

REPORT TITLE: WINCHESTER TOWN ACCOUNT BUDGET 2017/18

WINCHESTER TOWN FORUM

25 JANUARY 2017

PORTFOLIO HOLDER: CLLR STEPHEN GODFREY, PORTFOLIO HOLDER FOR FINANCE AND CORPORATE POLICY

REPORT OF HEAD OF FINANCE

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WARD(S): WINCHESTER TOWN WARDS

PURPOSE

This report presents the current financial projections for the Town Account for the period 2016/17 to 2021/22 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 2017/18.

RECOMMENDATIONS:

That the Town Forum:

1. considers the draft budget for 2017/18 and the indicative projections for the strategy period;
2. considers the Council Tax precept for the Town area which 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 2017/18.

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 Appendices 1 to 3.

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

Risk	Mitigation	Opportunities
<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 2016 and provides guidance and key budget principles to be applied in setting the Council's budgets.
- 8.2 The Government has now announced the provisional grant settlements.
- 8.3 The final Budget proposals will be considered by the Cabinet on 8 February 2017. 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 2017.
- 8.4 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 2017/18.
- 8.5 The work undertaken by the Informal Budget Review Group is reflected in this report.

Projections

- 8.6 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.

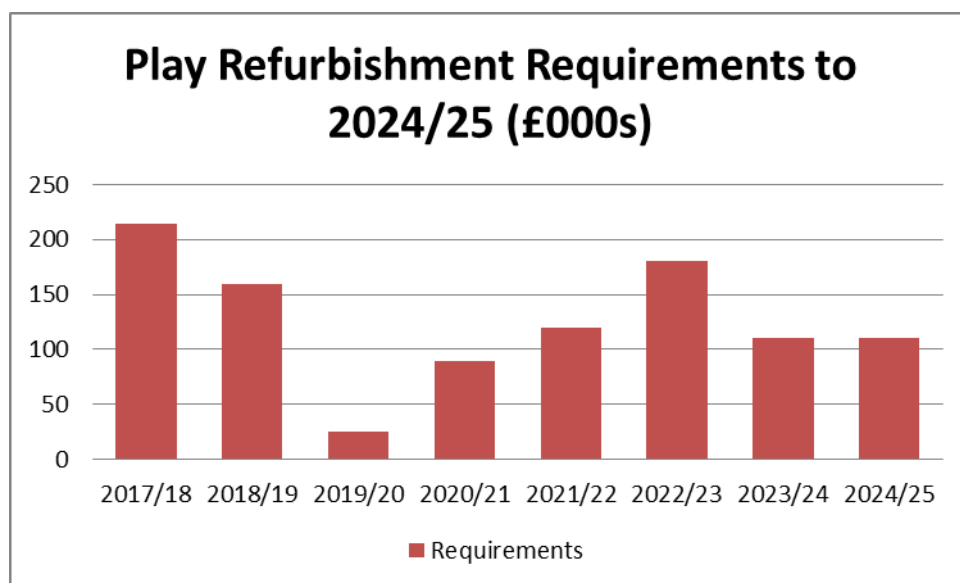
8.7 The following assumptions have been used in the financial forecast shown in Appendix 1:

- An annual inflation allowance of 2% per annum for contractual inflation in 2017/18 then 2.5% from 2018/19 – 2021/22, 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.
- 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, from 2018/19, by an average of 115 properties per annum which generates an additional c£7k per annum.

Budget Options

8.8 **Play Area Refurbishment** – it is proposed to fund the play area refurbishment plan expenditure totalling £1.1m up until 2024/25 from the town revenue budget.

Graph 1: Play Area Refurbishment Capital Expenditure Projections



8.9 **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 £25k in 2017/18 in order to contribute towards the total forecast project delivery costs of £260k.

- 8.10 **St Maurice's Covert** - The Town Account currently has a budget of £40k towards the project, £10k of which has been spent in 2016/17. A proposal has been made to agree a further contribution of £20k taking the total budget to £60k, £50k of which will be towards the delivery phase of the project.
- 8.11 **Community Infrastructure Levy Improvement Fund** – Following on from 8.8 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. Whilst potential projects are reviewed and prioritised it is proposed to include a £50,000 budget in 2017/18 in order to progress any projects which come forward.

Taxation

- 8.12 The final Council Tax Base for the Winchester Town area is now reflected in the estimates at 13,621.25 for 2017/18 (an above average increase of 312.03 on 2016/17 and equating to an additional £19,755 of income at current council tax levels).
- 8.13 The current Winchester Town Precept is £63.31. To put this into context the average town and parish precept in the Winchester District for 2016/17 was £71.82 (per Band D equivalent).
- 8.14 The table below shows the potential precept scenarios in order to keep within the overall referendum limit of 2% or up to £5.
- 8.15 If the Council were to decide to apply the maximum increase (up to £5), spread evenly between the town and district, this would mean the town could increase by 3.32% (or £2.10) to £65.41.
- 8.16 If the Town Precept was increased by 3% to £65.21 in 2017/18 (an increase of £1.90 per Band D equivalent). This will generate additional baseline income of £25,880 per annum.
- 8.17 Appendices 2 and 3 show the impact on baseline funding and projected reserves up to 2021/22;
- 8.18 Appendix 2 shows the forecast based on the current Precept. A forecast surplus of £454,697 at the end of 2016/17 will reverse to a forecast deficit balance of £118,949 by the end of 2021/22.
- 8.19 Appendix 3 shows the forecast based on an increase in Precept of 3%. A forecast surplus of £454,697 at the end of 2016/17 will reduce to a forecast balance of £182,177.
- 8.20 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	£8,624
2%	£64.58	£17,247
3%	£65.21	£25,871
3.3%	£65.41	£28,630

- 8.21 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 refers). The option of funding this shortfall from within the Town Forum Revenue Budget was introduced at the November town forum and is now put forward for approval.
- 8.22 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	3%	2%	2%	2%	1%	1%	0%	0%
Capital expenditure funded by reserve	313,000	193,000	25,000	90,000	120,000	180,000	110,000	110,000
Forecast closing reserve balance	(£185,902)	(£80,910)	(£158,316)	(£186,910)	(£182,177)	(£115,195)	(£115,243)	(£112,557)

- 8.23 The forecasts are currently calculated using an average increase in properties of 115 per annum, from 2018/19 onwards. The effect of increases to the base on income are illustrated below (based on the current precept of £63.31):

Capital Expenditure

- 8.24 The capital expenditure plans and associated revenue implications relating to the Town Account are reflected in the projections in Appendices 1 to 3.
- 8.25 The following budgets, funded by the town earmarked reserve, are included within the capital programme;
- I. Handlebar Café - £25k in 2017/18
 - II. Chesil Theatre Grant - £30k in 2017/18
 - III. Changing Pavilion North Walls - £44k in 2017/18 (total project budget of £300k with £256k funded by S106 receipts)

IV. Changing Pavilion King George V - £33k in 2018/19

V. Play Area Refurbishments - £1,009k from 2017/18 to 2024/25

9 OTHER OPTIONS CONSIDERED AND REJECTED

9.1 Funding the play area refurbishments from the Community Infrastructure Levy (CIL). This option was rejected in favour of the other options identified above which enable CIL funds to be used more widely to deliver a broader range of infrastructure improvements and other potential benefits in the Town.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

WTF245 Community Infrastructure Levy – 16 November 2016

WTF244 Winchester Town Account Medium Term Financial Position – 16 November 2016

WTF246 Handlebar Café Update – 16 November 2016

WTF247 Enhancing St Maurice's Covert – 16 November 2016

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

Other Background Documents:-

None

APPENDICES:

Appendix 1: Medium Term Financial Projections to 2021/22 – Total Cost of Services

Appendix 2: Medium Term Financial Projections to 2021/22 (No increase in precept)

Appendix 3: Medium Term Financial Projections to 2021/22 (3% increase in precept)

WINCHESTER TOWN ACCOUNT - Financial Projections								
Assumptions:								
Contract inflation				2%	2.5%	2.5%	2.5%	2.5%
Utilities				2%	5%	5%	5%	5%
Tax Base				13,621	13,736	13,851	13,966	14,081
	2015/16	2016/17	2016/17	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
	Outturn	Original	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	£	£	£	£	£	£	£	£
Cost of Services								
Recurring Budgets:								
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	26,413	27,660	28,941	30,257
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
Recreation Grounds & Open Spaces	526,045	591,023	566,501	551,832	560,161	568,711	577,490	586,503
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	781,792	860,881	836,556	816,392	826,984	837,870	849,058	860,558
One-off Budgets:								
Neighbourhood Plans	1,568	0	0					
St Maurice's Covert	0	40,000	10,000	50,000				
Community Infrastructure				50,000				
Historic Environment Projects Officer	0	17,236	20,672					
Cycle Café	1,000	0	0					
Roger Brown Model		5,000	5,000					
Green Infrastructure	0	7,500	0	3,000				
Total One-off Budgets	2,568	69,736	35,672	103,000				
Total Cost of Services	784,360	930,617	872,228	919,392	826,984	837,870	849,058	860,558

WINCHESTER TOWN ACCOUNT - Financial Projections (Based on no Precept increases)								
Assumptions:								
Contract inflation				2%	2.5%	2.5%	2.5%	2.5%
Utilities				2%	5%	5%	5%	5%
Percentage increase in tax				0%	0%	0%	0%	0%
Tax Base				13,621	13,736	13,851	13,966	14,081
	2015/16	2016/17	2016/17	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
	Outturn	Original	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	£	£	£	£	£	£	£	£
Taxation and Non-specific grant income								
Council Tax Income	(807,299)	(842,607)	(842,607)	(862,361)	(869,642)	(876,923)	(884,203)	(891,484)
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)	(3,410)	(1,200)	(82)	(188)	222
Total Taxation and Non-specific grant income	(910,166)	(902,617)	(902,617)	(887,717)	(870,842)	(877,004)	(884,391)	(891,262)
Transfers to/(from) Earmarked reserves								
(Surplus added to Reserves) / Deficit taken from Reserves	(125,806)	28,000	(30,389)	31,676	(43,858)	(39,135)	(35,333)	(30,704)
Capital Expenditure funded by Town Reserve	0	77,000		313,000	193,000	25,000	90,000	120,000
Release from Town Community Infrastructure Levy Reserve				(50,000)				
Opening Reserve Balance (at 1st April)	(298,503)	(269,077)	(424,308)	(454,697)	(160,021)	(10,879)	(25,014)	29,653
Closing Reserve Balance (carried forward)	(424,308)	(164,078)	(454,697)	(160,021)	(10,879)	(25,014)	29,653	118,949
Closing Reserves forecast as % of net expenditure (Target = 10%)	54%	18%	49%	17%	1%	3%	-3%	-14%
TAX								
Tax at Band D	£63.31	£63.31	£63.31	£63.31	£63.31	£63.31	£63.31	£63.31
Increase over previous year (£)				£0.00	£0.00	£0.00	£0.00	£0.00
Sensitivity								
Council tax % increase required to fund £10,000 expenditure				1.16%				
Council tax £ increase required to fund £10,000 expenditure				£0.73				
+/- 1% increase in Council Tax (£'000s)				9				
Band D equivalent (£) per +/- 1% increase in Council Tax				£0.63				

WINCHESTER TOWN ACCOUNT - Financial Projections (Based on a 3% 17/18 increase in Precept, then 2% p.a. until 2021/22)								
Assumptions:								
Contract inflation				2%	2.5%	2.5%	2.5%	2.5%
Utilities				2%	5%	5%	5%	5%
Percentage increase in tax				3%	2%	2%	2%	0%
Tax Base				13,621	13,736	13,851	13,966	14,081
	2015/16	2016/17	2016/17	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
	Outturn	Original	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	£	£	£	£	£	£	£	£
Taxation and Non-specific grant income								
Council Tax Income	(807,299)	(842,607)	(842,607)	(888,242)	(913,598)	(939,669)	(966,465)	(974,423)
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)	(3,410)	(1,394)	(607)	(1,187)	(1,402)
Total Taxation and Non-specific grant income	(910,166)	(902,617)	(902,617)	(913,597)	(914,992)	(940,276)	(967,652)	(975,824)
Transfers to/(from) Earmarked reserves								
(Surplus added to Reserves) / Deficit taken from Reserves	(125,806)	28,000	(30,389)	5,795	(88,008)	(102,406)	(118,594)	(115,267)
Capital Expenditure funded by Town Reserve	0	77,000		313,000	193,000	25,000	90,000	120,000
Release from Town Community Infrastructure Levy Reserve				(50,000)				
Opening Reserve Balance (at 1st April)	(298,503)	(269,077)	(424,308)	(454,697)	(185,902)	(80,910)	(158,316)	(186,910)
Closing Reserve Balance (carried forward)	(424,308)	(164,078)	(454,697)	(185,902)	(80,910)	(158,316)	(186,910)	(182,177)
Closing Reserves forecast as % of net expenditure (Target = 10%)	54%	18%	49%	20%	10%	19%	22%	21%
TAX								
Tax at Band D	£63.31	£63.31	£63.31	£65.21	£66.51	£67.84	£69.20	£69.20
Increase over previous year (£)				£0.00	£0.00	£0.00	£0.00	£0.00
Sensitivity								
Council tax % increase required to fund £10,000 expenditure				1.13%				
Council tax £ increase required to fund £10,000 expenditure				£0.73				
+/- 1% increase in Council Tax (£'000s)				9				
Band D equivalent (£) per +/- 1% increase in Council Tax				£0.65				