

WINCHESTER TOWN FORUM

19 November 2014

WINCHESTER TOWN ACCOUNT BUDGET 2015/16

REPORT OF CHIEF FINANCE OFFICER

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RECENT REFERENCES:

WTF205: Winchester Town Account Financial Strategy 2015/16 to 2019/20, 24  
September 2014

CAB2606: Medium Term Financial Strategy 2015/16 to 2019/20, 22 October 2014

EXECUTIVE SUMMARY:

This report provides a summary of the Winchester Town Account revenue projections, for the period 2014/15 to 2019/20 as a basis for consideration of the Winchester Town Account Budget for 2015/16.

RECOMMENDATIONS:

1. That the Winchester Town Forum identifies any budget issues it wishes to consider further 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 FORUM19 November 2014WINCHESTER TOWN BUDGET 2015/16REPORT OF CHIEF FINANCE OFFICER1. Introduction

- 1.1. The Council's General Fund Budget considerations for 2015/16 will be presented to Cabinet in December.
- 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

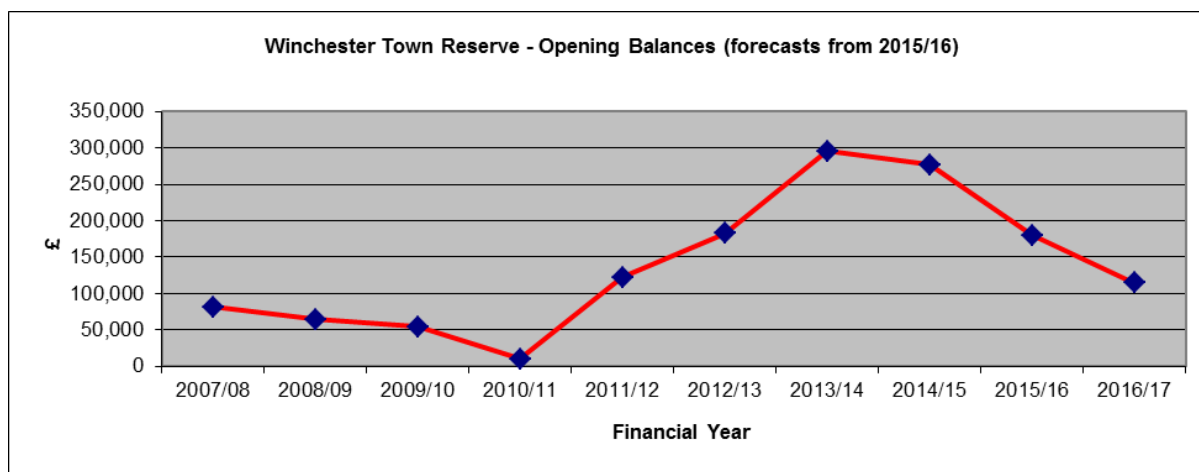
- 2.1. The financial strategy for the Winchester Town Account (agreed by the Town Forum at its meeting in September) set the following key budget principles:
  - The revenue budget for the forthcoming year will be balanced – this may include Revenue contributions to specific reserves for future extraordinary 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 group of the Town Forum. This informal 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.
  - 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.

### 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. 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. In November a paper outlining the Electoral Review was presented to Council (CL101). This paper highlights the potential for the Barton Farm development to form part of the Town Account. This would have the impact of increasing funding from the Winchester Town Precept and also potential additional expenditure. However, this would be subject to the outcomes of both the Local Government Boundary Commission Electoral Review and a subsequent Community Governance review by the City Council. The earliest date a change could be implemented would be 2016/17.
- 3.5. Growth, Savings, and proposals for further review are included in Appendix 2.
  - 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. In line with this strategy, the current estimates for 2015/16 present a forecast closing balance of £114,641 which is above 10% of the total annual net expenditure.
- 4.3. Going forward, consideration should also be given to maintaining a reserve level of 10%, in line with the strategy. This is particularly important when considering the growth and savings options. The ten year graph below shows the fluctuations in the reserve caused by both planned and unplanned one-off expenditure, highlighting the need for a sufficient balance to cover one-off expenditure and in year budget pressures.



## 5. Taxation

- 5.1. The Government announced last year its intention to support further council tax freezes for 2014/15 and also 2015/16. If councils freeze or reduce their basic Council Tax level (Band D) in 2015/16 they will receive an additional grant equivalent to 1 percent increase on their Council Tax for that year only. This also applies to the Winchester Town Account, providing additional one-off support in 2015/16 of approximately £8,000.
- 5.2. The decision on whether to raise Council Tax for 2015/16 or to freeze and receive the one off freeze funding grants will be taken at Council in February. If a freeze is approved then the Town will also be required to freeze and will therefore receive the one off support explained in 5.1 above and forecast in Appendix 1. If a rise is approved then this one off support will not be received and the Town may therefore wish to consider what rise it would recommend in this situation. For example the Town may wish to increase tax to balance the loss of one off support.

Additional annual Funding from increasing the Town Precept:				
0.50%	1.00%	1.50%	2.00%	
£000	£000	£000	£000	
4	8	12	16	

- 5.3. The Town precept has not been increased since 2010/11 and this is now highlighting increasing pressures in the financial projections. The financial strategy requires that baseline recurring expenditure cannot be met from reserves and the current projections (before budget proposals) show that this will cause a deficit from 2016/17 onwards. With limited scope for increasing income this shortfall can only be met from either reducing baseline expenditure or through increasing the Town precept.
- 5.4. The forecasts are currently calculated on the Council Tax base for 2014/15. The final budget will be updated when the forecast Council Tax Base is approved by the Cabinet in December. The effect of increases to the base on income are illustrated below:

Increase in Properties	50	150	250
<b>(Increase) to Council Tax (£000)</b>	<b>(3)</b>	<b>(9)</b>	<b>(15)</b>

## 6. Capital Expenditure

- 6.1. 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 policies. However, in line with the financial strategy, where this is seen as a constraint the Town Forum may consider accumulating its own reserves, over a period for specific capital spending plans.
- 6.2. The Capital Programme currently contains a number of projects chargeable to the Winchester Town Account. These include 'Changing Pavilions' currently budgeted in 2015/16, 'Magdalen Hill Cemetery Extension' budgeted in 2015/16, and 'Open Spaces and Recreation Facilities' budgeted in 2014/15.

## 7. Risk/uncertainty/sensitivity

- 7.1. 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.

## 8. Consultation

- 8.1. 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:

### 9. COMMUNITY STRATEGY AND PORTFOLIO PLANS (RELEVANCE TO):

- 9.1. The Council's Financial Strategy is part of the Council's Corporate Policy Framework and underpins the delivery of the Community Strategy outcomes.
- 9.2. The Winchester Town Account Financial Strategy is aligned with the Council's Medium Term Financial Strategy, and its budget is set within this framework. Sound financial management practices of this kind support the corporate outcome of being an Efficient and Effective Council.

### 10. RESOURCE IMPLICATIONS:

- 10.1. These are detailed in the body of the report.

## 11. EQUALITIES

- 11.1. The Financial Strategy supports the Council's Portfolio Plans which in turn support the Winchester District Community Strategy. The Community Strategy was subjected to an equalities impact assessment the Council's integrated equality impact assessment model is used for Portfolio Plan projects and revenue changes as they are developed.

## 12. RISK MANAGEMENT ISSUES

- 12.1. The possible impact of proposals in the Electoral Review (see 3.4 above) are yet to be identified. If there were new open space areas for the Town Account to operate and fund then this would introduce new pressures to future projections.
- 12.2. The greatest budget and also financial risk is within the Recreation Grounds and Open Spaces budget. Increased contractual expenditure or increased one-off expenditure (for example resulting from storms or floods) could increase the pressures on future projections.
- 12.3. That sufficient budget is available to deal with health and safety issues, for example play equipment and tree care.

### BACKGROUND DOCUMENTS:

None

### APPENDICES:

Appendix 1: Winchester Town Revenue Projections 2014/15 – 2019/20

Appendix 2: Budget Review & Options from Informal Group meetings

Appendix 1 - WTF207

WINCHESTER TOWN ACCOUNT - Financial Projections								
	Per CAB2595	Per CAB2555	2014/15 Forecast	2015/2016 Forecast	2016/2017 Forecast	2017/2018 Forecast	2018/2019 Forecast	2019/2020 Forecast
<b>Assumptions:</b>								
Contract inflation				3%	3%	3%	3%	3%
Utilities				5%	5%	5%	5%	5%
Percentage increase in tax				0%	0%	0%	0%	0%
Tax Base				12,969	12,969	12,969	12,969	12,969
	2013/14	2014/15	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
	Outturn	Original	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
<b>Expenditure</b>	£	£	£	£	£	£	£	£
Recreation Grounds & Open Spaces	624,118	588,551	597,011	602,442	613,517	624,933	636,703	648,837
Maintenance Work to Council Owned Bridges	0	5,500	9,000	5,500	5,500	5,500	5,500	5,500
Cemeteries	28,280	32,039	22,980	30,012	32,155	34,372	36,664	39,035
Community Wardens (Contribution)	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
Grants	59,484	60,000	90,000	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
Footway Lighting	20,653	29,371	29,210	28,964	29,377	29,810	30,265	30,743
Bus Shelter Cleaning / Maintenance / New Provision	8,081	7,600	7,600	7,600	7,600	7,600	7,600	7,600
Town Forum Support	4,798	4,798	4,798	4,798	4,798	4,798	4,798	4,798
Christmas Lights	15,073	15,189	10,480	10,549	10,796	11,051	11,313	11,583
Allotments	(1,145)	(1,646)	(1,299)	(1,646)	(1,646)	(1,646)	(1,646)	(1,646)
Public Conveniences (Contribution)	50,000	50,000	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	20,000
20mph Speed Limit	768	0	3,389	0	0	0	0	0
Neighbourhood Plans	11,598	2,000	9,000	2,000	2,000	2,000	2,000	2,000
Grit Bins	1,264	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Night Bus Contribution	12,994	13,390	13,390	13,390	13,792	14,205	14,632	15,071
St Maurice's Covert	0	10,000	20,000	10,000	10,000	0	0	0
Historic Environment Projects Officer	5,264	22,500	39,736	0	0	0	0	0
Community Speed Watch	0	500	500	500	500	500	500	500
<b>Total NET Expenditure</b>	<b>908,229</b>	<b>908,792</b>	<b>974,795</b>	<b>893,110</b>	<b>907,389</b>	<b>912,123</b>	<b>927,329</b>	<b>943,021</b>
Baseline Recurring Expenditure				883,110	897,389	912,123	927,329	943,021
One-off Expenditure				10,000	10,000	0	0	0
<b>Funding</b>								
Proceeds of Council Tax	(792,379)	(795,261)	(795,261)	(795,261)	(795,261)	(795,261)	(795,261)	(795,261)
Council Tax Support Funding	(80,447)	(68,943)	(68,943)	(62,049)	(55,844)	(50,260)	(45,234)	(40,710)
Council Tax Freeze Funding 2011/12 (2.5%)	(21,704)	(21,704)	(21,704)	(21,704)	(21,704)			
Council Tax Freeze Funding 2013/14 (1.0%)	(7,924)	(7,924)	(7,924)	(7,924)	(7,924)	(7,924)	(7,924)	(7,924)
Council Tax Freeze Funding 2014/15 (1.0%)		(7,953)	(7,953)	(7,953)				
Council Tax Freeze Funding 2015/16 (1.0%)				(7,953)				
Interest on Balances	(2,640)	(1,561)	(2,771)	(1,561)	(1,411)	(1,159)		
<b>Total Funding</b>	<b>(905,094)</b>	<b>(903,345)</b>	<b>(904,555)</b>	<b>(904,404)</b>	<b>(882,144)</b>	<b>(854,603)</b>	<b>(848,418)</b>	<b>(843,895)</b>
<b>Reserves</b>								
(Surplus added to Reserves) / Deficit taken from Reserves	3,135	9,447	70,239	(11,294)	25,245	57,520	78,911	99,126
Capital Expenditure funded by Town Reserve	15,073	44,000		77,000				
<b>Opening Fund Balance (at 1st April)</b>	<b>(295,294)</b>	<b>(156,073)</b>	<b>(277,086)</b>	<b>(206,847)</b>	<b>(141,141)</b>	<b>(115,896)</b>	<b>(58,376)</b>	<b>20,535</b>
<b>Closing Fund Balance (carried forward)</b>	<b>(277,086)</b>	<b>(102,626)</b>	<b>(206,847)</b>	<b>(141,141)</b>	<b>(115,896)</b>	<b>(58,376)</b>	<b>20,535</b>	<b>119,661</b>
Closing Reserves forecast as % of net expenditure (Target = 10%)		11%	21%	16%	13%	6%	-2%	-13%

Appendix 1 - WTF207

	Per CAB2595	Per CAB2555	2014/15 Forecast	2015/2016 Forecast	2016/2017 Forecast	2017/2018 Forecast	2018/2019 Forecast	2019/2020 Forecast
<b>TAX</b>								
Tax at Band D	£61.32	£61.32	£61.32	£61.32	£61.32	£61.32	£61.32	£61.32
Increase over previous year (£)	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
<b>Sensitivity</b>								
Council tax % increase required to fund £10,000 expenditure				1.26%				
Council tax £ increase required to fund £10,000 expenditure				£0.77				
+/- 1% increase in Council Tax (£'000s)				8				
Band D equivalent (£) per +/- 1% increase in Council Tax				£0.61				
<b>Impact of Budget Proposals (from Appendix 2)</b>								
Closing Fund Balances			(180,347)	(114,641)	(89,131)	(31,344)	47,567	146,693
<b>Growth Proposals</b>								
1) Landscape and Open Spaces				22,000	10,000	10,000	10,000	10,000
2) Community Speed Watch				500	500	500	500	500
3) Cycle Café				1,000				
4) Solar PV Survey				7,500				
TOTAL Growth Proposals			0	31,000	10,500	10,500	10,500	10,500
<b>Savings Proposals</b>								
1) Neighbourhood Plans				(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
2) Grit Bins				(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
TOTAL Savings Proposals			0	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)
NET Proposals			0	28,000	7,500	7,500	7,500	7,500
Closing Fund Balances (after proposals)			(180,347)	(86,641)	(53,631)	11,656	98,067	204,693



## **Budget Review & Options - from Informal Member Group Meetings**

### **a) Budget Growth Proposals**

**1) Landscape and Open Spaces** – (£26,500 in 2014/15, £22,000 in 2015/16 – of which £10,000 is a baseline recurring growth request)

- i) Tree Care (£26,500 in 2014/15, £12,000 in 2015/16). This additional budget is required for emergency tree works which are a legacy from the floods in the winter of 2013/14. The existing baseline budget is c£11,000 per annum and this is only sufficient to cover periods of mild weather. Further review will be required to determine the required budget level for 2016/17 onwards.
- ii) Tree planting and maintenance (£5,000 per annum from 2015/16). We are slowly losing trees as we are not undertaking sufficient tree planting to replace those lost. By providing an annual budget we will be investing in the long term benefits that trees provide the city.
- iii) Grounds Maintenance Reactive (£5,000 per annum from 2015/16). The additional budget is required for the management of shrub and hedges which have been neglected over a number of years and therefore fall outside the current land management contract.

**2) Community Speed Watch** – (£500 per annum from 2015/16). An additional £500 per annum (taking the total budget up to £1,000 per annum) is required to get the scheme up and running.

**3) Cycle Cafe** – (£1,000 one-off in 2015/16). A budget of £1,000 in 2015/16 is proposed to be used as pump prime funding for the Cycle Café Project.

**4) Solar PV Survey (Roof)** – (£7,500 one-off in 2015/16). A budget of £7,500 in 2015/16 is proposed to be used for commercial and public Solar PV Surveys.

### **b) Budget Savings Proposals**

**1) Neighbourhood Plans** – (£2,000 per annum from 2015/16). As there are not currently any neighbourhood plans anticipated it is proposed to remove this baseline budget.

**2) Grit Bins** – (£1,000 per annum from 2015/16). As less grit bins were required to be funded by the Town Account there is also an annual saving proposed from the existing baseline budget of £2,000 per annum.

b) Proposals for further Strategic Review:

**1) Recreation Grounds & Open Spaces**

The Recreation Grounds & Open Spaces budget is the most significant area of expenditure for the Town Account, making up c67% of the total forecast net revenue expenditure for 2014/15. This budget has been the subject to a number of reviews in recent years and there is limited flexibility due to the significant amount of both contractual expenditure and essential expenditure (e.g. Tree Care). However, it is considered important to keep this budget under annual review due to its size and importance to the Town Account.

**2) Cemeteries**

Cemeteries are currently projected to cost a net £30k in 2015/16, increasing to £39k by 2019/20. It is proposed to review the current charges to ensure that income covers expenditure as closely as possible.