

WINCHESTER TOWN FORUM

21 September 2016

WINCHESTER TOWN ACCOUNT FINANCIAL STRATEGY 2017/18 TO 2021/22

REPORT OF THE HEAD OF FINANCE

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RECENT REFERENCES:

WTF227: WTA Financial Strategy 2016/17- 2020/21 – 23 September 2015

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

WTF236: Winchester Town Account Budget 2016/17 - 20 January 2016

CAB2763(REVISED): Budget and Council Tax 2016/17 - 18 February 2016

CAB2812: Revenue Outturn 2015/16 - 06 July 2016

EXECUTIVE SUMMARY:

This report presents the proposed financial strategy for the Winchester Town Account for 2017/18 to 2021/22, and provides the financial outturn position for the Town Account for 2015/16 for information.

RECOMMENDATIONS:

1. That the Town Forum approves the Winchester Town Account Financial Strategy for 2017/18 – 2021/22.
2. That the 2015/16 outturn on the Winchester Town Account be noted.

WINCHESTER TOWN FORUM

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WINCHESTER TOWN ACCOUNT FINANCIAL STRATEGY 2016/17 TO 2020/21

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 2015 has been reviewed and the proposed Winchester Town Account Financial Strategy for 2017/18 to 2021/22 is presented at Appendix 2 for consideration and approval.
- 1.5 The Winchester Town Reserve opening balance at 1 April 2016 was £424,308 and the forecast balance at 31 March 2017 is £276,656, therefore meeting the strategy target of 10% of net expenditure.

2 2015/16 Outturn

- 2.1 The Revenue Outturn for 2015/16, reported to Cabinet in July (CAB2812 refers) included the details of the Town Account outturn. The carry forward of budget request was approved at Cabinet and Council and the budgets have been brought forward into 2016/17. The relevant comment was:

Winchester Town

Town expenditure in the year was £784,360, which was £132,789 lower than the Revised Budget. The favourable variances have increased the Town Account Earmarked Reserve closing balance to £424,308. The total carry forward request from revenue budgets is £42,652, leaving a net surplus after carry forwards of £90,137.

(Detail is provided at Appendix 1)

- 2.2 The lower than budgeted net expenditure in 2015/16 was substantially due to lower core grounds maintenance costs allocated from the environment services contract. A review of the bill of quantities for the contract commenced in 2015/16 and is now due for completion in September, and so far this has resulted in some redistribution of costs from Town maintained areas to the General Fund. The results of this review will be fed into the revised five year

projections presented to the Town Forum in November and based on the work completed to date this is expected to lower the net expenditure projections.

3 Community Infrastructure Levy (CIL)

- 3.1 The Community Infrastructure Levy was introduced in that part of the District which lies outside the South Downs National Park. It requires developers to make payments to the Council in order to mitigate the effects of their schemes based on the gross internal area (GIA) of qualifying developments. This system has largely replaced the previous approach to infrastructure delivery which involved developers making financial contributions secured by s106 agreements and unilateral undertakings
- 3.2 In March 2014 Cabinet approved the basis of distribution of the Community Infrastructure Levy, that 15% of CIL from qualifying development to the Winchester Town Account for expenditure on infrastructure projects in the Winchester Town area which are consistent with the Council's Regulation 123 list.
- 3.3 The Community Infrastructure Levy was implemented in April 2014 and due to the lead period receipts in the first year (2014/15) were very modest. As at the end of 2015/16 the total Town share of CIL receivable was £86,115 and £56,113 had actually been received.
- 3.4 In June 2016 Cabinet approved a CIL Spending Protocol (CAB2807 refers) which agreed the high level process and timetable for CIL funded projects. Specifically 4.6 confirmed that 'The Winchester Town Forum decision process will slot into the timetable in order to ensure alignment with the budget and approval process, which is the same as for all other General Fund retained CIL income'. This means that any CIL funded projects will usually come forward for consideration as part of the normal budget process and in the Town's case this will mean it is reported to the Town Forum and will then go for recommendation to Cabinet although for the current financial year it may be necessary to consider other means of authorising expenditure so any schemes currently ready to be delivered can be progressed in 201/17.

OTHER CONSIDERATIONS:

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

- 4.1 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.
- 4.2 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.

5 RESOURCE IMPLICATIONS:

- 5.1 As detailed in the body of the report.

6 RISK

6.1 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 2015/16

Appendix 2 Winchester Town Account – proposed Financial Strategy 2017/18 to
2021/22

WINCHESTER TOWN ACCOUNT - 2015/16 OUTTURN

| | 2014/15 | 2015/16 | | | | C/fwd |
|--|------------------|------------------|------------------|------------------|----------------|---------------|
| | Outturn | Original | Revised | Outturn | Variance | |
| Cost of Services | £ | £ | £ | £ | £ | £ |
| Recurring Budgets: | | | | | | |
| Recreation Grounds & Open Spaces | 598,170 | 616,324 | 604,544 | 526,045 | 78,499 | 1 21,980 |
| Maintenance Work to Council Owned Bridges | 0 | 5,500 | 10,500 | 0 | 10,500 | 2 |
| Cemeteries | 26,905 | 29,376 | 30,596 | 21,246 | 9,350 | 3 |
| Community Wardens (Contribution) | 45,000 | 45,000 | 45,000 | 45,000 | 0 | |
| Grants | 59,522 | 60,000 | 60,455 | 59,816 | 639 | |
| Support Costs for Grant Scheme | 2,000 | 2,000 | 2,000 | 2,000 | 0 | |
| Footway Lighting | 23,115 | 28,964 | 28,760 | 21,225 | 7,535 | |
| Bus Shelter Cleaning / Maintenance / New Provision | 9,060 | 7,600 | 7,600 | 11,688 | (4,088) | |
| Town Forum Support | 4,798 | 4,798 | 4,798 | 4,798 | 0 | |
| Christmas Lights | 9,068 | 10,549 | 10,480 | 9,667 | 813 | |
| Allotments | (1,684) | (1,646) | (1,646) | (2,967) | 1,321 | |
| Public Conveniences (Contribution) | 50,000 | 50,000 | 50,000 | 50,000 | 0 | |
| Theatre Royal (Contribution) | 20,000 | 20,000 | 20,000 | 20,000 | 0 | |
| Grit Bins | 309 | 1,000 | 1,000 | 0 | 1,000 | |
| Night Bus Contribution | 13,408 | 13,390 | 13,390 | 13,274 | 116 | |
| Community Speed Watch | 0 | 1,000 | 1,000 | 0 | 1,000 | |
| Total Recurring Budgets | 859,671 | 893,856 | 888,477 | 781,792 | 106,685 | 21,980 |
| One-off Budgets: | | | | | | |
| 20mph Speed Limit | 3,390 | 0 | 0 | 0 | 0 | |
| Cycle Café | 0 | 1,000 | 1,000 | 1,000 | 0 | |
| Historic Environment Projects Officer | 19,064 | 17,236 | 20,672 | 0 | 20,672 | 4 20,672 |
| Neighbourhood Plans | 0 | 0 | 7,000 | 1,568 | 5,432 | |
| Solar PV Study | 0 | 7,500 | 0 | 0 | 0 | |
| St Maurice's Covert | 0 | 10,000 | 0 | 0 | 0 | |
| Total One-off Budgets | 22,454 | 35,736 | 28,672 | 2,568 | 26,104 | 20,672 |
| Total Cost of Services | 882,125 | 929,592 | 917,149 | 784,360 | 132,789 | 42,652 |
| Funding | | | | | | |
| Proceeds of Council Tax | (795,261) | (807,299) | (807,299) | (807,299) | 0 | |
| Council Tax Support Funding | (68,943) | (55,154) | (55,154) | (55,154) | 0 | |
| Council Tax Freeze Funding (prior to 2016/17) | (37,580) | (44,596) | (44,596) | (44,596) | 0 | |
| Interest on Balances | (1,758) | (1,487) | (2,601) | (3,117) | 516 | |
| Total Funding | (903,542) | (908,536) | (909,650) | (910,166) | | |
| Reserves | | | | | | |
| (Surplus added to Reserves) / Deficit taken from Reserves | (21,417) | 21,056 | 7,499 | (125,806) | | |
| Capital Expenditure funded by Town Reserve | 0 | 77,000 | 30,000 | | | |
| Opening Fund Balance (at 1st April) | (277,086) | (197,583) | (298,503) | (298,503) | | |
| Closing Fund Balance (carried forward) | (298,503) | (99,527) | (261,004) | (424,308) | | |
| Closing Reserves forecast as % of net expenditure (Target = 10%) | | 11% | 29% | 54% | | |

Explanation of Key Variances:

- 1) Favourable variance of £78,499 caused in part by delays in tree care expenditure due to a temporary staffing shortage (a budget carry forward has been requested) and partly due to a change in the Environmental Services Contract billing from East Hampshire District Council (EHDC). The change in billing, linked to a review of the bill of quantities, is under review at EHDC with the results due back in Q1 16/17.
- 2) Favourable variance of £10,500
- 3) Favourable variance of £9,350 is due to a reduction in the costs of grounds maintenance and is linked to the billing review discussed in 1) above.
- 4) Favourable variance of £20,672 caused by staff shortages in 2015/16 which has caused the project to slip to 2016/17.



Winchester
City Council

Winchester Town Account
FINANCIAL STRATEGY

2017/18 TO 2021/22

Winchester Town Account

Financial Strategy

2017/18 to 2021/22

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Appendix

A - Charges to the Winchester Town Account

Winchester Town Account

Financial Strategy 2017/18 to 2021/22

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 five unparished Town wards. The membership of the Forum is the 14 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.

The Council's Financial Strategy

- 1.5 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.

- 1.6 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.
- 1.7 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 assumption will be used to set the baseline for the medium term forecasts for the Town Account:
- The forecast Council Tax rate will remain at 2016/17 levels and any proposed annual increase in the level of Council Tax will be considered in the final stages of setting the budget.

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 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.
- 3.4 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.
- 3.5 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.
- 3.6 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.
- 3.7 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 fly tipping. 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. Public Conveniences

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

11. Bridge Maintenance

General repairs to WCC owned bridges in the Winchester Town Area

12. Grit Bins

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

13. Night Bus Contribution

A recurring revenue budget contribution to support the operation of a night bus.

14. Community Speed Watch

An annual recurring budget to cover any costs associated with the Community Speed Watch scheme.

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

One-off budget to provide for works to enhance the Covert and surrounding area.

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

A one-off budget in order to drive improvements to commercial frontages and other aspects of the City Centre street scene.

17. 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.