66
	2009/2010	2010/2011	2010/2011	2011/12	2012/13	2013/14	2014/15
	Outturn	Original	Revised	Forecast	Forecast	Forecast	Forecast
Expenditure	£	£	£	£	£	£	£
Recreation Grounds & Open Spaces	566,667	553,962	553,962	570,386	575,299	587,498	600,186
Maintenance Work to Council Owned Bridges	21,392	15,000	23,608	15,000	15,000	0	0
Support Costs to Council Owned Bridges	5,937	0	0	1,000	1,000	0	0
Cemeteries	45,346	39,686	44,686	48,281	50,156	54,582	62,565
Community Wardens (Contribution)	45,000	45,000	45,000	45,000	45,000	45,000	45,000
Grants	36,888	41,813	51,813	41,813	41,813	41,813	41,813
Footway Lighting	41,662	26,401	26,401	26,275	26,503	26,741	26,988
Bus Shelter Cleaning & Maintenance	16,663	10,970	10,970	10,970	10,970	10,970	10,970
Town Forum Support	4,840	5,595	5,595	5,595	5,595	5,595	5,595
Christmas Lights	10,104	14,936	14,936	14,640	14,640	14,640	14,640
Allotments	(1,633)	(1,018)	(1,018)	(1,624)	(1,624)	(1,624)	(1,624)
Public Conveniences (Contribution)	40,000	50,000	50,000	50,000	50,000	50,000	50,000
Theatre Royal (Contribution)	20,000	20,000	20,000	20,000	20,000	20,000	20,000
20mph Speed Limit	0	0	0	0	0	0	0
Urban Neighbourhood Plans	0	1,500	1,500	0	0	0	0
Grit Bins	0	4,000	4,000	0	0	0	0
Total Expenditure	852,865	827,845	851,453	847,336	854,352	855,215	876,132
Income							
Proceeds of Council Tax	(807,857)	(863,506)	(863,506)	(863,506)	(863,506)	(863,506)	(863,506)
Council Tax Freeze Funding (2.5%)				(21,569)			
Interest on Balances	(548)	0	0	0	0	(273)	(568)
Total Income	(808,405)	(863,506)	(863,506)	(885,075)	(863,506)	(863,779)	(864,074)
Reserves							
(Surplus added to Reserves) / Deficit taken from Reserves	44,460	(35,661)	(12,053)	(37,739)	(9,154)	(8,564)	12,058
Opening Fund Balance (at 1st April)	(54,773)	35,661	(10,313)	(22,366)	(60,105)	(69,259)	(77,823)
Closing Fund Balance (carried forward)	(10,313)	(0)	(22,366)	(60,105)	(69,259)	(77,823)	(65,766)
Closing Reserves forecast as % of net expenditure	1%	0%	3%	7%	8%	9%	8%

<b><u>TAX</u></b>							
Tax at Band D	57.68	£61.32	£61.32	£61.32	£61.32	£61.32	£61.32
Increase over previous year (£)				£0.00	£0.00	£0.00	£0.00
<b><u>Sensitivity</u></b>							
£'000 required to maintain 10% reserves				62	25	16	10
Council tax % increase required to fund £10,000 expenditure				1.16%			
Council tax £ increase required to fund £10,000 expenditure				£0.71			
+/- 1% increase in Council Tax (£'000s)				9			
Band D equivalent (£) per +/- 1% increase in Council Tax				£0.61			

**BUDGET OPTIONS****GROWTH****1) Grit Bins***Possible Growth: (2011/12 + Ongoing) £2,000*

If additional Grit Bins are provided from the one-off 2010/11 budget of £4k then an annual budget of £2k will be required to maintain and stock those bins.

**2) 20mph Speed Limit***Possible Growth: (2011/12 One-off) £10,000*

Re-introduction of the one-off £10k budget removed in 2009/10 to introduce a 20mph speed limit.

**3) Open Spaces Play/Sport Capital Expenditure***Possible Growth: (2011/12) Not Yet Quantified*

A five year programme of expenditure was approved in January 2010 Winchester Town Forum (WTF143&144). Subsequent reviews of Open Spaces balances and expected future receipts have highlighted a shortfall in this programme. A paper will be presented to a future meeting giving revised options for the use of current balances and also growth options which could be funded from the Winchester Town budget.

**4) Cemetery Income***Possible Growth: (2011/12) £10,000 - £15,000*

Fees were increased by 5.25% in 2010/11, but there is a possible shortfall of £10-15K in income against the budget. A growth bid coupled with a further fee increase may therefore be required for 2011-12.

**SAVINGS OPTIONS FROM GENERAL FUND BUDGET OPTIONS****CONSULTATION 2011/12 (CAB2078) WHICH MAY IMPACT THE TOWN A/C****5) Neighbourhood Wardens***Possible savings (2011/12): £20,000 - £60,000*

The role of Neighbourhood Warden would be developed so they acted as a focus for liaison with the Council, each based on defined areas of the district. There is potential for widening the role's remit to include a range of matters from community safety to contract monitoring or assisting with environmental nuisance. Savings options could be realised through consolidation of a range of functions within that broader team – the option illustrated above assumes deleting one or two posts across the organisation as we reflect changed responsibilities.

**6) Community Revenue Grants***Possible savings (2011/12): £70,000 - £115,000*

The Administration propose to adopt a new approach to commissioning services through the voluntary and community sector, which may well lead to a different pattern of support from that now given through grants. The option for consideration is a 7-10% reduction in the total sum available for next year. The sum available would be distributed through a new commissioning process



(to be discussed at Cabinet in December), so it is not possible to identify specific impacts at this stage.

**Key Highlights from Informal Member Sub Group Meetings**

- The 2009/10 outturn was reviewed with detailed explanations requested for all significant variances to budget, and indication as to whether any of these variances are expected to continue beyond 2009/10:
  - i. Recreation Grounds and Open Spaces underspend of £8,088 – this was due to a one-off refund on water charge bills in 2009/10.
  - ii. Support Costs to Council Owned Bridges overspend of £5,937 – this was due to unbudgeted Surveyor staff time costs. The level of these charges were queried compared to contractor costs of £21,392. It was explained that the majority of the Surveyor staff time costs for the Bridges project were charged in 2009/10 due to the significant pre-contract work undertaken, with lower staff time costs expected in future years.
  - iii. Cemeteries underspend of £23,820 – this was due to a one-off £5k budget for pre-capital expenditure design work carried forward to 2010/11, an underspend on maintenance/contract costs, and higher than budgeted income. This underspend is not forecast to continue to 2010/11 due to the one-off budget and also pressures on cemetery income. Cemetery income is currently being reviewed to re-forecast the income projections and to identify if fees could be increased.
  - iv. Grants underspend of £10,500 – this was due to a one-off £10k budget to support the Chesil Theatre building works. The Winchester Dramatic Society are seeking grants totalling £90k over 3 years; £30k was approved in 2009/10, and £30k in 2010/11, of which 1/3rd is funded by the Winchester Town Account. None of this has yet been paid as all funding has not yet been secured and therefore work has not yet commenced. However application for the final tranche of £30k 9£10k Town A/C) has been received. (Total project costs est. £1.15m).
  - v. Footway lighting overspend of £4,615 – this was due to increased support costs on specific projects in the Town area (i.e. St James Lane Footpath scheme) and in relation to the Private Finance Initiative review in 2009/10. This is not anticipated to continue to future years.
  - vi. Christmas lights underspend of £4,832 – this was due to reduced contractor costs in 2009/10. The forecast costs for 2010/11 onwards are currently under review.
- It was highlighted that the joint waste project (due to come into effect from 1<sup>st</sup> October 2011) was likely to achieve savings for the Winchester Town A/C. These savings are forecast at 5% of contractor costs within the Projections, with possible further savings through the joint working arrangements.
- Contractual inflation is forecast at 4% within the Projections, this is in line with the General Fund projections.
- The £4,000 one-off Grit Bins 2010/11 budget was discussed. HCC's list of bins for has now been received leaving around half a dozen sites identified

that could benefit from an additional bin. However, there would be a currently unbudgeted cost of £2k per annum to maintain and stock the bins, the previous assumption that HCC would maintain and stock these bins free of charge.

- The 20mph Speed Limit £10k budget was removed during 2009/10. It was suggested that talks are ongoing regarding the introduction of the 20mph Speed Limit and a budget growth option may come forward at a later date.