

WINCHESTER TOWN FORUM

24 September 2014

WINCHESTER TOWN ACCOUNT FINANCIAL STRATEGY 2015/16 TO 2019/20

REPORT OF THE CHIEF FINANCE OFFICER

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RECENT REFERENCES:

WTF189: WTA Financial Strategy 2014/15-2018/19 – 11 September 2013

CAB2502: Financial Strategy 2014/15 to 2016/17 - 11 September 2013

WTF199: Winchester Town Account Budget 2014/15 - 22 January 2014

CAB2555: Budget and Council Tax 2014/15 - 12 February 2014

CAB2595: Revenue Outturn 2013/14 - 02 July 2014

EXECUTIVE SUMMARY:

This report presents the proposed financial strategy for the Winchester Town Account for 2015/16 to 2019/20, and provides the financial outturn position for the Town Account for 2013/14 for information.

RECOMMENDATIONS:

1. That the Town Forum approves the Winchester Town Account Financial Strategy for 2015/16 – 2019/20.
2. That the 2013/14 outturn on the Winchester Town Account be noted.

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REPORT OF CHIEF FINANCE OFFICER

1 Introduction

- 1.1 A revision of the terms of reference for the Winchester Town Forum (WTF) in 2007 gave the Forum a greater role in developing the Town Account Budget.
- 1.2 To help it fulfil this role, the Town Forum set up an informal member group to give early consideration to budget setting issues.
- 1.3 In 2007 the work of this group led to the development of a Financial Strategy for the Winchester Town Account. The overall objective of the Winchester Town Account Financial Strategy is to support the Town Forum in fulfilling its role in respect of the Town Account Budget.
- 1.4 The Financial Strategy approved in 2013 has been reviewed and the proposed Winchester Town Account Financial Strategy for 2015/16 to 2019/20 is presented at Appendix 2 for consideration and approval.
- 1.5 The Winchester Town Reserve opening balance at 1 April 2014 was £277,086 and the forecast balance at 31 March 2015 is £129,847, therefore meeting the strategy target of 10% of net expenditure.

2 2013/14 Outturn

- 2.1 The Revenue Outturn for 2013/14, reported to Cabinet in July (CAB2595 refers) included the details of the Town Account outturn. The relevant comment was:

Winchester Town

Town expenditure in the year was £908,299, which was £78,258 lower than the Revised Budget. The favourable variances have increased the Town Account Earmarked Reserve closing balance to £277,086. The total carry forward request from revenue budgets is £71,125, plus capital carry forwards of £8,726, leaving a net underspend of £7,133.

(Detail is provided at Appendix 1)

OTHER CONSIDERATIONS:

3 SUSTAINABLE COMMUNITY STRATEGY & PORTFOLIO PLANS (RELEVANCE TO):

- 3.1 The Financial Strategy is an integral part of the Council's Corporate Planning Framework and is driven by what the Council is seeking to achieve which is led by the Winchester District Community Strategy.
- 3.2 The Winchester Town Account Financial Strategy is aligned with the Council's Financial Strategy. Establishing and following the Strategy is important in delivering the corporate outcome of being an Efficient and Effective Council.

4 RESOURCE IMPLICATIONS:

- 4.1 As detailed in the body of the report.

5 RISK

- 5.1 This is considered in the draft strategy at paragraph 7.

BACKGROUND DOCUMENTS:

Working papers in the Finance Team.

APPENDICES:

Appendix 1 Winchester Town Account Revenue Outturn 2013/14

Appendix 2 Winchester Town Account – proposed Financial Strategy 2015/16 to 2019/20

WINCHESTER TOWN ACCOUNT - 2013/14 OUTTURN

	2012/13	2013/14				Carry Forward £
	Outturn	Original	Revised	Outturn	Variance	
<u>Expenditure</u>	£	£	£	£	£	
Recreation Grounds & Open Spaces	542,019	573,547	611,676	624,118	(12,442)	1
Maintenance Work to Council Owned Bridges	0	5,687	14,082	0	14,082	2
Cemeteries	45,000	34,708	22,499	28,280	(5,781)	
Community Wardens (Contribution)	60,600	45,000	45,000	45,000	0	
Grants	0	62,000	92,000	59,484	32,516	3
Support Costs for Grant Scheme	29,888	2,000	2,000	2,000	0	
Footway Lighting	8,816	28,997	29,018	20,653	8,365	
Bus Shelter Cleaning / Maintenance / New Provision	4,028	13,600	13,600	8,081	5,519	
Town Forum Support	8,717	4,798	4,798	4,798	0	
Christmas Lights	(1,049)	15,189	15,360	15,073	287	
Allotments	50,000	(1,646)	(1,299)	(1,145)	(154)	
Public Conveniences (Contribution)	20,000	50,000	50,000	50,000	0	
Theatre Royal (Contribution)	1,000	20,000	20,000	20,000	0	
20mph Speed Limit	0	0	4,156	768	3,389	3,389
Neighbourhood Plans	425	12,000	18,598	11,598	7,000	7,000
Grit Bins	3,984	2,000	2,000	1,264	736	
Night Bus Contribution	0	10,000	10,000	12,994	(2,994)	
St Maurice's Covert	0	10,000	10,000	0	10,000	4
Historic Environment Projects Officer	0	22,500	22,500	5,264	17,236	5
Community Speed Watch	0	500	500	0	500	
Total NET Expenditure	773,428	910,880	986,488	908,229	78,258	71,125
Funding						
Proceeds of Council Tax	(872,826)	(792,379)	(792,379)	(792,379)	0	
Council Tax Support Funding		(80,447)	(80,447)	(80,447)	0	
Council Tax Freeze Funding	(43,525)	(29,628)	(29,628)	(29,628)	0	
Interest on Balances	(1,310)	(1,612)	(1,612)	(2,640)	1,028	
Total Funding	(917,661)	(904,066)	(904,066)	(905,094)	1,028	
Reserves						
(Surplus added to Reserves) / Deficit taken from Reserves	(144,233)	6,814	82,422	3,135	79,287	
Capital Expenditure funded by Town Reserve	16,201	44,000	23,799	15,073	8,726	8,726
Opening Fund Balance (at 1st April)	(182,511)	(161,214)	(295,294)	(295,294)	0	
Closing Fund Balance (carried forward)	(295,294)	(110,399)	(189,073)	(277,086)	88,013	
Closing Reserves forecast as % of net expenditure (Target = 10%)			19%	31%		

Explanation of Key Variances:

- 1) Overspend of £12,442 relates to flood repair works carried out in 2013/14. In addition, further works of £32,500 have been identified and mainly relate to tarmac repairs required in North Walls park where damage has been caused by flooding and old age.
- 2) Underspend of £14,082 as no bridge maintenance work undertaken in 2013/14. Brought forward of £3,500 relates to small repairs to various bridges.
- 3) Slippage of grant for Chesil Theatre. Budget has been brought forward to 2014/15.
- 4) Slippage of project, budget brought forward to 2014/15.
- 5) Post filled towards the end of 2013/14. Budget brought forward to ensure the resource is in place for the full requested initial 24 months.



Winchester
City Council

Winchester Town Account
FINANCIAL STRATEGY

2015/16 TO 2019/20

Winchester Town Account

Financial Strategy

2015/16 to 2019/20

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Appendix

A - Charges to the Winchester Town Account

Winchester Town Account

Financial Strategy 2015/16 to 2019/20

1 Introduction

Winchester Town Forum

- 1.1 Although Winchester City Council is the local authority for the whole 250 square mile area of Winchester district (serving over 117,000 people) the rural areas also have local community representation through Parish or Town Councils, or Parish Meetings. They provide a focus for the discussion of local issues and consideration of solutions. For the Winchester town area, there is not a similar elected body, so the City Council decided in 2002 to establish the Winchester Town Forum, to cover the six unparished Town wards. The membership of the Forum is the 18 Councillors who represent those wards.
- 1.2 A revision of its terms of reference in 2007 gave the Forum increased powers to better represent the Town area. This allows the Forum to act as a consultative and advisory body regarding issues which affect the town, such as commenting on the emerging Local Development Framework documents. It can also promote community engagement through consultation exercises and encourage the formation of community groups. It also considers projects financed by the Open Spaces Fund in the Town and makes recommendations to Cabinet or the Portfolio Holder.
- 1.3 The Forum has the power to draft and recommend a capital and revenue budget for the Town Account to Cabinet and Council. The Town Account typically includes grants to voluntary bodies and not-for-profit organisations which principally serve the Town area; playground refurbishments, and the maintenance of parks and open spaces. Once the Town Account budget has been set, the Forum also has some discretion in its spending during the financial year.

Winchester Town Account

- 1.4 In accordance with Section 35 of the local Government Finance Act 1992 – “Special 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, as there is no parish council for the Town area of Winchester. The services currently covered by the Special Expenses are listed at Appendix A.
- 1.5 As a consequence of the increased powers given to the Winchester Town Forum in 2007 members of the Town Forum proposed that a financial strategy be developed for the Town Account. This is aligned with the Council’s Financial Strategy.

The Council's Financial Strategy

- 1.6 The Council's Financial Strategy is part of the Council's Corporate Policy Framework and is key to the achievement of its aspiration to be an efficient and effective Council. It aims to provide a financial foundation for delivering the Council's policy objectives by enabling resourced Portfolio Holder Plans to be put in place.
- 1.7 The overall objective of the Council's Financial Strategy is to determine how the Council wants to structure and manage its finances for a rolling five year forward period and to ensure this fits with and supports the objectives and priorities of the Council. It aims to support the rational allocation of resources based on as full and transparent a picture as possible, and to guide our approach to delivering efficiency improvements and organisational savings whilst protecting services to the public.
- 1.8 In determining the financial strategy for the Town Account, as for the Council, consideration is given to the following:
- Setting the baseline financial position over the five year planning horizon;
 - Identifying what resources may be available and how these may be used;
 - Establishing Key Budget Principles;
 - Consideration of the three outcomes of the Winchester District Community Strategy;
 - Developing options to support service change and improvement;
 - The Council's programme of organisational development;
 - Determining how performance is to be managed and measured;
 - Managing risk and scenario planning; and
 - Consultation

These are considered further below.

2 Setting the Baseline

- 2.1 Setting the Baseline for the Town Account will be an integral part of the exercise for the whole Council, and will be set using common assumptions.
- 2.2 To enable the rational allocation of resources based on a full and transparent picture the Council's Financial Strategy baseline will reflect the financial implications of the current position over the planning period i.e. if the Council makes no changes to what it currently does:

- what resources will it have?
 - how much will it be spending?
 - what will be the budget gap or surplus?
- 2.3 The current position will be determined by taking into account all available information.
- 2.4 The following key assumptions will be used to set the baseline for the medium term forecasts for the Town Account:
- The forecast Council Tax rate will remain at 2010/11 levels and any proposed annual increase in the level of Council Tax will be considered in the final stages of setting the budget.
 - there will be no annual increase in the number of households in the town served by the Council with consequential increases in both expenditure and income

3 Identifying Financial Resources

- 3.1 The main drivers determining the forecast expenditure and income levels for the baseline position for the Council are; statutory requirements, service demands, quality of service to be provided, legislative changes, inflation, resources and funding sources.
- 3.2 Capping regulations prevent the Council increasing the Council Tax above the Government's advised level. Whilst the parish tax amounts are currently excluded from the capping calculations the Winchester Town tax is included. As well as the possibility of capping, regard must be had to the ability and desire of the Council Tax payers to finance services in this manner.
- 3.3 For 2014/15, the Council complied with a Government request for Councils to freeze council tax, and received additional grant equivalent to a one per cent increase from the 2013/14 level of Council Tax. This additional grant is for two years only and therefore will not be received in any subsequent years.
- 3.4 Whilst it is comparatively easy to consider new or expanded initiatives and the resources needed to deliver these, it is often more difficult to review existing services in order to reduce or stop them and release resources.
- 3.5 In recognition of this the Town Forum will arrange for an informal members group as appropriate to examine the detail of the Town Account income and expenditure.
- 3.6 It is considered appropriate that the Winchester Town Account reserve should be maintained at a level of approximately 10% of the total annual net expenditure.

- 3.7 To ensure that the Town Account balance is maintained at an appropriate level, it will be necessary for the Town Forum to identify any significant one-off expenditure items and ideally to plan ahead, so that annual Revenue contributions are stable, avoiding the need for “yo-yoing” council tax increases and ensuring that sufficient balances are available (and earmarked if necessary) to cover one off expenditure when incurred.
- 3.8 Capital expenditure appropriate to the Town Account has historically been included in the Council’s capital programme with capital financing costs being recharged to the Town Account in accordance with the Council’s accounting procedures. However, where this is seen as a constraint the Town Forum may consider accumulating its own reserves, over a period, for specific capital spending plans.

4 **Key Budget Principles**

- 4.1 A fundamental principle to be applied to the Strategy is that Members should seek to attain a balanced revenue budget. Accordingly, the following principles will be applied to the budget:
- The revenue budget for the forthcoming year will be balanced – this may include Revenue contributions to specific reserves for future exceptional spending plans, and/or releases from specific reserves to fund such items.
 - Reserves will not be used to fund annual, recurring expenditure
 - Savings and income proposals will be sufficient to eliminate any projected deficit and to fund Growth proposals
 - Earmarked reserves will only be created where there are specific future spending plans
 - The Council will seek to optimise income from services and assets
 - Capital and Revenue grant applications to be funded in part or in total from the Town Account will go through an agreed preliminary assessment by officers, prior to being considered in detail by an informal sub-group of the Town Forum as part of the established corporate grants processes. This 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. Town Forum will adopt clear application and evaluation criteria and for its own grants programme.
 - Growth proposals will not create a revenue deficit in future financial years without equivalent forward savings also being identified
 - Growth, savings and income proposals will be considered in relation to the Council’s corporate objectives and priorities

- The Town Tax increase will not take the total for the Council above any capping constraints set by Government.

5 Developing Options to Support Service Change and Improvement

- 5.1 The Winchester Town Financial Strategy is in line with the Vision for Winchester Town and seeks to match Town priorities with resources.
- 5.2 The various options to deliver, improve and transform services will be accompanied by time and cost pressures. It will be necessary for service and performance levels to be managed both upwards and downwards.
- 5.3 An integrated approach to spending and services required, identifying priorities and pressures for growth, should enable the Town Forum to consider options for future service requirements to align with the likely available funding. The key to this is the ability of Members to make choices about priorities, levels of spend and the level of Council Tax.

6 Managing and Measuring Financial Performance

- 6.1 Winchester Town Account expenditure and income is monitored and controlled throughout the year within the Council's budgetary control and management reporting procedures.
- 6.2 The Town Forum has the responsibility to consider the draft capital and revenue budget for the S35 Town Account each year and to make recommendations to Cabinet and Council.
- 6.3 At its November meeting it will consider;
 - the Revised Estimate for the current year,
 - the medium term forecast
 - proposals for growth and savings
- 6.4 In January the Town Forum will agree the recommendations to be made to Cabinet and to Council.
- 6.5 Where appropriate the work of an informal members group (para. 3.4) will inform this process.

7 Managing Risk & scenario planning

- 7.1 In managing risk it is important that risks are recognised and dealt with appropriately. There are various types and level of risk that have to be considered. The most significant is setting an appropriate level of Council Tax to meet service demands and to maintain an adequate level of reserves. In the event that the Town Account balance was more than fully utilised (overspent) at

the year end the effect would be that the General Fund Balance would be used to cover this on a temporary basis with repayment required as soon as possible.

8 **Consultation**

- 8.1 The Winchester Town Forum will hold an open budget meeting which will provide the opportunity for consultation on the budget proposals with the Winchester Town community.

9 **Links to Other Strategies**

- 9.1 The Winchester Town Account Financial Strategy is directly aligned with the Council's Financial Strategy which is designed to support the delivery of the Council's adopted outcomes.

10 **Conclusion**

- 10.1 The Winchester Town Account Financial Strategy has been developed to support effective financial planning for the Town Account. It will continue to evolve. It recognises that there are constraints to achieving all the aspirations that Members and citizens have for their area, but sets out a framework for decisions on priorities to be made in the knowledge of the Council's ability to finance them.

CHARGES TO THE WINCHESTER TOWN ACCOUNT

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.

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. Under the current policy the following expenditure is charged to the Winchester Town account:

1. Magdalen Hill and West Hill Cemeteries

The costs relate to maintenance of the cemeteries at Magdalen Hill and West Hill. West Hill is now rarely used for burials and has been landscaped over several years making it open and easier to maintain.

2. Allotments in the Town

The Council owns approximately 21 acres of allotment land in the Town area most of which is leased to the Winchester New Allotment Holders Society Ltd. There is a net credit relating to rental income after charging a small management charge.

3. The “parish” element of grants for community facilities in the Town

Grants for revenue and capital purposes are awarded to community and arts projects and are allocated annually by Members.

4. Recreation Grounds and Open Spaces

All parks and playing fields in the Town except Abbey Gardens, Riverside Walk, the Weirs Gardens, and St Giles Hill which are treated as a district expense e.g. North Walls and King George V recreation grounds are regarded as being for Town residents.

5. Community Wardens

Wardens work with the police, youth groups and local schools to tackle issues in the area and provide information on local events and activities. They carry out environmental improvements such as removal of litter, removal of graffiti and flytipping. They make sure that abandoned vehicles are dealt with quickly and resolve problems about the way open spaces are used. The Town’s contribution is £45,000.

6. Footway lighting in the Town

This covers electricity and maintenance and capital charges for the provision of new or replacement lights in the Town area.

7. Bus shelter cleaning and maintenance in the Town

8. Christmas lights in the Town

These costs relate to the provision of festive lights in the Town over the Christmas period.

9. Town Forum Support

This is the cost of servicing Forum meetings and includes a proportion of a Committee Administrator's salary, hire of meeting rooms, printing etc.

10. Core Grants for Voluntary Organisations

Assignment of a proportion of the core grants allocated to voluntary organisations based in the Town Area to the Town Account. These include Theatre Royal Winchester, to which The Town's contribution is £20,000.

11. Project Grants for Voluntary Organisations

In 2012/13, Town Forum agreed to allocate a sum of around £5,000 in future budgets to enable the Forum to award its own, one-off project grants (to a maximum of £500 per grant) to organisations based in the Town Area.

12. Public Conveniences

50 per cent local revenue funding of public conveniences by Parish Councils and Town Account.

13. Bridge Maintenance

General repairs to WCC owned bridges in the Winchester Town Area

14. Grit Bins

Revenue budget to provide for maintenance of grit bins in the town area.

15. 20mph Speed Limit (Non-recurring budget)

In 2014/15, a budget brought forward of £3,389 representing the residual balance of a one-off £10,000 budget assigned by the town forum in 2011/12.

16. Night Bus Contribution

A recurring revenue budget contribution of £13,390 has been provided in 2014/15, with an annual inflationary uplift.

17. Community Speed Watch

An annual recurring budget of £500 has been provided to cover any costs associated with the Community Speed Watch scheme.

18. St Maurice's Covert (Non-recurring budget)

Commencing in 2013/14 a budget of £10,000 p.a. for four years has been provided for works to enhance the Covert and surrounding area. The 2013/14 budget has been brought forward to 2014/15, giving a total 2014/15 budget of £20,000.

19. Historic Environment Projects Officer (Non-recurring budget)

Commencing in 2013/14 a total one-off budget of £45,000 has been provided over two years in order to drive improvements to commercial frontages and other aspects of the City Centre street scene. £17,236 of budget has been brought forward into 2014/15, giving a total 2014/15 budget of £39,736.

20. Neighbourhood Plans

In 2014/15 a one-off budget of £7,000 has been brought forward from 2013/14. This is in addition to a recurring annual budget of £2,000 giving a total budget of £9,000 in 2014/15.

21. Interest on Balances

Interest is credited to the account annually based on the average balance for the year 31st March.

Net expenditure on other facilities located in the Town area is currently charged to the whole District. These facilities include the River Park Leisure Centre, the Guildhall, Abbey House, the City Museum and the parks and playing fields listed above at 4. Income from car parks and town centre property is credited to the whole District.