

REPORT TITLE: WINCHESTER TOWN ACCOUNT BUDGET 2018-19

24 JANUARY 2018

REPORT OF FINANCE MANAGER (STRATEGIC FINANCE)

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WARD(S): ALL TOWN WARDS

PURPOSE

This report presents the current financial projections for the Town Account for the period 2017/18 to 2026/27 and financial sensitivities, in order that recommendations can be made to the Cabinet on the budget to be set within the Winchester Town area for 2018/19.

RECOMMENDATIONS:

That the Town Forum:

1. considers the draft budget for 2018/19 and the indicative projections for the strategy period;
2. considers the Council Tax precept for the Town area which it wishes to recommend to Cabinet, noting the requirement for the Council to keep within overall referendum constraints, and
3. makes recommendations to Cabinet on the budget to be set for the Winchester Town area for 2018/19.

## IMPLICATIONS:

### 1 COUNCIL STRATEGY OUTCOME

- 1.1 The budget consultation process is carried out with consideration of the council strategy outcomes.

### 2 FINANCIAL IMPLICATIONS

- 2.1 As detailed in the report.

### 3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 None

### 4 WORKFORCE IMPLICATIONS

- 4.1 None directly from this paper.

### 5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 The Town Account manages a number of the Council's assets including: Cemeteries, Bus Shelters, Footway Lighting, Bridges, and Open Spaces including play and sport equipment and Changing Pavilions.
- 5.2 The five year play refurbishment plan 2015 – 2020 (WTF237 refers) identifies the requirements to support the delivery of the Town play Outcomes up until 2020 and indicative requirements up until 2025.

### 6 CONSULTATION AND COMMUNICATION

- 6.1 This report has been discussed with the town account informal group, relevant staff and advisors.

### 7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 Environmental considerations will be part of the business case supporting any budget proposals.

### 8 EQUALITY IMPACT ASSESSMENT

- 8.1 None

## 9 RISK MANAGEMENT

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
<i>Asset Management Plans (for example Play Areas / Sports Pavilions etc) are not kept up-to-date or are not funded</i>	<i>Regular updates to the asset management plans, and medium term financial forecasts in order for funding plans to be developed</i>	<i>Improvements to assets in order to meet the outcomes of the Council</i>
<i>Economic uncertainty leads to increased costs specifically from contractual inflation</i>	<i>The financial strategy sets a target earmarked reserve balance of 10% of net expenditure in order to meet unexpected costs</i>	
<i>Adverse weather causes damage to town assets including open spaces</i>	<i>Ensure the Council's insurance policy is kept fit for purpose</i>  <i>The Winchester Town earmarked reserve balance</i>	

## 10 SUPPORTING INFORMATION:

### Introduction

- 10.1 The Winchester Town Financial Strategy was approved in September 2017 and provides guidance and key budget principles to be applied in setting the Council's budgets.
- 10.2 The Government has now announced the provisional grant settlements.
- 10.3 The final Budget proposals will be considered by the Cabinet on 14 February 2018. The Forum is reminded that the Winchester Town budget is set by the Council and therefore any recommendations from the Forum are subject to approval by Cabinet and full Council in February 2017.
- 10.4 This report presents the current financial projections for the Town Account and financial sensitivities, in order that recommendations can be made to the Cabinet on the budget to be set for the Winchester Town area for 2018/19.
- 10.5 The work undertaken by the Informal Budget Review Group is reflected in this report.

### Projections

- 10.6 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.
- 10.7 The following assumptions have been used in the financial forecast shown in Appendix 1:
- An annual inflation allowance of 3% per annum for contractual inflation in 2018/19, 2.5% in 2019/20, and 2% thereafter. A 5% per annum allowance for utility costs.
  - Interest receivable on Winchester Town average earmarked reserve balances of 0.75%.
  - Income – Sports hire fees and charges are forecast to increase by inflation, Cemetery charges are forecast to remain at current rates
  - The Council Tax Base is uplifted each year, from 2019/20, by an average of 1.2% per annum (which equates to 165 properties in 2019/20, generating an additional c£11k of income).
  - Town precept increases in line with CPI projections to 2022/23 (+3% for 2018/19).

### Taxation

- 10.8 The final Council Tax Base for the Winchester Town area is now reflected in the estimates at 13,811.74 for 2018/19 (an increase of 190.49 properties on 2017/18 and equating to an additional c£13k of income).
- 10.9 The current Winchester Town Precept is £65.21 (per band D equivalent). The proposed 3% increase will increase this by £1.96 to £67.17, generating approximately £27k of additional income.
- 10.10 If the town and district taxes were both to increase by the maximum allowed for 2018/19 (under the £5 referendum limit), this would equate to a 3.26% increase to £67.33.
- 10.11 The proposed 3% increase and budget estimates are forecast to result in a 2018/19 closing earmarked reserve balance of £69k, which is below the 10% financial strategy target of 10% of next expenditure (c£90k). However, the 10% target is forecast to return by the end of 2019/20.

### Capital and one-off revenue expenditure

- 10.12 The following capital expenditure budgets are included within the proposed capital programme:
- i. Handlebar Café – £25k in 2018/19
  - ii. Chesil Theatre Grant – £30k in 2018/19

- iii. Changing Pavilions North Walls – £44k in 2018/19 (£256k funded by S106 receipts, giving a total budget of £300k)
- iv. Town Reserve funded play area refurbishments – £310k in 2018/19, £1,009k to 2024/25

10.13 The following one-off revenue expenditure budgets are within the proposed 2018/19 budget:

- i. Community Infrastructure – a £50k budget is proposed in 2018/19, as was set for 2017/18, in order to support Community Infrastructure Levy projects as they come forward for consideration.

10.14 The budget for the KGV Pavilion project has been removed from current budget estimates. The timing of the project is currently uncertain due to the implications of the Leisure project at Bar End. It is proposed that further discussions take place with Cabinet in order to confirm timings and draw up a revised project based on updated requirements both in terms of the facility and the funding. The funding that had been ringfenced for this scheme is not proposed to be diverted to any other scheme, so will remain available when a revised deliverable scheme comes forward.

## 11 OTHER OPTIONS CONSIDERED AND REJECTED

11.1 None other than detailed in the report.

### BACKGROUND DOCUMENTS:-

#### Previous Committee Reports:-

WTF257: Winchester Town Account Medium Term Financial Position – November 2017

WTF256: Annual Play Area Improvements Update – November 2017

WTF254 – Winchester Town Account Financial Strategy 2018/19 – September 2017

CAB2962: Community Infrastructure Levy – September 2017

#### Other Background Documents:-

None

### APPENDICES:

Appendix A: Medium Term Financial Projections to 2027/28

**WINCHESTER TOWN ACCOUNT - Financial Projections**

	2017/2018 Forecast	2018/2019 Forecast	2019/2020 Forecast	2020/2021 Forecast	2021/2022 Forecast	2022/2023 Forecast	2023/2024 Forecast	2024/2025 Forecast	2025/2026 Forecast	2026/2027 Forecast
<b>Assumptions:</b>										
Contract inflation		3%	2.5%	2%	2%	2%	2%	2%	2%	2%
Utilities		5%	5%	5%	5%	5%	5%	5%	5%	5%
Percentage increase in tax		3%	3%	2%	2%	2%	0%	0%	0%	0%
Tax Base		13,812	13,977	14,145	14,315	14,487	14,661	14,837	15,015	15,195

	2017/2018 Forecast	2018/2019 Forecast	2019/2020 Forecast	2020/2021 Forecast	2021/2022 Forecast	2022/2023 Forecast	2023/2024 Forecast	2024/2025 Forecast	2025/2026 Forecast	2026/2027 Forecast
	£	£	£	£	£	£	£	£	£	£

**Cost of Services**

**Recurring Budgets:**

Allotments	(1,864)	(1,864)	(1,864)	(1,864)	(1,864)	(1,864)	(1,864)	(1,864)	(1,864)	(1,864)
Bus Shelter Cleaning / Maintenance / New Provision	7,304	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Cemeteries	8,240	34,565	36,694	38,734	40,825	42,967	45,161	47,410	49,713	52,074
Christmas Lights	8,500	8,740	8,946	9,115	9,287	9,463	9,642	9,825	10,012	10,202
Community Speed Watch	0	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Community Wardens (Contribution)	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
Footway Lighting	20,112	20,370	20,642	20,927	21,226	21,540	21,870	22,216	22,580	22,962
Grants	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
Support Costs for Grant Scheme	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Grit Bins	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Maintenance Work to Council Owned Bridges	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500
Night Bus Contribution	12,344	12,714	13,545	13,816	14,092	14,374	14,661	14,954	15,254	15,559
Public Conveniences (Contribution)	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Recreation Grounds & Open Spaces	574,078	603,459	611,486	611,093	624,230	623,958	637,491	637,352	651,298	651,303
Theatre Royal (Contribution)	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Town Forum Support	4,798	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
<b>Total Recurring Budgets</b>	<b>817,012</b>	<b>877,485</b>	<b>888,948</b>	<b>891,321</b>	<b>907,296</b>	<b>909,938</b>	<b>926,462</b>	<b>929,393</b>	<b>946,492</b>	<b>949,735</b>

**One-off Budgets:**

St Maurice's Covert	60,000									
Community Infrastructure	50,000	50,000								
Historic Environment Projects Officer	12,999									
Green Infrastructure	3,000									
<b>Total One-off Budgets</b>	<b>125,999</b>	<b>50,000</b>								

<b>Total Cost of Services</b>	<b>943,011</b>	<b>927,485</b>	<b>888,948</b>	<b>891,321</b>	<b>907,296</b>	<b>909,938</b>	<b>926,462</b>	<b>929,393</b>	<b>946,492</b>	<b>949,735</b>
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**WINCHESTER TOWN ACCOUNT - Financial Projections**

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<b>Assumptions:</b>										
Contract inflation		3%	2.5%	2%	2%	2%	2%	2%	2%	2%
Utilities		5%	5%	5%	5%	5%	5%	5%	5%	5%
Percentage increase in tax		3%	3%	2%	2%	2%	0%	0%	0%	0%
Tax Base		13,812	13,977	14,145	14,315	14,487	14,661	14,837	15,015	15,195

	2017/2018 Forecast	2018/2019 Forecast	2019/2020 Forecast	2020/2021 Forecast	2021/2022 Forecast	2022/2023 Forecast	2023/2024 Forecast	2024/2025 Forecast	2025/2026 Forecast	2026/2027 Forecast
<b>Taxation and Non-specific grant income</b>										
Council Tax Income	(888,242)	(927,735)	(962,350)	(993,418)	(1,025,380)	(1,058,401)	(1,071,101)	(1,083,955)	(1,096,962)	(1,110,126)
Council Tax Support	(12,134)	0	0	0	0	0	0	0	0	0
Council Tax Freeze	(9,811)	0	0	0	0	0	0	0	0	0
Interest on Balances	(3,410)	(3,185)	(518)	(885)	(982)	(975)	(746)	(1,012)	(1,353)	(1,667)
<b>Total Taxation and Non-specific grant income</b>	<b>(913,597)</b>	<b>(930,919)</b>	<b>(962,868)</b>	<b>(994,303)</b>	<b>(1,026,362)</b>	<b>(1,059,376)</b>	<b>(1,071,848)</b>	<b>(1,084,966)</b>	<b>(1,098,316)</b>	<b>(1,111,793)</b>
<b>Transfers to/(from) Earmarked reserves</b>										
(Surplus added to Reserves) / Deficit taken from Reserves	29,414	(3,435)	(73,920)	(102,983)	(119,067)	(149,438)	(145,386)	(155,573)	(151,823)	(162,058)
Capital Expenditure funded by Town Reserve	64,000	409,000	25,000	90,000	120,000	180,000	110,000	110,000	110,000	110,000
Release from Town Community Infrastructure Levy Reserve	(50,000)	(50,000)								
<b>Opening Reserve Balance (at 1st April)</b>	<b>(468,062)</b>	<b>(424,648)</b>	<b>(69,083)</b>	<b>(118,002)</b>	<b>(130,985)</b>	<b>(130,051)</b>	<b>(99,490)</b>	<b>(134,875)</b>	<b>(180,449)</b>	<b>(222,272)</b>
<b>Closing Reserve Balance (carried forward)</b>	<b>(424,648)</b>	<b>(69,083)</b>	<b>(118,002)</b>	<b>(130,985)</b>	<b>(130,051)</b>	<b>(99,490)</b>	<b>(134,875)</b>	<b>(180,449)</b>	<b>(222,272)</b>	<b>(274,330)</b>
Closing Reserves forecast as % of net expenditure (Target = 10%)	45%	7%	13%	15%	14%	11%	15%	19%	23%	29%

<b>TAX</b>										
Tax at Band D	£65.21	£67.17	£68.85	£70.23	£71.63	£73.06	£73.06	£73.06	£73.06	£73.06
Increase over previous year (£)	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£1.00	£2.00

<b>Sensitivity</b>										
Council tax % increase required to fund £10,000 expenditure	1.13%									
Council tax £ increase required to fund £10,000 expenditure	£0.73									
+/- 1% increase in Council Tax (£'000s)	9									
Band D equivalent (£) per +/- 1% increase in Council Tax	£0.65									