

REPORT TITLE: WINCHESTER TOWN ACCOUNT FINANCIAL STRATEGY
2018/19

20 SEPTEMBER 2017

REPORT OF FINANCE MANAGER (STRATEGIC FINANCE)

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WARD(S): WINCHESTER TOWN

PURPOSE

To provide an update of the current financial position of the Winchester Town Account and financial projections over the medium and long term. The projections in this paper have been extended to show the long term financial position.

RECOMMENDATIONS:

That;

1. The Town Forum notes the financial projections in Appendix A, and agrees the budget timetable and financial strategy for 2018/19.

IMPLICATIONS:

1 COUNCIL STRATEGY OUTCOME

- 1.1 This report sets out the current financial position and latest medium and long term projections, along with detailed sensitivity analysis. This analysis will help to guide and inform budget planning work and the options for delivering the Council Strategy which will be presented to the November Town Forum meeting.

2 FINANCIAL IMPLICATIONS

- 2.1 Identifying and analysing the financial pressures and risks helps to ensure the effective prioritisation of resources in order to deliver the Council Strategy and maintain a balanced budget.

3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 None identified

4 WORKFORCE IMPLICATIONS

- 4.1 None directly from this paper

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 None directly from this paper

6 CONSULTATION AND COMMUNICATION

- 6.1 This report has been discussed with the town account informal group, portfolio holder, relevant staff and advisors.

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 Environmental considerations will be considered as part of the business case supporting any budget proposals.

8 EQUALITY IMPACT ASSESSMENT

- 8.1 This document is part of the budget consultation process and equality impact assessments will be considered alongside any relevant budget options.

9 RISK MANAGEMENT

Risk	Mitigation	Opportunities
<i>Failure to set a balanced budget over the medium term.</i>	<i>Financial projections are shown up until 2026/27 and the scenario planning highlights the potential sensitivities. Planning over a longer period will help to ensure understanding of the scale of the financial challenges and that early planning enables enough lead in time for the implementation of budget options.</i>	<i>Long term strategic planning. Innovative funding streams. Transformational efficiency savings.</i>
<i>Council's service priorities are not reflected in the budget.</i>	<i>The budget planning process, including the implementation of Outcome Based Budgeting and the informal account group meetings which review the detailed budgets and strategy.</i>	<i>Ensure the prioritisation of resources to best meet the Outcomes of the authority</i>

10 SUPPORTING INFORMATION:**Background**

- 10.1 A revision of the terms of reference for the Wichester Town Forum (WTF) in 2007 gave the Forum a greater role in developing the Town Account Budget. To help it fulfil this role, the Town Forum set up an informal member group to give early consideration to budget setting issues.
- 10.2 The overall aim of the Medium Term Financial Strategy is to support the Town Forum in fulfilling its role in respect of the Town Account Budget.
- 10.3 The Medium Term Financial Strategy will be influenced by actions within the Council's control and external factors. A sensitivity analysis, showing a range of possible scenarios is included for consideration.
- 10.4 In order to pro-actively meet the medium to long term challenges, the Council agreed to develop a smarter Outcome Based Budgeting (OBB) approach to budget setting from 2018/19. This process is currently underway (see CAB2955) and any resulting options will be included for consideration within the Town budget setting process.

- 10.5 The budget timetable remains in line with previous years, with initial budget proposals considered at November Town Forum and final recommendations made at January Town Forum.
- 10.6 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 2.

Identifying Resources

- 10.7 **Winchester Town Precept** – The 2017/18 tax base is 13,621.25 with a precept of £65.21.
- The Council Tax Referendum limits for 2018/19 will be announced alongside the settlement. It is currently anticipated that this will remain at either below 2% or £5 for lower tier authorities.
 - Capping regulations prevent the Council increasing Council Tax above the Government’s advised level, except with a referendum. Whilst parish tax amounts are currently excluded from capping calculations, the Winchester Town tax is included.
 - Appendix A shows the financial projections up until 2026/27, including illustrative increases in the precept which present a balanced overall position.
- 10.8 **Fees and Charges** are reviewed on an annual basis in order to feed into the budget process, with a final list of fees and charges published in March each year. The key existing fees and charges relating to the Town Account are:
- Cemeteries – a new charging scheme was introduced in 2016/17 to coincide with the conclusion of the cemetery extension works. Income is currently forecast at £145k per annum.
 - Sports pitches – Income is currently forecast at £31k per annum (against forecast 2017/18 expenditure of £233k).
- 10.9 **Community Infrastructure Levy (CIL)** – the Neighbourhood CIL (Town) received balance stood at £145k as at the end of Q1 2017/18, with a further £61k due and expected to be received before the end of 2017/18.
- The principles for spending the Winchester Town Forum’s share of CIL were approved in November 2016 (WTF245 refers), in order to provide for the community led improvement of the environment and infrastructure in the Winchester Town. Cabinet subsequently agreed in December 2016 that 15% of CIL for the relevant area of Winchester be allocated to support the development of that area by funding the provision, improvement,

replacement, operation or maintenance of infrastructure or anything else that is concerned with addressing the demands that development places on an area (WTF245 refers). A protocol for deciding how CIL will be allocated to individual schemes was then agreed by the Forum in January this year (WTF251 refers).

- A budget of £50k was approved for 2017/18 in order to support the allocation process.

10.10 The following central case assumptions have been used in the financial forecast shown in Appendix 1:

Central Case Assumptions	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24 onwards
Income / Funding						
Council Tax Increase	3%	2.5%	2%	2%	2%	0%
Council Tax Base	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%
Fees & Charges	0%	0%	0%	0%	0%	0%
Interest Receivable	1%	1%	1%	1%	1%	1%
Expenditure						
Contractual Inflation	3.0%	2.5%	2.0%	2.0%	2.0%	2.0%

Capital Expenditure

10.11 Capital expenditure is either funded directly from the Town Account Earmarked Reserve or funded through the General Fund and repaid over the life of the asset (along with interest).

10.12 In January 2017 (WTF250 refers) the Town Forum approved a strategy to fund the long term requirements of the play area refurbishment up until the end of 2024/25, from the Town Account Earmarked Reserve. This created a funding shortfall in future years and therefore high level precept increases were also shown for illustrative purposes.

10.13 The following budgets are currently 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 2018/19 (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

Reserves

- 10.14 The Winchester Town Account earmarked reserve is available to support planned one-off expenditure over the medium term as well as a contingency balance of 10% of the total annual net expenditure which is set aside to deal with any urgent / unexpected requirements.
- 10.15 The capital budget forecasts listed in 10.13 above, particularly the significant programme of play area refurbishments, are planned to be funded from the Town reserve. It is therefore important that the long term planning ensures funding is in place to support these projects.
- 10.16 It should be noted that the forecast reserve balance shown in Appendix A does fluctuate on a year-by-year basis and is currently forecast to fall below 10% at the end of 2018/19. This is due to funding the capital programme and the profiling of these projects will be reviewed as part of the budget process. It is possible that this review of profiling could push the funding requirements out to future years thereby increasing the near term forecast reserve balance.

11 OTHER OPTIONS CONSIDERED AND REJECTED

- 11.1 None; this paper sets out the current financial position.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

Community Infrastructure Levy – CAB2962 – September 2017

General Fund Outturn 2016/17 – CAB2938 – July 2017

Medium Term Financial Strategy, Budget and Council Tax 2017/18 – CAB2896 – February 2017

Capital Strategy and Capital Programme 2017 – CAB2889 – January 2017

Winchester Town Account Budget 2017/18 – WTF250 – January 2017

Other Background Documents:-

None

APPENDICES:

Appendix A: Medium Term Financial Projections

Appendix B: Budget Forecast Summary 2018/19

Appendix C: Special Expenses

WINCHESTER TOWN ACCOUNT - Financial Projections

	2017/2018 Forecast	2018/2019 Forecast	2019/2020 Forecast	2020/2021 Forecast	2021/2022 Forecast	2022/2023 Forecast	2023/2024 Forecast	2024/2025 Forecast	2025/2026 Forecast	2026/2027 Forecast
Assumptions:										
Contract inflation		3%	2.5%	2%	2%	2%	2%	2%	2%	2%
Utilities		5%	5%	5%	5%	5%	5%	5%	5%	5%
Percentage increase in tax		3%	2.5%	2%	2%	2%	0%	0%	0%	0%
Tax Base		13,785	13,950	14,118	14,287	14,458	14,632	14,807	14,985	15,165

	2016/17 Outturn	2017/18 Original	2017/2018 Forecast	2018/2019 Forecast	2019/2020 Forecast	2020/2021 Forecast	2021/2022 Forecast	2022/2023 Forecast	2023/2024 Forecast	2024/2025 Forecast	2025/2026 Forecast	2026/2027 Forecast
	£	£	£	£	£	£	£	£	£	£	£	£
Cost of Services												
Recurring Budgets:												
Allotments	(1,891)	(2,960)	(1,864)	(1,864)	(1,864)	(1,864)	(1,864)	(1,864)	(1,864)	(1,864)	(1,864)	(1,864)
Bus Shelter Cleaning / Maintenance / New Provision	6,429	10,000	7,304	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Cemeteries	10,503	25,200	8,240	34,565	36,694	38,734	40,825	42,967	45,161	47,410	49,713	52,074
Christmas Lights	7,632	11,064	8,500	8,740	8,946	9,115	9,287	9,463	9,642	9,825	10,012	10,202
Community Speed Watch	0	1,000	0	1,000	1,000	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	45,000	45,000	45,000	45,000
Footway Lighting	21,215	17,753	20,112	20,370	20,642	20,927	21,226	21,540	21,870	22,216	22,580	22,962
Grants	58,590	60,000	60,000	60,000	60,000	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	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	1,000	1,000	1,000	1,000
Maintenance Work to Council Owned Bridges	9,842	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500
Night Bus Contribution	12,344	14,205	12,344	12,714	13,545	13,816	14,092	14,374	14,661	14,954	15,254	15,559
Public Conveniences (Contribution)	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Recreation Grounds & Open Spaces	589,723	551,832	574,078	603,459	611,486	611,093	624,230	623,958	637,491	637,352	651,298	651,303
Theatre Royal (Contribution)	20,000	20,000	20,000	20,000	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	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Total Recurring Budgets	836,185	816,392	817,012	877,485	888,948	891,321	907,296	909,938	926,462	929,393	946,492	949,735
One-off Budgets:												
St Maurice's Covert	11,245	60,000	60,000									
Community Infrastructure	0	50,000	50,000									
Historic Environment Projects Officer	7,673		12,999									
Roger Brown Model	5,000											
Green Infrastructure	0	3,000	3,000									
Total One-off Budgets	23,918	113,000	125,999									
Total Cost of Services	860,103	929,392	943,011	877,485	888,948	891,321	907,296	909,938	926,462	929,393	946,492	949,735

WINCHESTER TOWN ACCOUNT - Financial Projections

	2017/2018 Forecast	2018/2019 Forecast	2019/2020 Forecast	2020/2021 Forecast	2021/2022 Forecast	2022/2023 Forecast	2023/2024 Forecast	2024/2025 Forecast	2025/2026 Forecast	2026/2027 Forecast
Assumptions:										
Contract inflation		3%	2.5%	2%	2%	2%	2%	2%	2%	2%
Utilities		5%	5%	5%	5%	5%	5%	5%	5%	5%
Percentage increase in tax		3%	2.5%	2%	2%	2%	0%	0%	0%	0%
Tax Base		13,785	13,950	14,118	14,287	14,458	14,632	14,807	14,985	15,165

	2016/17 Outturn	2017/18 Original	2017/2018 Forecast	2018/2019 Forecast	2019/2020 Forecast	2020/2021 Forecast	2021/2022 Forecast	2022/2023 Forecast	2023/2024 Forecast	2024/2025 Forecast	2025/2026 Forecast	2026/2027 Forecast
Taxation and Non-specific grant income												
Council Tax Income	(842,607)	(888,242)	(888,242)	(925,919)	(960,466)	(991,474)	(1,023,373)	(1,056,329)	(1,069,005)	(1,081,833)	(1,094,815)	(1,107,953)
Council Tax Support	(31,989)	(12,134)	(12,134)	0	0	0	0	0	0	0	0	0
Council Tax Freeze	(25,866)	(9,811)	(9,811)	0	0	0	0	0	0	0	0	0
Interest on Balances	(3,394)	(3,410)	(3,410)	(1,647)	(245)	(596)	(677)	(652)	(405)	(652)	(976)	(1,270)
Total Taxation and Non-specific grant income	(903,856)	(913,597)	(913,597)	(927,566)	(960,711)	(992,070)	(1,024,050)	(1,056,981)	(1,069,410)	(1,082,485)	(1,095,791)	(1,109,223)
Transfers to/(from) Earmarked reserves												
(Surplus added to Reserves) / Deficit taken from Reserves	(43,753)	15,795	29,414	(50,081)	(71,763)	(100,749)	(116,754)	(147,044)	(142,948)	(153,092)	(149,298)	(159,488)
Capital Expenditure funded by Town Reserve		313,000	269,000	237,000	25,000	90,000	120,000	180,000	110,000	110,000	110,000	110,000
Release from Town Community Infrastructure Levy Reserve		(50,000)	(50,000)									
Opening Reserve Balance (at 1st April)	(424,309)	(454,697)	(468,062)	(219,648)	(32,729)	(79,492)	(90,242)	(86,995)	(54,039)	(86,988)	(130,080)	(169,378)
Closing Reserve Balance (carried forward)	(468,062)	(175,902)	(219,648)	(32,729)	(79,492)	(90,242)	(86,995)	(54,039)	(86,988)	(130,080)	(169,378)	(218,867)
Closing Reserves forecast as % of net expenditure (Target = 10%)	56%	22%	23%	4%	9%	10%	10%	6%	9%	14%	18%	23%

TAX												
Tax at Band D			£65.21	£67.17	£68.85	£70.23	£71.63	£73.06	£73.06	£73.06	£73.06	£73.06
Increase over previous year (£)			£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£1.00	£2.00

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									

2018/19 Forecast

Cost of Services**Recurring Budgets:**

Allotments

(3,458) 1,594 **(1,864)**

Bus Shelter Cleaning / Maintenance / New Provision

10,000 **10,000****Cemeteries**(145,530) 180,095 **34,565**

- Grounds Maintenance (Contract)

73,930 73,930

- Depreciation & Notional Interest

38,407 38,407

- Grounds Maintenance (internal charge)

34,112 34,112

- Other Internal Charges

11,819 11,819

- Corporate Property Repairs (internal charge)

10,750 10,750

- Utilities & Business Rates

9,733 9,733

- Supplies & Services

1,238 1,238

- Other Premises costs

105 105

- Fees & Charges

(145,530) (145,530)

Christmas Lights

8,740 **8,740**

Community Speed Watch

1,000 **1,000**

Community Wardens (Contribution)

45,000 **45,000**

Footway Lighting

20,370 **20,370**

Grants

60,000 **60,000**

Support Costs for Grant Scheme

2,000 **2,000**

Grit Bins

1,000 **1,000**

Maintenance Work to Council Owned Bridges

5,500 **5,500**

Night Bus Contribution

12,714 **12,714**

Public Conveniences (Contribution)

50,000 **50,000****Recreation Grounds & Open Spaces**(37,781) 641,240 **603,459****Sports Pitches**

(33,681) 274,314 240,633

- Grounds Maintenance (Contract)

205,355 205,355

- Internal Charges

21,469 21,469

- Utilities & Business Rates

20,716 20,716

- Dog Control

13,224 13,224

- Premises Building Maintenance

7,000 7,000

- Materials

3,500 3,500

- Equipment

2,000 2,000

- Rent

1,050 1,050

- Fees & Charges

(33,681) (33,681)

Open Spaces

(4,100) 366,927 362,827

- Special Maintenance

90,533 90,533

- Grounds Maintenance (Contract)

88,623 88,623

- Tree Care (Contractors)

33,880 33,880

- Depreciation & Notional Interest

26,256 26,256

- Dog Control

24,558 24,558

- Materials

19,575 19,575

- Internal Charges

19,352 19,352

2018/19 Forecast

	Income	Expenditure	Net Expenditure
- Equipment		17,000	17,000
- Fixed Plant Improvements		16,000	16,000
- Employees		15,810	15,810
- Supplies and Services		10,000	10,000
- Electricity		4,091	4,091
- Cleaning		1,249	1,249
- Fees & Charges	(4,100)		(4,100)
Theatre Royal (Contribution)		20,000	20,000
Town Forum Support		5,000	5,000
Total Recurring Budget Requirement	(186,769)	1,064,254	877,485

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. Neighbourhood Services

Officers 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.

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 represent a 50:50 Town / General Fund share of the costs of providing 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. One-off budgets:

- St Maurice's Covert
- Historic Environment Projects Officer
- Green Infrastructure
- Community Infrastructure

16. 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 four parks and playing fields listed above at 4. Income from car parks and town centre property is credited to the whole District.