

WINCHESTER TOWN FORUM

18 November 2015

WINCHESTER TOWN ACCOUNT BUDGET 2016/17

REPORT OF CHIEF FINANCE OFFICER

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RECENT REFERENCES:

WTF227: Winchester Town Account Financial Strategy 2016/17 to 2020/21, 23
September 2015

CAB2732: Medium Term Financial Strategy 2016/17 to 2020/21, 21 October 2015

EXECUTIVE SUMMARY:

This report provides a summary of the Winchester Town Account revenue projections, for the period 2015/16 to 2020/21 as a basis for consideration of the Winchester Town Account Budget for 2016/17.

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.

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1. Introduction

- 1.1. The Council's General Fund Budget considerations for 2016/17 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.

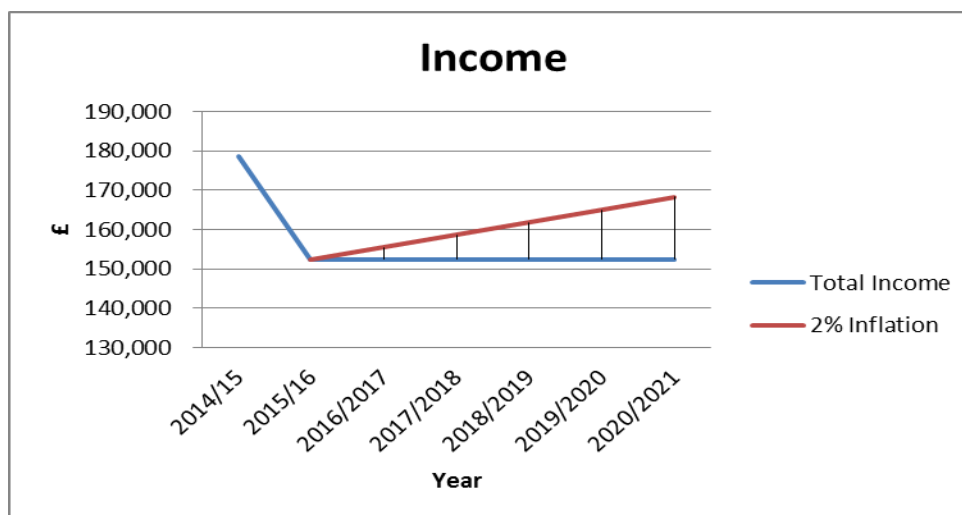
- Keep Council Tax increases to a minimum. The Town Tax increase will not take the total for the Council above any capping constraints set by Government or impact on any potential Council Tax Freeze Grant.

3. Projections

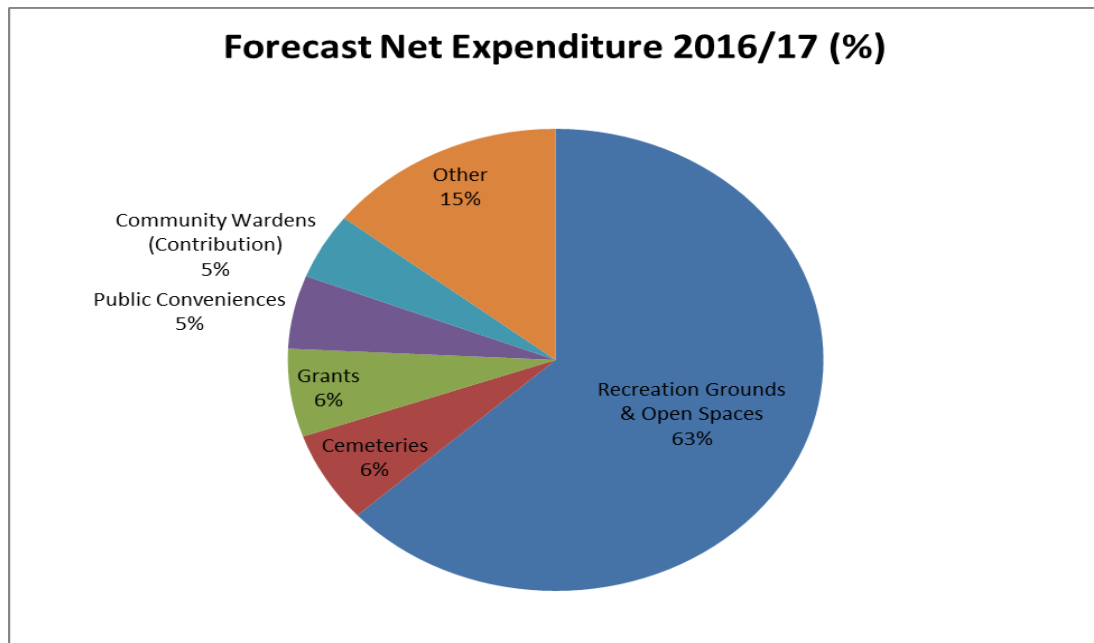
- 3.1. In order that the Winchester Town Forum can consider specifically the implications for the Winchester Town Area, updated projections for the financial strategy period are included at Appendix 1, together with the key assumptions and sensitivity analysis.
- 3.2. Estimates are presented pending budget decisions which may impact on the Town Account. Any further refinement will be included in the figures to be presented to the Town Forum in January 2016.
- 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. The following assumptions have been used in the financial forecast shown in Appendix 1:
 - An annual inflation allowance of 1% in 2016/17 and 2% thereafter for contractual inflation and, no increase in 2016/17 and 5% thereafter for Utility costs.
 - Interest receivable on Winchester Town average earmarked reserve balances of 1%.
 - Income is shown at current base budget levels with no annual uplift. Options for increasing income will be considered individually.
 - Government funding in the form of the Council Tax Support Grant and Council Tax Freeze funding are forecast to reduce to zero by 2019/20.
 - Council Tax Base is shown at the 2015/16 level over the forecast period. This will be updated in December to reflect the actual 2016/17 base.
 - The Winchester Town precept is held at the 2015/16 level of £61.19 per average band D property.
- 3.5. In November 2014 a paper outlining the Electoral Review was presented to Council (CL101). This paper referred to a possible option for the Barton Farm development to be transferred to the unparished Town area and to form part of the Town Account. This would have the impact of increasing Council Tax income from the Winchester Town Precept which would be offset by some additional expenditure. More recently, Littleton and Harestock Parish Council has asked that the possibility of a change in the parish boundary be considered through public consultation as part of a Community Governance Review. The issue to be considered would be whether the new parish wards created by the Commission should be used as a boundary to create a

separate Littleton parish. Harestock might then be considered for inclusion in the unparished Town area. These reviews should not take place until after the outcome of the current Local Government Boundary Commission Review on the County Council is concluded. The Council will then need to consider whether they are included in a programme of Community Governance Reviews in 2016, and whether the possible outcome could impact on the 2017/18 budget process.

- 3.6. The Hampshire Authorities have submitted a proposal to the Government to set up a Combined Authority under the Government's Devolution proposals. The Chancellor made further announcements on Government's proposals recently. The implications on the Town Account will be considered as more information emerges and as the Hampshire bid progresses.
- 3.7. The projections in Appendix 1, based on the assumptions set out in paragraph 3.4 above, show an estimated deficit of £41,098 in 2016/17. This is before any increase in the Council Tax base which could create an estimated additional £3k - £15k baseline income per annum, and before any growth or savings options.
- 3.8. Income from Cemeteries, Sports Pitches, Open Spaces fees & charges, and Allotments are currently forecast at £152k in 2016/17. A review of these income streams is currently underway in order to consider any options available to grow this income base, and the associated risks. The graph below gives an indication of the impact of an annual inflationary uplift in line the contractual inflation assumption of 2%, which could provide up to £47k over 5 years:

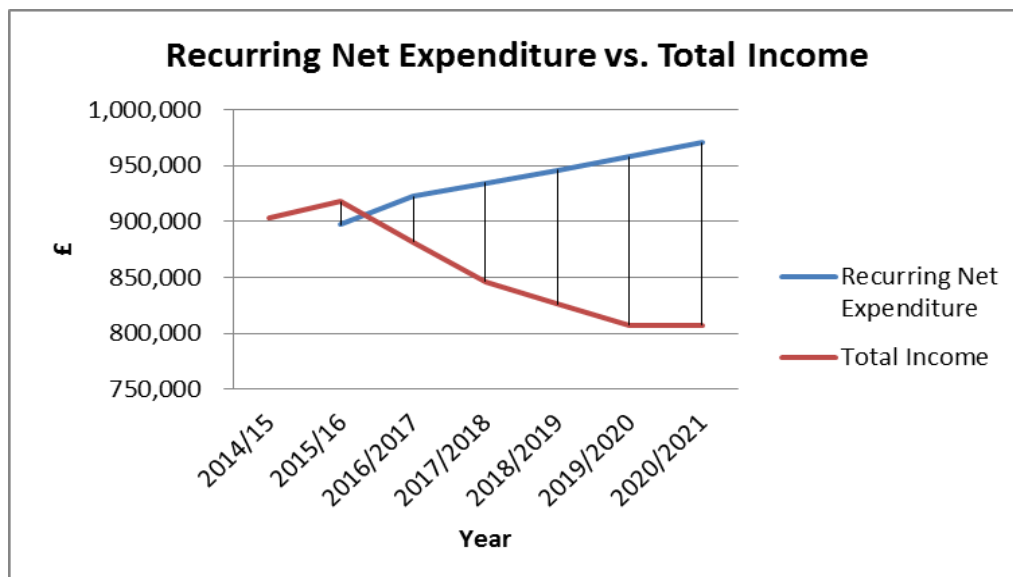


- 3.9. In light of the growing forecast annual deficit shown in Appendix 1, it is essential to understand the current allocation of resources and what options are available for cost reductions. The informal budget review group has requested and been provided with the full breakdown of both Recreation Grounds & Open Spaces and Cemeteries budgets, which together make up 69% of the forecast net expenditure in 2016/17.



3.10. Growth, Savings, and proposals for further review are included in Appendix 2.

- Appendix 1 shows the current forecast recurring deficit in 2016/17 is £41,098, rising to £162,904 by 2020/21.



- Proposals in Appendix 2 would generate additional income of c£20,000 per annum, and it is targeted to save £10,000 per annum from the Recreation Grounds and Open Spaces expenditure budget. If the council tax base review in December increases the base at a similar level to the increase in 2015/16, then the forecast for 2016/17 could be balanced.
- Over the medium term further reviews of current budgets will be required to determine which are both non contractual and not health and safety related, in order to provide a prioritised list of expenditure which could be reduced in order to balance the budget.

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. The current estimate for 2016/17 shows a forecast closing balance of £59,442 which is below 10% of the total annual net expenditure.
- 4.3. Going forward, consideration should be given to the strategy objective of maintaining a reserve of 10%. 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. Examples of current one-off budgets are £40,000 for St Maurice's Covert and £77,000 towards the Changing Pavilions. An example of an in year budget pressure would be any storms or flooding which required additional cleaning up and maintenance costs which were unexpected.

5. Taxation

- 5.1. The Government has yet to announce whether there will be a further council tax freeze grant scheme in 2016/17. Details are expected to be announced with the local government finance settlement later in the year.
- 5.2. The decision on whether to raise council tax for 2016/17 or to hold at current levels will be taken at Council in February. As no details have yet been released on whether there will be any freeze grant funding for 2016/17, consideration should be given as to whether, in the absence of freeze funding, an increase in the Town precept would be recommended. Any increase would be subject to both 'Capping' restraints and, should there be any, 'Council Tax Freeze Grant' conditions, as the Town Precept has a proportional impact on the average council tax of the billing authority.

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

- 5.3. The table below highlights the current forecast annual deficits and the percentage increase in Precept that would be required to provide a balanced budget:

| | 2016/2017 | 2017/2018 | 2018/2019 | 2019/2020 | 2020/2021 |
|---|-----------|-----------|-----------|-----------|-----------|
| | Forecast | Forecast | Forecast | Forecast | Forecast |
| Forecast Deficit (Appendix 1) | £41,098 | £87,889 | £119,583 | £150,570 | £162,904 |
| Percentage of gross recurring expenditure | 3.8% | 8.1% | 10.9% | 13.6% | 14.5% |
| <u>Representative Increase in Precept</u> | | | | | |
| Annual percentage uplift | 5.1% | 5.8% | 3.9% | 3.8% | 1.5% |
| Cumulative percentage uplift | | 10.9% | 14.8% | 18.7% | 20.2% |

- 5.4. The forecasts are currently calculated on the Council Tax base for 2015/16. The final budget will be updated when the forecast Council Tax Base is approved in December. The effect of increases to the base on income are illustrated below:

| | | | |
|---|------------|------------|-------------|
| Increase in Properties | 50 | 150 | 250 |
| (Increase) to Council Tax (£000) | (3) | (9) | (15) |

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 2016/17 (£457k in total, £77k funded by the Winchester Town Earmarked Reserve, £200k from External Funding and £180k from S106 Open Spaces funds) and 'Magdalen Hill Cemetery Extension' budgeted in 2015/16 (£240k in total, funded initially from the General Fund Major Investment Reserve). The capital expenditure on Magdalen Hill Cemetery will be repaid to the General Fund Major Investment Reserve over the life of the works.

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.
- 7.2. The most significant financial risks to the Town Account are the potential costs of cleaning up and maintenance resulting from unexpected adverse weather, and the risk of significant one-off costs if it's assets (Such as playground equipment and Changing Pavilions) are not maintained through a regular asset management programme. These risks are partly mitigated by the Winchester Town Account Earmarked Reserve.

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 any proposals from consequential Community Governance Reviews, following the Electoral Review (see 3.4 above), are yet to be identified.
- 12.2. If there were new open space areas for the Town Account to operate and fund then this would introduce new pressures to future projections.
- 12.3. The greatest budget and also financial risk is within the Recreation Grounds and Open Spaces budget. Increased contractual expenditure caused by higher than forecast inflation or increased one-off expenditure (for example resulting from storms or floods) could increase the pressures on future projections.
- 12.4. 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 2015/16 – 2020/21

Appendix 2: Budget Review & Options from Informal Group meetings

| WINCHESTER TOWN ACCOUNT - Financial Projections | | | | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Assumptions: | | | | | | | | |
| Contract inflation | | | | 1% | 2% | 2% | 2% | 2% |
| Utilities | | | | 0% | 5% | 5% | 5% | 5% |
| Percentage increase in tax | | | | 0% | 0% | 0% | 0% | 0% |
| Tax Base | | | | 13,193 | 13,193 | 13,193 | 13,193 | 13,193 |
| | 2014/15 | 2015/16 | 2015/16 | 2016/2017 | 2017/2018 | 2018/2019 | 2019/2020 | 2020/2021 |
| | Outturn | Original | Working | Forecast | Forecast | Forecast | Forecast | Forecast |
| | £ | £ | £ | £ | £ | £ | £ | £ |
| Cost of Services | | | | | | | | |
| Recurring Budgets: | | | | | | | | |
| Allotments | (1,684) | (1,646) | (1,646) | (1,646) | (1,646) | (1,646) | (1,646) | (1,646) |
| Bus Shelter Cleaning / Maintenance / New Provision | 9,060 | 7,600 | 7,600 | 7,600 | 7,600 | 7,600 | 7,600 | 7,600 |
| Cemeteries | 26,905 | 29,376 | 30,596 | 61,257 | 63,463 | 65,727 | 68,051 | 70,436 |
| Christmas Lights | 9,068 | 10,549 | 10,480 | 10,549 | 10,796 | 11,051 | 11,313 | 11,583 |
| Community Speed Watch | 0 | 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 |
| Footway Lighting | 23,115 | 28,964 | 28,760 | 29,008 | 29,423 | 29,859 | 30,316 | 30,796 |
| Grants | 59,522 | 60,000 | 90,455 | 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 |
| Grit Bins | 309 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| Maintenance Work to Council Owned Bridges | 0 | 5,500 | 10,500 | 5,500 | 5,500 | 5,500 | 5,500 | 5,500 |
| Night Bus Contribution | 13,408 | 13,390 | 13,390 | 13,792 | 14,205 | 14,632 | 15,071 | 15,523 |
| Public Conveniences (Contribution) | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 |
| Recreation Grounds & Open Spaces | 598,170 | 616,324 | 630,928 | 612,770 | 620,950 | 629,314 | 637,866 | 646,612 |
| Theatre Royal (Contribution) | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| Town Forum Support | 4,798 | 4,798 | 4,798 | 4,798 | 4,798 | 4,798 | 4,798 | 4,798 |
| Total Recurring Budgets | 859,671 | 893,856 | 944,861 | 922,628 | 934,090 | 945,834 | 957,869 | 970,203 |
| One-off Budgets: | | | | | | | | |
| 20mph Speed Limit | 3,390 | 0 | 0 | | | | | |
| Neighbourhood Plans | 0 | 0 | 7,000 | | | | | |
| St Maurice's Covert | | 10,000 | 10,000 | 30,000 | | | | |
| Historic Environment Projects Officer | 19,064 | 17,236 | 20,672 | 17,236 | | | | |
| Cycle Café | | 1,000 | 1,000 | | | | | |
| Solar PV Study | | 7,500 | 7,500 | | | | | |
| Total One-off Budgets | 22,454 | 35,736 | 46,172 | 47,236 | | | | |
| Total Cost of Services | 882,125 | 929,592 | 991,033 | 969,864 | 934,090 | 945,834 | 957,869 | 970,203 |

| WINCHESTER TOWN ACCOUNT - Financial Projections | | | | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2014/15 | 2015/16 | 2015/16 | 2016/2017 | 2017/2018 | 2018/2019 | 2019/2020 | 2020/2021 |
| | Outturn | Original | Working | Forecast | Forecast | Forecast | Forecast | Forecast |
| | £ | £ | £ | £ | £ | £ | £ | £ |
| Taxation and Non-specific grant income | | | | | | | | |
| Council Tax Income | (795,261) | (807,299) | (807,299) | (807,299) | (807,299) | (807,299) | (807,299) | (807,299) |
| Council Tax Support | (68,943) | (55,154) | (55,154) | (40,262) | (21,510) | (10,479) | 0 | 0 |
| Council Tax Freeze | (37,580) | (44,596) | (44,596) | (32,555) | (17,392) | (8,473) | 0 | 0 |
| Interest on Balances | (1,758) | (1,487) | (2,601) | (1,414) | | | | |
| Total Taxation and Non-specific grant income | (903,542) | (916,609) | (917,723) | (881,531) | (846,202) | (826,252) | (807,299) | (807,299) |
| Transfers to/(from) Earmarked reserves | | | | | | | | |
| (Surplus added to Reserves) / Deficit taken from Reserves | (21,417) | 12,983 | 73,309 | 88,334 | 87,889 | 119,583 | 150,570 | 162,904 |
| Capital Expenditure funded by Town Reserve | | 77,000 | | 77,000 | | | | |
| Opening Reserve Balance (at 1st April) | (277,086) | (197,583) | (298,085) | (224,776) | (59,442) | 28,447 | 148,030 | 298,600 |
| Closing Reserve Balance (carried forward) | (298,503) | (107,600) | (224,776) | (59,442) | 28,447 | 148,030 | 298,600 | 461,504 |
| Closing Reserves forecast as % of net expenditure (Target = 10%) | 34% | 12% | 23% | 6% | -3% | -16% | -31% | -48% |
| TAX | | | | | | | | |
| Tax at Band D | £61.32 | | £61.19 | £61.19 | £61.19 | £61.19 | £61.19 | £61.19 |
| Increase over previous year (£) | £0.00 | | £0.00 | £0.00 | £0.00 | £0.00 | £0.00 | £0.00 |
| Sensitivity | | | | | | | | |
| Council tax % increase required to fund £10,000 expenditure | | | | 1.24% | | | | |
| Council tax £ increase required to fund £10,000 expenditure | | | | £0.76 | | | | |
| +/- 1% increase in Council Tax (£'000s) | | | | 8 | | | | |
| Band D equivalent (£) per +/- 1% increase in Council Tax | | | | £0.61 | | | | |
| Recurring Expenditure | | | | 922,628 | 934,090 | 945,834 | 957,869 | 970,203 |
| Less: Income | | | | (881,531) | (846,202) | (826,252) | (807,299) | (807,299) |
| (Surplus) / Deficit | | | | 41,098 | 87,889 | 119,583 | 150,570 | 162,904 |

Budget Review & Options - from Informal Member Group Meetings

a) Budget Growth Proposals

- 1) It is proposed that a one-off contribution of £5,000 from the Winchester Town Earmarked Reserve is allocated towards creating a permanent home for Roger Brown's model of Winchester. As the details of the proposal are still being drawn up it is proposed that budget approval would be sought from Cabinet with Town contribution a part of the overall project funding.

b) Budget Savings Proposals

- 1) The extension of Magdalen Hill Cemetery has significantly increased the forecast net annual cost of operating and maintaining the Cemetery as a whole (an additional c£30k per annum). All of the current fees & charges have been reviewed and benchmarked against other local authorities which has highlighted that Winchester is mostly at the lower end of the charging scale. A package of changes to the current fees & charges has been developed which would increase some charges by up to 40% but also reduces some other sensitive charges to zero. It is estimated that this would increase the annual Cemetery income by approximately £20k per annum and would bring the costs of using Magdalen Hill Cemetery broadly in line with other local authorities' facilities.

b) Areas of 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 c63% of the total forecast net revenue expenditure for 2016/17. This budget has been the subject of 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.

The detailed budgets have been presented to the informal budget group and the detail behind this has been explained by the Head of Landscape and Open Spaces. Following this detailed review it is targeted to reduce expenditure budgets by £10k per annum, whilst maintaining current service levels.