

REPORT TITLE: WINCHESTER TOWN ACCOUNT MEDIUM TERM FINANCIAL POSITION

15 NOVEMBER 2017

REPORT OF FINANCE MANAGER (STRATEGIC FINANCE)

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WARD(S): ALL TOWN WARDS

PURPOSE

To provide an update on the current budget setting options and considerations for 2018/19, and the medium term plans and projections.

RECOMMENDATIONS:

That the Town Forum;

1. Identify any budget issues to consider further in advance of recommending a Town Account Budget to Cabinet in January.
2. Note the forecast earmarked reserve balance currently falls below 10% at the end of 2018/19. Options to address this are contained within this report.
3. Consider any feedback to give to Cabinet in relation to the wider budget consultation.

## IMPLICATIONS:

### 1 COUNCIL STRATEGY OUTCOME

- 1.1 This report sets out the current financial position including the latest medium term financial projections. Budget options will be considered in line with the Council Strategy.

### 2 FINANCIAL IMPLICATIONS

- 2.1 Identifying and analysing the financial risks and pressures helps to ensure the effective prioritisation of resources in order to deliver the Council Strategy and maintain a balanced budget.
- 2.2 The town reserve is currently forecast to end 2018/19 below the financial strategy target of 10%. Options to address this are discussed in 10.20 to 10.22 below.

### 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, relevant staff and advisors.

### 7 ENVIRONMENTAL CONSIDERATIONS

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

### 8 EQUALITY IMPACT ASSESSMENT

- 8.1 None

9 RISK MANAGEMENT

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
<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 together with early planning enables enough lead in time for the implementation of the 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 WTF254 Winchester Town Account Financial Strategy 2018/19 introduced the budget setting process for 2018/19, the key principles, and updated medium term financial projections to 2026/27.
- 10.2 The Winchester Town Forum (Informal Account) Group met in early October in order to establish the key focus of the budget process and any priority resource considerations to bring back to the Town Forum.
- 10.3 It is recognised that the decision taken last year to fund the play area refurbishments from the precept and earmarked reserve has given assurance that a stable source of funding will be made available to support a programme costing over £1m to 2024/25. This is a significant financial commitment against the town precept and alternative sources of funding (such as the Community Infrastructure Levy) are to be prioritised against any further requirements.

### Winchester Town Precept

- 10.4 The town precept for 2017/18 was set at £65.21 (per band D property). The decision on the level of council tax for 2018/19 will be taken at Council in February.
- 10.5 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.
- 10.6 It is currently anticipated that the overall referendum limit for the Council in 2018/19 will remain at either 2% or £5, as was set for 2017/18. This would mean the maximum district and town increase would be c3.2% (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).
- 10.7 The potential additional annual income generated by increasing the Town Precept is shown in the table below. The financial projections in Appendix A assume a 3% increase, which is currently in line with the CPI inflationary index as at September 2017 (RPI is currently 3.9%).

**Table 1: Effect of increasing the Town Precept 2018/19**

% Precept Increase	Additional Income £000	Precept
0%		£65.21
1%	9	£65.86
2%	18	£66.51
3%	27	£67.17
3.2%	29	£67.37

- 10.8 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:

	0.4%	1.1%	1.2%	1.8%
Increase in Properties	50	150	165	250
Increase to Council Tax (£000)	3	10	11	17

## **Fees and Charges**

- 10.9 Cemeteries – a new charging schedule was approved commencing in 2016/17 in order to ensure the service was provided at as near to cost as possible (the 2017/18 forecast outturn is a net cost of £8k). A strategy of increasing charges every year is not currently proposed but instead a more in-depth review every three to four years with the aim of achieving as far as possible a cost neutral position.
- 10.10 Sports pitches charges are currently under review, including a benchmarking process to understand how our charges compare locally. It is estimated that charges will increase by up to 3.9% overall (or just over £1k per annum), but these increases may not be across the board depending on the benchmarking results.

## **Community Infrastructure Levy (CIL)**

- 10.11 The total billed neighbourhood CIL (Town) contributions stood at £279k at the end of Q2 2017/18, £232k of this has been received with the remainder expected within the next 12 months.
- 10.12 The Town Improvement Fund (TIF) was launched this year which is designed to support the delivery of schemes using Town CIL following Forum's agreement of a protocol to manage this process at the meeting held in January 2017.
- 10.13 In summary the fund is aimed at one-off capital projects which address individual neighbourhood or multi-neighbourhood issues within Winchester Town. Priority will be given to proposals that support the aims of the Vision for Winchester Town, local community plans, and any other strategies relevant to the Town area. It is envisaged that proposals will generally have an estimated cost to the Fund of between £1,000 and £50,000. There may however be higher value projects where CIL funding is considered appropriate but, in such cases, it is likely that the Town Forum's contribution to the total cost will be no more than £50,000.
- 10.14 A budget of £50k was approved for 2017/18 in order to support the allocation process. There are currently no commitments against this budget.
- 10.15 It will be important to ensure that bids made from this fund are effectively prioritised over a period of time so that the best possible use of this one-off source of funding is made. However, despite attempts at promoting the TIF with community and other groups in the town that may be well placed to identify relevant schemes for CIL funding, interest to date has been very limited. It is still relatively early days for the TIF and enquiries may well increase once awareness of this possible source on infrastructure grows but if

this situation does not change the Forum will need to review how it moves forward with the allocation of its CIL income.

### **Capital and one-off Revenue Expenditure**

10.16 The following capital expenditure budgets are included within the capital programme:

- I. Handlebar Café - £25k in 2017/18
- II. Chesil Theatre Grant - £30k in 2017/18
- III. Changing Pavilions North Walls - £44k in 2018/19 (total project budget of £300k with £256k funded by S106 receipts)
- IV. Changing Pavilions King George V - £33k in 2018/19
- V. Town Reserve funded Play Area Refurbishments - £1,009k to 2024/25

10.17 The following one-off revenue expenditure budgets are currently within the 2017/18 revenue budget:

- I. St Maurice's Covert - £60k
- II. Community Infrastructure - £50k
- III. Historic Environment Project Officer - £13k
- IV. Green Infrastructure - £3k

### **Reserves**

10.18 The opening reserve balance for 2017/18 was £468k. Funding the significant one-off capital and revenue expenditure requirements in 2017/18 and 2018/19 is forecast to reduce the balance to £33k by the end of 2018/19, which is below the strategy target of 10%.

10.19 The key pressures on the town reserve has been caused by the larger than usual one-off expenditure requirements covering 2017/18 and 2018/19 and in particular the current play area refurbishment programme. In order to increase the forecast reserve balance at the end of 2018/19 the review and potential slippage of certain schemes could be considered.

10.20 An allocation of £33k has been made towards the delivery of the KGV Pavilion project. The timing of this project is currently uncertain and alternative sources of funding would be required in order to deliver the total cost of the project. This allocation could therefore be removed until a deliverable project is available and funding could be re-assessed at that stage.

- 10.21 An allocation of £30k has been made towards the Chesil Theatre project. If a deliverable scheme cannot be identified then this allocation could be removed.
- 10.22 The play area refurbishment plan allocates £160k of funding towards play area schemes at Gordon Avenue and Taplings Road in 2018/19 (£80k to each scheme) and one of these schemes could be delayed to 2019/20. However, the decision to allocate the schemes in 2018/19 is based on the life expectancy of the equipment and both of these schemes are at the end of their lifespan. It would therefore be highly desirable to do the work in the designated year to minimise likely litigation, keeping maintenance costs low and meeting residents expectations.
- 10.23 It should be noted that the reserve forecasts include illustrative increases in the town precept up to and including 2022/23 (which are below the current referendum levels) in order to fund all of the forecast budget requirements and achieve a 10% reserve balance over the medium term.

## 11 OTHER OPTIONS CONSIDERED AND REJECTED

11.1 None

### BACKGROUND DOCUMENTS:-

#### Previous Committee Reports:-

Annual Play Area Improvements Update – WTF256 – November 2017

Winchester Town Account Financial Strategy 2018/19 – WTF254 – September 2017

Community Infrastructure Levy – CAB2962 – September 2017

#### Other Background Documents:-

None

### APPENDICES:

Appendix A: Medium Term Financial Projections

**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
<b>Assumptions:</b>										
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

	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
	£	£	£	£	£	£	£	£	£	£
<b>Cost of Services</b>										
<b>Recurring Budgets:</b>										
Allotments	(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	7,304	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Cemeteries	8,240	34,565	36,694	38,734	40,825	42,967	45,161	47,410	49,713	52,074
Christmas Lights	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	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
Footway Lighting	20,112	20,370	20,642	20,927	21,226	21,540	21,870	22,216	22,580	22,962
Grants	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
Grit Bins	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	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	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
Recreation Grounds & Open Spaces	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
Town Forum Support	4,798	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
<b>Total Recurring Budgets</b>	<b>817,012</b>	<b>877,485</b>	<b>888,948</b>	<b>891,321</b>	<b>907,296</b>	<b>909,938</b>	<b>926,462</b>	<b>929,393</b>	<b>946,492</b>	<b>949,735</b>
<b>One-off Budgets:</b>										
St Maurice's Covert	60,000									
Community Infrastructure	50,000									
Historic Environment Projects Officer	12,999									
Roger Brown Model										
Green Infrastructure	3,000									
<b>Total One-off Budgets</b>	<b>125,999</b>									
<b>Total Cost of Services</b>	<b>943,011</b>	<b>877,485</b>	<b>888,948</b>	<b>891,321</b>	<b>907,296</b>	<b>909,938</b>	<b>926,462</b>	<b>929,393</b>	<b>946,492</b>	<b>949,735</b>



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<b>Assumptions:</b>										
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

	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
<b>Taxation and Non-specific grant income</b>										
Council Tax Income	(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	(12,134)	0	0	0	0	0	0	0	0	0
Council Tax Freeze	(9,811)	0	0	0	0	0	0	0	0	0
Interest on Balances	(3,410)	(1,647)	(245)	(596)	(677)	(652)	(405)	(652)	(976)	(1,270)
<b>Total Taxation and Non-specific grant income</b>	<b>(913,597)</b>	<b>(927,566)</b>	<b>(960,711)</b>	<b>(992,070)</b>	<b>(1,024,050)</b>	<b>(1,056,981)</b>	<b>(1,069,410)</b>	<b>(1,082,485)</b>	<b>(1,095,791)</b>	<b>(1,109,223)</b>
<b>Transfers to/(from) Earmarked reserves</b>										
(Surplus added to Reserves) / Deficit taken from Reserves	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	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)									
<b>Opening Reserve Balance (at 1st April)</b>	<b>(468,062)</b>	<b>(219,648)</b>	<b>(32,729)</b>	<b>(79,492)</b>	<b>(90,242)</b>	<b>(86,995)</b>	<b>(54,039)</b>	<b>(86,988)</b>	<b>(130,080)</b>	<b>(169,378)</b>
<b>Closing Reserve Balance (carried forward)</b>	<b>(219,648)</b>	<b>(32,729)</b>	<b>(79,492)</b>	<b>(90,242)</b>	<b>(86,995)</b>	<b>(54,039)</b>	<b>(86,988)</b>	<b>(130,080)</b>	<b>(169,378)</b>	<b>(218,867)</b>
Closing Reserves forecast as % of net expenditure (Target = 10%)	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