

WINCHESTER TOWN FORUM

20 JANUARY 2016

WINCHESTER TOWN ACCOUNT BUDGET 2016/17

REPORT OF CHIEF FINANCE OFFICER

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RECENT REFERENCES:

- CAB2754: Proposed Core Grant Allocations for 2016/17, 20 January 2016
CAB2739: General Fund Budget 2016/17 - Capital and Revenue Considerations, 07 December 2015
WTF235: Winchester Town Account Budget 2016/17, 18 November 2015
CAB2606: Medium Term Financial Strategy 2016/17 to 2020/21, 21 October 2015
WTF227: Winchester Town Account Financial Strategy 2016/17 to 2020/21, 23 September 2015

EXECUTIVE SUMMARY:

This report presents the current financial projections for the Town Account for the period 2015/16 to 2020/21 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 2016/17.

RECOMMENDATIONS:

That the Town Forum:

1. considers the draft budget for 2016/17 and the indicative projections for the strategy period;
2. considers the Council Tax precept for the Town area, it wishes to recommend to Cabinet, noting the requirement for the Council to keep within overall capping constraints, and
3. makes recommendations to Cabinet on the budget to be set for the Winchester Town area for 2016/17.

WINCHESTER TOWN FORUM

20 January 2016

WINCHESTER TOWN BUDGET 2016/17

REPORT OF CHIEF FINANCE OFFICER

1 Introduction

- 1.1 The Council's Financial Strategy as set out in report CAB2732 (21 October 2015) provides guidance and key budget principles to be applied in setting the Council's budgets.
- 1.2 The Financial Strategy for the Winchester Town Account for 2016/17 to 2020/21 (report WTF227 refers) adopts the principles of the Council's Financial Strategy, and includes the following agreed budget principles for the Winchester Town Budget:
- 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 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.
- 1.3 The Council's General Fund Budget has been considered and the Government has now announced the provisional grant settlements.
- 1.4 There remain a number of items that have yet to be finalised, but these are not expected to impact on the Town Account.
- 1.5 The final Budget proposals will be considered by the Cabinet on 10 February 2016. 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.

1.6 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 2016/17.

2 Revenue Budget 2016/17

2.1 The Town Forum considered budget proposals at its meeting in November 2015.

2.2 The savings proposals are listed below, and reflected in the financial projections at Appendix 1. They are largely unchanged from those proposed in November 2015.

a) **Cemeteries Income** (recurring £40,000 saving from 2016/17). The review of Magdalen Hill Cemetery fees & charges, as original outlined at November Town Forum, is forecast to generate an additional £40k of income per annum (increasing the income budget to £145k per annum in total).

b) **Recreation Grounds and Open Spaces** (recurring £20,000 saving). A review of the Joint Environmental Services Contract budget forecasts in preparation for the 2016/17 budget setting has identified savings of £20,000 per annum (greater than the £10,000 per annum target set at the November Town Forum). These are savings in the core contract costs relating to Sports Pitches and Open Space maintenance.

2.3 There is a one-off growth proposal of £5,000 in 2016/17 to support **Roger Brown's Model of Winchester** (WTF233 refers).

2.4 Setting the baseline for the Town Account is an integral part of the General Fund Budget setting exercise; the baseline has been set using consistent assumptions to that for the General Fund.

3 Capital Expenditure

3.1 The capital expenditure plans and associated revenue implications relating to the Town Account are reflected in the projections in Appendix 1.

3.2 There is currently £77,000 of Capital Expenditure Budget proposed to be funded by the Winchester Town Reserve in 2016/17.

- £44,000 relates to North Walls Pavilions
- £33,000 relates to King George V Pavilions

3.3 In 2015/16, there is £30,000 of Capital Expenditure Budget relating to a contribution to the Chesil Theatre, funded by the Winchester Town Reserve.

3.4 There is also £240,000 of Capital Expenditure budget in the 2015/16 capital programme for the Magdalen Hill Cemetery extension, to be initially funded by the General Fund and repaid by the Town Account over the life of the asset.

3.5 Individual schemes within the Capital Programme each require appropriate approval by Cabinet or Portfolio Holders in accordance with the Council's Constitution before any funds are committed. Schemes with direct implications for the Town Account are also considered by the Town Forum.

4 Fund Balance

4.1 The Winchester Town Account reserve is targeted to be maintained at a level of approximately 10% of the total annual expenditure on the Town Account, to allow for inherent uncertainty in the projections. The closing balance at 31 March 2015 was £298,503 and a forecast 2016/17 closing balance of £152,042 based on a Precept increase of 1.99%, which would achieve the target of 10%.

4.2 However, the forecast balance (shown in Appendices 2 and 3) reduces to a deficit position towards the end of the medium term forecast period. This will need to be addressed over the period of the forecasts through either reductions in expenditure, increased income, or an increase in Council Tax (which would be subject to capping constraints).

5 Council Tax

5.1 The final Council Tax Base for the Winchester Town area is now reflected in the estimates at 13,309.22 for 2016/17 (an increase of 115.91 on 2015/16 and equating to an additional £7,092 income at current council tax levels).

5.2 In the provisional settlement it has been confirmed there will be no council tax freeze funding in 2016/17.

5.3 The current Winchester Town Precept is £61.19. To put this into context the average town and parish precept in the Winchester District for 2015/16 was £69.29 (per Band D equivalent).

5.4 The table below shows the potential precept scenarios in order to keep within the overall capping constraint of 2% or +£5 (announced in the provisional settlement for eligible authorities who are lower quartile precept chargers).

(a) If the Council were to decide to apply the maximum increase, this would mean the town could increase by 3.47% (or £2.12) to £63.31.

(b) If the Town Precept was increased by 1.99% to £62.41 in 2016/17 (an increase of £1.22 per Band D equivalent). This will generate additional baseline income of £16,237 per annum.

District					Town					Total - District & Town Average	
Annual Increase	Increase	Band D amount	Amount collected	Annual increase in amount collected	Annual Increase	Increase	Band D amount	Amount collected	Annual increase in amount collected	Increase	
0.00%	£0.00	£126.27	£5,913,867	£0	0.00%	£0.00	£61.19	£814,391	£0	0.01%	£0.01
0.00%	£0.00	£126.27	£5,913,867	£0	1.99%	£1.22	£62.41	£830,628	£16,237	0.25%	£0.36
1.99%	£2.51	£128.78	£6,031,423	£117,556	1.99%	£1.22	£62.41	£830,628	£16,237	1.99%	£2.87
3.47%	£4.38	£130.65	£6,119,005	£205,138	3.47%	£2.12	£63.31	£842,607	£28,216	3.47%	£4.99

* As the District and Town are weighted together if the tax base within the Town increases at a higher rate than the District as a whole then there is an increase in the total average District & Town tax even if there are no increases in either tax.

5.5 Appendices 2 and 3 show the impact on baseline funding and projected reserves up to 2020/21:

(a) Appendix 2 shows the forecast based on the current Precept. A surplus of £13,379 in 2016/17 will reverse to a deficit of £34,191 in 2017/18, increasing to a deficit of £92,371 in 2020/21. Reserves are forecast to go from a balance of £135,721 at the end of 2016/17 to a deficit of £46,671 by the end of 2019/20 and £139,042 by the end of 2020/21.

(b) Appendix 3 shows the forecast based on an increase in Precept of 1.99%. A surplus of £29,701 will reverse to a deficit of £17,703 in 2018/19, increasing to £75,401 by 2020/21. Reserves will benefit from additional income of £81,185 over the five years to 2020/21, with a forecast deficit of £56,788 by the end of 2020/21

OTHER CONSIDERATIONS:

6 COMMUNITY STRATEGY AND PORTFOLIO PLANS (RELEVANCE TO):

6.1 In order that limited resources are matched most appropriately to the Council's priorities the budget options should be considered in the context of the Winchester District Community Strategy and the approved Portfolio Plans for 2016/17.

6.2 The Winchester Town Account Financial Strategy is aligned with the Council's Financial Strategy and its budget is set within this framework.

6.3 A robust and transparent budget setting process supports our corporate objective of being an efficient and effective Council.

7 RESOURCE IMPLICATIONS:

7.1 As detailed in the body of the report.

8 RISK MANAGEMENT ISSUES

8.1 The possible impacts of any proposals from consequential Community Governance Reviews following the Electoral Review are yet to be identified.

8.2 If there were new open space areas for the Town Account to operate and fund then this would introduce new pressures to future projections.

8.3 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.

8.4 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 Cost of Services Projections 2015/16 – 2020/21

Appendix 2: Taxation and Forecast Reserve Projections 2015/16 – 2020/21 (Based on the current Precept)

Appendix 3: Taxation and Forecast Reserve Projections 2015/16 – 2020/21 (Based on a Precept increase of 1.99%)

WINCHESTER TOWN ACCOUNT - Financial Projections								
Assumptions:								
Contract inflation				1%	2%	2%	2%	2%
Utilities				0%	5%	5%	5%	5%
Percentage increase in tax				1.99%	0%	0%	0%	0%
Tax Base		13,193	13,309	13,309	13,309	13,309	13,309	13,309
	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	60,455	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	604,544	591,023	598,567	606,283	614,175	622,248
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
<u>Recurring Budget Proposals</u>								
Cemeteries Income				(40,000)	(40,000)	(40,000)	(40,000)	(40,000)
Total Recurring Budgets	859,671	893,856	888,477	860,881	871,708	882,804	894,178	905,838
One-off Budgets:								
20mph Speed Limit	3,390	0	0					
Neighbourhood Plans	0	0	7,000					
St Maurice's Covert		10,000	0	40,000				
Historic Environment Projects Officer	19,064	17,236	20,672	17,236				
Cycle Café		1,000	1,000					
Solar PV Study		7,500	0	7,500				
Roger Brown Model				5,000				
Total One-off Budgets	22,454	35,736	28,672	69,736				
Total Cost of Services	882,125	929,592	917,149	930,617	871,708	882,804	894,178	905,838

WINCHESTER TOWN ACCOUNT - Financial Projections (Based on a freeze in precept)								
	2014/15	2015/16	2015/16	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
	Outturn	Original Budget	Working Budget	Forecast	Forecast	Forecast	Forecast	Forecast
	£	£	£	£	£	£	£	£
Taxation and Non-specific grant income								
Council Tax Income	(795,261)	(807,299)	(807,299)	(814,391)	(814,391)	(814,391)	(814,391)	(814,391)
Council Tax Support	(68,943)	(55,154)	(55,154)	(31,989)	(12,134)	0	0	0
Council Tax Freeze (prior to 2016/17)	(37,580)	(44,596)	(44,596)	(25,866)	(9,811)	0	0	0
Interest on Balances	(1,758)	(1,487)	(2,601)	(2,014)	(1,180)	(673)	68	924
Total Taxation and Non-specific grant income	(903,542)	(916,609)	(917,723)	(874,260)	(837,516)	(814,391)	(814,391)	(813,467)
Transfers to/(from) Earmarked reserves								
(Surplus added to Reserves) / Deficit taken from Reserves	(21,417)	12,983	(575)	56,357	34,191	68,413	79,787	92,371
Capital Expenditure funded by Town Reserve		77,000	30,000	77,000				
Opening Reserve Balance (at 1st April)	(277,086)	(197,583)	(298,503)	(269,077)	(135,721)	(101,530)	(33,116)	46,671
Closing Reserve Balance (carried forward)	(298,503)	(107,600)	(269,077)	(135,721)	(101,530)	(33,116)	46,671	139,042
Closing Reserves forecast as % of net expenditure (Target = 10%)	34%	12%	29%	15%	12%	4%	-5%	-15%
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
Recurring Expenditure				860,881	871,708	882,804	894,178	905,838
Less: Income				(874,260)	(837,516)	(814,391)	(814,391)	(813,467)
(Surplus) / Deficit				(13,379)	34,191	68,413	79,787	92,371

WINCHESTER TOWN ACCOUNT - Financial Projections (Based on a precept increase of 1.99%)								
	2014/15	2015/16	2015/16	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
	Outturn	Original Budget	Working Budget	Forecast	Forecast	Forecast	Forecast	Forecast
	£	£	£	£	£	£	£	£
Taxation and Non-specific grant income								
Council Tax Income	(795,261)	(807,299)	(807,299)	(830,628)	(830,628)	(830,628)	(830,628)	(830,628)
Council Tax Support	(68,943)	(55,154)	(55,154)	(31,989)	(12,134)	0	0	0
Council Tax Freeze (prior to 2016/17)	(37,580)	(44,596)	(44,596)	(25,866)	(9,811)	0	0	0
Interest on Balances	(1,758)	(1,487)	(2,601)	(2,098)	(1,431)	(1,078)	(500)	192
Total Taxation and Non-specific grant income	(903,542)	(916,609)	(917,723)	(890,581)	(854,004)	(830,628)	(830,628)	(830,437)
Transfers to/(from) Earmarked reserves								
(Surplus added to Reserves) / Deficit taken from Reserves	(21,417)	12,983	(575)	40,035	17,703	52,176	63,550	75,401
Capital Expenditure funded by Town Reserve		77,000	30,000	77,000				
Opening Reserve Balance (at 1st April)	(277,086)	(197,583)	(298,503)	(269,077)	(152,042)	(134,339)	(82,164)	(18,614)
Closing Reserve Balance (carried forward)	(298,503)	(107,600)	(269,077)	(152,042)	(134,339)	(82,164)	(18,614)	56,788
Closing Reserves forecast as % of net expenditure (Target = 10%)	34%	12%	29%	16%	15%	9%	2%	-6%
TAX								
Tax at Band D	£61.32		£61.19	£62.41	£61.19	£61.19	£61.19	£61.19
Increase over previous year (£)	£0.00		£0.00	£1.22	£0.00	£0.00	£0.00	£0.00
Recurring Expenditure				860,881	871,708	882,804	894,178	905,838
Less: Income				(890,581)	(854,004)	(830,628)	(830,628)	(830,437)
(Surplus) / Deficit				(29,701)	17,703	52,176	63,550	75,401