

REPORT TITLE: WINCHESTER TOWN ACCOUNT MEDIUM TERM FINANCIAL POSITION

WINCHESTER TOWN FORUM

16 NOVEMBER 2016

PORTFOLIO HOLDER: CLLR STEPHEN GODFREY, LEADER & FINANCE AND CORPORATE POLICY

REPORT OF HEAD OF FINANCE

Contact Officer: Darren Kennedy Tel No: 01962 848464 Email dkennedy@winchester.gov.uk

WARD(S): WINCHESTER TOWN WARDS

PURPOSE

To inform the Winchester Town Forum of the financial position over the medium term. This report provides a summary of the Winchester Town Account revenue projections, for the period 2016/17 to 2021/22 as a basis for consideration of the Winchester Town Account Budget.

RECOMMENDATIONS:

1. Identify any budget issues to consider further in advance of recommending a Town Account Budget to Cabinet.
2. Note the forecast earmarked reserve balance over the medium term and the requirement to develop a strategy to address this.
3. Consider any feedback to give to Cabinet in relation to the wider budget consultation.

## IMPLICATIONS:

### 1 COMMUNITY STRATEGY OUTCOME

- 1.1 The budget consultation process underpins all of the outcomes identified in the Community Strategy. The financial resilience that it helps formulate ensures that the Council can continue to provide: High Quality Environment – Place, Active Communities – People, Prosperous Economy – Prosperity, and Efficient and Effective Council – Process.

### 2 FINANCIAL IMPLICATIONS

- 2.1 As detailed in the report. The medium term financial projections and sensitivities are presented in Appendix A.

### 3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 None

### 4 WORKFORCE IMPLICATIONS

- 4.1 The Town Account does not have any direct workforce implications but the Outcomes delivered by the Town are supported by Council staff. Any proposals considered by the Town Account will include an evaluation of the overall workforce implications and financial cost to the Town.

### 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. This report highlights the impact of these requirements on the Town financial projections in order to consider options for the funding of these plans.

### 6 CONSULTATION AND EQUALITY IMPACT ASSESSMENT

- 6.1 This document is part of the budget consultation process and equality impact assessments will be considered alongside any budget options that come forward.

## 7 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>	Regular updates to the asset management plans, and medium term financial forecasts in order for funding plans to be developed	Improvements to assets in order to meet the Outcomes of the Council
<i>Economic uncertainty leads to increased costs specifically from contractual inflation</i>	The financial strategy sets a target earmarked reserve balance of 10% of net expenditure in order to meet unexpected costs	
<i>Adverse weather causes damage to town assets including open spaces</i>	Ensure the Council's insurance policy is kept fit for purpose. The Winchester Town earmarked reserve balance	

## 8 SUPPORTING INFORMATION:

### Introduction

- 8.1 The Winchester Town Financial Strategy was approved in September. This report presents the latest medium term financial projections and seeks to identify the options available in order to support the delivery of the agreed Outcomes within the Town area.
- 8.2 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.

### Projections

- 8.3 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 A, together with the key assumptions and sensitivity analysis.
- 8.4 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 2017.

- 8.5 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.
- 8.6 The following assumptions have been used in the financial forecast shown in Appendix 1:
- An annual inflation allowance of 2% per annum for contractual inflation and, a 5% per annum allowance for Utility costs.
  - Interest receivable on Winchester Town average earmarked reserve balances of 0.75%.
  - 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.
  - The Council Tax Base is uplifted each year by an average of 115 properties per annum which generates an additional c£7k per annum. This will be updated in December to reflect the actual 2017/18 base.
  - The Winchester Town precept is held at the 2016/17 level of £63.31 per average band D property.
- 8.7 In December 2015, following a review by the Local Government Boundary Commission for England, the number and boundaries of the ward within the City Council area were amended. The number of Town wards was reduced from six to five. As part of the Review, the vast majority of the houses to be constructed as part of the Barton Farm development will be in The Worthies Ward (Headbourne Worthy parish), but a very small proportion (that part of the development fronting a section of Andover Road) will be within St. Barnabas Ward. This would have the impact of increasing Council Tax income from the Winchester Town Precept to a limited extent, which would be offset by some additional expenditure. However, given the programme for the development, any impact on the budget for 2017/18 is likely to be minimal.
- 8.8 The review also brought Harestock into St Barnabas Ward, although Harestock currently remains within Littleton and Harestock Parish, and properties within that Parish will pay a precept to the Parish Council. Accordingly, Harestock remains outside the scope of the Town Account. A Community Governance Review (either instigated by the City Council, or requested by the Parish Council) is likely to look into this situation, with the possibility of a change in the parish boundary. This would have to be the subject of public consultation as part of the Community Governance Review. The Review could allow the creation of a separate Littleton parish, and for Harestock to then be included in the unparished Town area. It is highly unlikely that any Community Governance Review that is carried out would be

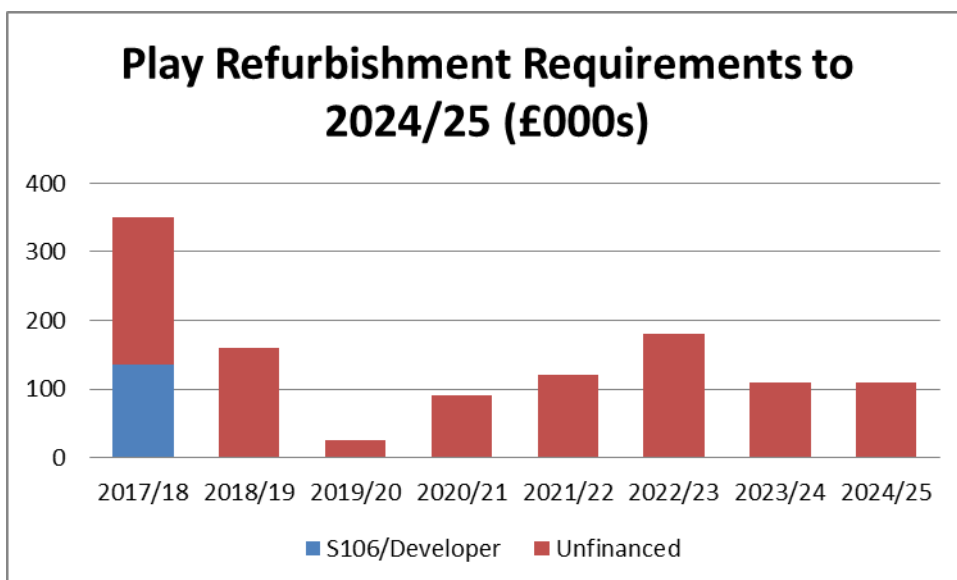
completed before November 2017. At that point, the Council will then need to consider how this could impact on the 2018/19 budget process.

- 8.9 The projections in Appendix 1, based on the assumptions set out in paragraph 8.6 above, are presented before any increase in the Town Precept and before any budget options and proposals.
- 8.10 Income from Cemeteries, Sports Pitches, Open Spaces fees & charges, and Allotments are currently forecast at £188k in 2016/17. Cemeteries contribute 77% of the gross income and a major review of Cemetery fees and charges was carried out and implemented in April 2016. Income is therefore forecast to be held at current levels and the review of existing budgets and fees and charges will take place as part of the budget process and updates to this forecast will be within the projections taken to January Town Forum.
- 8.11 The Winchester Town earmarked reserve has a forecast balance of between £0.4m - £0.5m over the medium term. This balance is significantly in excess of the strategy target of 10% (c£0.08m) and therefore it is recommended that a spending plan is developed in order to utilise this additional funding to assist in developing proposals in line with the key budget principles in the financial strategy.

#### Budget Option

- 8.12 **Play Area Refurbishment** - Consideration is sought in order to develop a funding plan for the play area refurbishment plan expenditure up until 2024/25. The capital expenditure totals £1.1m, of which £1m is currently unfunded. The impact of funding this expenditure from the town precept and earmarked reserve is shown in 8.19 below.

**Graph 1: Play Area Refurbishment Capital Expenditure Projections**



- 8.13 **Cycle Café** - The Town Account has already put forward £1k towards the Cycle Café scheme in 2015/16. A proposal has been made to agree a further contribution of £10k (see WTF246) in 2017/18 in order to contribute towards the total forecast project delivery costs of £260k.
- 8.14 **Community Infrastructure Levy Improvement Fund** – (see WTF245)  
Following on from 8.11 above which is proposing to fund play area refurbishment through the town precept and earmarked reserve, it is proposed to set up a mechanism to allocate the Town share of CIL funding to infrastructure projects within the town area. These one-off projects will go through the usual budget setting process for final approval by Council in February each year.

### Taxation

- 8.15 The town precept for 2016/17 was set at £63.31 (per band D property). The decision on the level of council tax for 2017/18 will be taken at Council in February.
- 8.16 The Town will need to consider its proposed strategy for the Town Precept but will need to bear in mind that any decisions will be subject to 'Referendum limits' and may be impacted by decisions taken on the level of district Council Tax.
- 8.17 It is currently anticipated that the overall referendum limit for the Council in 2017/18 will remain at either 2% or £5, as was set for 2016/17. If this is proposed in the draft settlement due before Christmas, it would mean the maximum district and town increase would be c3.4% (with the maximum increase for the town or district interrelated with each other, for example if the district increased by a lower percentage then the town could increase by a higher percentage and still remain within the overall referendum limit).
- 8.18 The potential additional annual income generated by increasing the Town Precept is shown in the table below (and subject to the restraints detailed above):

**Table 1: Effect of increasing the Town Precept**

% Increase	Precept	Additional Income
0%	£63.31	£0
1%	£63.94	£8,499
2%	£64.58	£16,998
3%	£65.21	£25,497
3.4%	£65.46	£28,896

- 8.19 The informal budget review group have been reviewing the options available to the Town Account to address the current funding shortfall identified in the

five year play refurbishment plan (WTF237). One option is to look at how the play refurbishment could be funded within the existing revenue budget and earmarked reserve. This option would also have the benefit of leaving the Community Infrastructure Levy (CIL) funding available to support other Infrastructure initiatives within the Town.

- 8.20 The table below shows the minimum precept increases, based on current assumptions and projections, needed in order to fund play area refurbishment up until the end of 2024/25. The risks associated with longer term forecasts are greater and projections should be considered as indicative only and subject to annual review.

**Table 2: Indicative Precept requirements of funding play area refurbishment to 2024/25**

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Percentage increase in tax	2%	2%	2%	2%	1%	1%	0%	0%
Capital expenditure funded by reserve	291,225	160,000	25,000	90,000	120,000	180,000	110,000	110,000
Forecast closing reserve balance	(£191,539)	(£99,507)	(£158,258)	(£169,365)	(£158,409)	(£95,239)	(£99,612)	(£101,785)

- 8.21 The forecasts are currently calculated using an average increase in properties of 115 per annum. 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 (based on the current precept of £63.31):

Increase in Properties	50	150	250
(Increase) to Council Tax (£000)	(3)	(9.5)	(16)

### Capital Expenditure

- 8.22 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.
- 8.23 The Capital Programme currently includes 'Changing Pavilions' currently forecast in 2017/18 (£457k in total, £77k funded by the Winchester Town Earmarked Reserve, £200k from External Funding and £180k from S106 Open Spaces funds).
- 8.24 The play area refurbishment plan forecasts the following requirements up until 2024/25 and is shown in Appendix 2.

9 OTHER OPTIONS CONSIDERED AND REJECTED

9.1 None as this is a consultation document.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

WTF243 Winchester Town Financial Strategy 2017/18 to 2021/22 – 21 September 2016

WTF237 Update of Play Area Refurbishment Plan 2015 – 2020 – 21 September 2016

WTF245 Winchester Town Community Infrastructure Levy and Town Improvement Fund – 16 November 2016

Other Background Documents:-

None

APPENDICES:

Appendix A: Medium Term Financial Projections to 2021/22

Appendix B: Play Area Refurbishment Plan (Winchester Town Capital Extract)



WINCHESTER TOWN ACCOUNT - Financial Projections								
<b>Assumptions:</b>								
Contract inflation				2%	2%	2%	2%	2%
Utilities				5%	5%	5%	5%	5%
Percentage increase in tax				0%	0%	0%	0%	0%
Tax Base				13,424	13,539	13,654	13,769	13,884
	2015/16	2016/17	2016/17	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
	Outturn	Original	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	£	£	£	£	£	£	£	£
<b>Cost of Services</b>								
<b>Recurring Budgets:</b>								
Allotments	(2,967)	(1,646)	(2,960)	(2,960)	(2,960)	(2,960)	(2,960)	(2,960)
Bus Shelter Cleaning / Maintenance / New Provision	11,688	7,600	9,800	10,000	10,000	10,000	10,000	10,000
Cemeteries	21,246	21,257	26,252	25,200	26,193	27,209	28,249	29,314
Christmas Lights	9,667	10,549	10,688	11,064	11,327	11,597	11,876	12,163
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	21,225	29,008	23,185	17,753	18,114	18,493	18,891	19,309
Grants	59,816	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
Grit Bins	0	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Maintenance Work to Council Owned Bridges	0	5,500	5,500	5,500	5,500	5,500	5,500	5,500
Night Bus Contribution	13,274	13,792	13,792	14,205	14,631	15,070	15,522	15,988
Public Conveniences (Contribution)	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
<b>Recreation Grounds &amp; Open Spaces</b>	<b>526,045</b>	<b>591,023</b>	<b>566,501</b>	<b>551,832</b>	<b>558,663</b>	<b>565,648</b>	<b>572,792</b>	<b>580,098</b>
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
<b>Total Recurring Budgets</b>	<b>781,792</b>	<b>860,881</b>	<b>836,556</b>	<b>816,392</b>	<b>825,266</b>	<b>834,356</b>	<b>843,668</b>	<b>853,210</b>
<b>One-off Budgets:</b>								
Neighbourhood Plans	1,568	0	0					
St Maurice's Covert	0	40,000	40,000					
Historic Environment Projects Officer	0	17,236	20,672					
Cycle Café	1,000	0	0					
Roger Brown Model		5,000	5,000					
Solar PV Study	0	7,500	7,500					
<b>Total One-off Budgets</b>	<b>2,568</b>	<b>69,736</b>	<b>73,172</b>	<b>0</b>				
<b>Total Cost of Services</b>	<b>784,360</b>	<b>930,617</b>	<b>909,728</b>	<b>816,392</b>	<b>825,266</b>	<b>834,356</b>	<b>843,668</b>	<b>853,210</b>

WINCHESTER TOWN ACCOUNT - Financial Projections								
	2015/16	2016/17	2016/17	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
	Outturn	Original	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	£	£	£	£	£	£	£	£
<b>Taxation and Non-specific grant income</b>								
Council Tax Income	(807,299)	(842,607)	(842,607)	(849,887)	(857,168)	(864,449)	(871,729)	(879,010)
Council Tax Support	(55,154)	(31,989)	(31,989)	(12,134)	0	0	0	0
Council Tax Freeze	(44,596)	(25,866)	(25,866)	(9,811)	0	0	0	0
Interest on Balances	(3,117)	(2,155)	(2,155)	(3,129)	(2,991)	(3,252)	(3,503)	(3,739)
<b>Total Taxation and Non-specific grant income</b>	<b>(910,166)</b>	<b>(902,617)</b>	<b>(902,617)</b>	<b>(874,961)</b>	<b>(860,159)</b>	<b>(867,701)</b>	<b>(875,232)</b>	<b>(882,749)</b>
<b>Transfers to/(from) Earmarked reserves</b>								
(Surplus added to Reserves) / Deficit taken from Reserves	(125,806)	28,000	7,111	(58,569)	(34,893)	(33,346)	(31,564)	(29,540)
Capital Expenditure funded by Town Reserve	0	77,000		77,000	0	0	0	0
<b>Opening Reserve Balance (at 1st April)</b>	<b>(298,503)</b>	<b>(269,077)</b>	<b>(424,308)</b>	<b>(417,197)</b>	<b>(398,766)</b>	<b>(433,659)</b>	<b>(467,005)</b>	<b>(498,569)</b>
<b>Closing Reserve Balance (carried forward)</b>	<b>(424,308)</b>	<b>(164,078)</b>	<b>(417,197)</b>	<b>(398,766)</b>	<b>(433,659)</b>	<b>(467,005)</b>	<b>(498,569)</b>	<b>(528,108)</b>
Closing Reserves forecast as % of net expenditure (Target = 10%)	54%	18%	49%	49%	53%	56%	59%	62%
<b>TAX</b>								
Tax at Band D				£63.31	£63.31	£63.31	£63.31	£63.31
Increase over previous year (£)				£0.00	£0.00	£0.00	£0.00	£0.00
<b>Sensitivity</b>								
Council tax % increase required to fund £10,000 expenditure				1.18%				
Council tax £ increase required to fund £10,000 expenditure				£0.74				
+/- 1% increase in Council Tax (£'000s)				8				
Band D equivalent (£) per +/- 1% increase in Council Tax				£0.63				
Recurring Expenditure				816,392	825,266	834,356	843,668	853,210
Less: Income				(874,961)	(860,159)	(867,701)	(875,232)	(882,749)
<b>(Surplus) / Deficit</b>				<b>(58,569)</b>	<b>(34,893)</b>	<b>(33,346)</b>	<b>(31,564)</b>	<b>(29,540)</b>

**Play Area Refurbishment Plan (Winchester Town Capital extract)**

## Funding

	Forecast Requirement £000	S106 / Developer £000	To be Identified £000
<u>2017/18</u>			
Winnall Manor Road	120	56	64
Abbotts Walk	80	80	
North Walls	150		150
	350	136	214
<u>2018/19</u>			
Gordon Avenue	80		80
Taplings Road	80		80
	160	0	160
<u>2019/20</u>			
Teg Down Meads	25		25
	25	0	25
<u>2020/21</u>			
Chaundler Road	90		90
	90	0	90
<u>2021/22</u>			
Dean Park	120		120
	120	0	120
<u>2022/23</u>			
Stanmore Recreation Ground	100		100
Thurmond Crescent	60		60
Somers Close	20		20
	180	0	180
<u>2023/24</u>			
St Martins Close	60		60
Fairdown Close	50		50
	110	0	110
<u>2024/25</u>			
Imber Road	50		50
Friary Gardens	40		40
Arlington Place	20		20
	110	0	110
<b>TOTAL</b>	<b>1,145</b>	<b>136</b>	<b>1,009</b>