

WTF126
FOR DECISION
WARD(S): GENERAL

WINCHESTER TOWN FORUM (COUNCILLORS' MEETING)

13 January 2009

WINCHESTER TOWN ACCOUNT BUDGET 2009/10

REPORT OF HEAD OF FINANCE

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RECENT REFERENCES:

WTF118 – Winchester Town Account Financial Strategy 2009/10 - 2013/14, 9 October 2008

CAB1727 – General Fund Budget, 15 October 2008

CAB1738 – Capital Programme 2008/09-2013/14, 15 October 2008

SO79 – Consultation on Options for the General Fund Budget 2009/10, 10 November 2008

WTF121– Winchester Town Account Budget 2009/10, 26 November 2008

EXECUTIVE SUMMARY:

This report provides a summary of the Winchester Town revenue projections for the period 2008/09 to 2013/14.

RECOMMENDATIONS:

That the Town Forum:

1. notes the Revised Estimates for the Town Account for 2008/09,
2. considers the detailed budget for 2009/10 and the indicative projections for the strategy period, and
3. makes recommendations to the Cabinet on the budget and the level of council tax to be set within the Winchester Town area for 2009/10.

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1 Introduction

1.1 The Council's financial strategy as set out in report CAB1663 (9 July 2008) provides guidance and key budget principles to be applied in setting the Council's budgets.

1.2 The Financial Strategy for the Winchester Town Account (WTF118) adopts the principles of the Council's financial strategy, and includes the following agreed budget principles for the Winchester Town Budget:

- The revenue budget for the forthcoming year will be balanced – this may include Revenue contributions to specific reserves for future extraordinary spending plans, and/or releases from specific reserves to fund such items
- Reserves will not be used to fund annual, recurring expenditure
- Earmarked reserves will only be created where there are specific future spending plans
- Income from fees and charges will be optimised
- Capital and Revenue grant applications which impact on the Town Centre will go through a rigorous assessment process prior to being considered in detail by an informal sub-group of the Town Forum. This sub-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
- Growth proposals will not create a revenue deficit in future financial years
- Value for money and efficiency savings will be sought at every opportunity
- The Town Tax increase will not take the total for the Council above any capping constraints set by Government

1.3 The Council's General Fund budget will be considered by the Cabinet on 11 February 2009 following a period of consultation with various bodies including; all Scrutiny panels, Principal Scrutiny Committee, parish and town councils, and the business community and LSPs. The Forum is reminded that the Winchester Town budget is set by the City Council and therefore any recommendations from the Forum are subject to approval by full Council.

1.4 This report presents the current financial projections for the Town Account and financial sensitivities, in order that recommendations can be made to

Cabinet on the budget and the level of council tax to be set within the Winchester Town area for 2009/10.

2 Revised Budget 2008/09

- 2.1 The Revised budget for 2008/09 is detailed in Appendix 1.
- 2.2 The forecast net surplus to be added to reserves has reduced from £31,000 to £21,000, mainly because of higher grounds maintenance costs than anticipated when the Original Budget was set.
- 2.3 Fund balances brought forward in 2008/09, reflecting the 2007/08 outturn position, are £65,000 compared with an Original Budget of £70,000.

3 Revenue Budget 2009/10

- 3.1 The Revenue budget projections are presented at Appendix 1. These have been prepared in accordance with the Council's main budgeting assumptions and in accordance with the key budget principles previously agreed by the Town Forum in the Financial Strategy for the Winchester Town Account.
- 3.2 Since the Town Forum considered the initial projections in November some items have been updated; contract inflation is now assumed at 3% as opposed to 5%, reflecting RPI at December 2008; income for pitch hire and allotments has been reviewed and updated; and the capital financing effect of the capital growth items has been fully included. Recharges remain as per the 2008/09 baseline assumptions, final allocations will not be known until budgets are finalised.
- 3.3 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. The impact on the projections arising from the baseline assumptions can be seen at Appendix 2.
- 3.4 Growth and savings options are included in Appendix 3 (Revenue) and Appendix 4 (Capital).
- 3.5 Since the Forum considered growth and savings in November, 2 further items have been added:
 - a) Grants Budget - The baseline budget assumption is £25,000 per annum. Grant proposals for 2009/10, would require an annual increase of £16,760 (WTF124 elsewhere on this agenda). To fund this would require a 2.2% (+£1.21 band D equivalent) increase in tax in 2009/10.
 - b) Urban Neighbourhood Plans - (per WTF115 -Oct 2008) the Town Forum discussed whether to consider setting aside some funding for this purpose – nothing has yet been assumed in the projections.

4 Fund Balance

4.1 The Winchester Town Account reserve is targeted to be maintained at a level of approximately 10% of the total annual expenditure on the Town Account, to allow for inherent uncertainty in the projections. For 2009/10 the opening balance is forecast to achieve this target of 10% of net expenditure for the year.

5 Tax

5.1 Tax Base - The forecast tax base for the Winchester Town area is now reflected in the estimates at £14,005.38 in 2009/10. For the purposes of the financial projections no increase has been assumed for subsequent years.

5.2 Effect of increases to tax – A 1% per annum increase in the tax rate at Band D would raise an additional £7,709 per annum.

5.3 The projections include illustrative Council Tax increases over the Strategy period of 4%, and show that to achieve a balance budget for 2009/10 would require a tax rate of 4.2%.

5.4 Increases in the Town precept have a direct impact on the overall tax for the City Council. The table following illustrates the maximum increases the Town could adopt whilst remaining within the capping levels of 5%:

ILLUSTRATIVE MAXIMUM TAX INCREASES		
District*	Town (max)	Total (CAP)
3%	20%	5%
4%	13%	5%
5%	5%	5%

*calculations include the forecast Council tax base for the Town and the District.

5.5 The following table shows the impact on tax at Band D and additional income for each of the above maximum increases:

	Tax Band D (£)	Total	Additional income
2008/09	£ 55.04	£ 770,776	
20%	£ 66.05	£ 925,027	£ 154,251
12%	£ 61.64	£ 863,359	£ 92,583
5%	£ 57.79	£ 809,399	£ 38,623

6 Risk/uncertainty/sensitivity

- 6.1 The Council's budget and projections will be influenced by various factors that cannot be quantified or assessed fully at this stage and these may impact on the Town Account projections. The Town Account maintains a reserve to help mitigate against uncertainties if they arise over the course of the financial year. The final decision on the City Council's budget for 2009/10 may impact on the Town budget as a result of the interrelationship between aspects of spending at a Town and District level as it does in parished areas.

OTHER CONSIDERATIONS:

7 CORPORATE STRATEGY (RELEVANCE TO):

- 7.1 Although there are no specific references in the current Corporate Strategy the need to make the best use of all available resources by continued clear financial planning within the City Council is an integral part of the Council's policies.

8 RESOURCE IMPLICATIONS:

- 8.1 As detailed in the body of the report.

BACKGROUND DOCUMENTS:

Working papers in the Finance Division

APPENDICES:

Appendix 1: Winchester Town Revenue Projections 2008/09 – 2013/14

Appendix 2: Budget Baseline Changes – effects on the Town Account

Appendix 3: Revenue Growth and Savings Options impacting on the Town Account

Appendix 4: Capital Growth Options – Town Account

WINCHESTER TOWN ACCOUNT- REVENUE PROJECTIONS 2008/09 - 2013/14

Assumptions	2008/2009 Original	2008/2009 Revised	2009/10 Original	2010/11 Forecast	2011/12 Forecast	2012/13 Forecast	2013/14 Forecast
2008/09 levels have been assumed pending budget decisions which may also impact on the Town Account							
Management overheads/ recharges							
Contract inflation			3%	3%	3%	3%	3%
Electricity & Gas			30%	5%	5%	5%	5%
Income increases-cemeteries & pitch hire only			5%	5%	5%	5%	5%
Percentage increase in tax			4.1575%	4%	4%	4%	4%
Tax Base	14,003	14,003	14,005.38	14,005	14,005	14,005	14,005

	2008/2009 Original	2008/2009 Revised	2009/10 Forecast	2010/11 Forecast	2011/12 Forecast	2012/13 Forecast	2013/14 Forecast
Expenditure	£	£	£	£	£	£	£
Recreation Grounds & Open Spaces (Proportion)	549,370	557,594	547,954	556,376	565,032	573,929	583,074
Cemeteries	47,150	48,569	46,187	43,668	40,966	38,070	34,967
Community Wardens (Contribution)	45,000	45,000	45,000	45,000	45,000	45,000	45,000
Grants	30,310	30,310	25,000	25,000	25,000	25,000	25,000
Footway Lighting	36,220	35,813	35,849	36,099	36,361	36,636	36,925
Bus Shelter Cleaning	12,670	12,670	12,670	12,670	12,670	12,670	12,670
Town Forum Support	13,150	13,150	13,150	13,150	13,150	13,150	13,150
Christmas Lights	11,280	11,275	13,775	13,775	13,775	13,775	13,775
Allotments	(1,870)	(1,520)	(1,550)	(1,650)	(1,750)	(1,850)	(1,950)
Total Baseline Expenditure	743,280	752,861	738,035	744,088	750,204	756,380	762,611
Options							
Revenue Expenditure Growth/(Savings) Options-see Appendix 3			74,260	74,260	74,260	74,260	74,260
Income Growth/(Savings) Options -see Appendix 3			(6,000)	(6,000)	(6,000)	(6,000)	(6,000)
Capital Growth bids - Financing-see Appendix 4			0	0	0	0	3,380
Total Annual net Recurring Expenditure before one-off items			806,295	812,348	818,464	824,640	834,251
One-off expenditure-funded from Reserves							
Revenue Expenditure Growth/(Savings) Options-see Appendix 3			10,000	0	0	0	0
Capital Growth bids - Financing-see Appendix 4			5,000	0	0	0	0
Total Net Expenditure	743,280	752,861	821,295	812,348	818,464	824,640	834,251
Funding							
Proceeds of Council Tax	(770,700)	(770,700)	(802,904)	(836,285)	(871,054)	(907,268)	(944,987)
Interest on Balances	(3,710)	(3,260)	(3,391)	(3,391)	(3,391)	(3,391)	(3,391)
Total funding	(774,410)	(773,960)	(806,295)	(839,676)	(874,445)	(910,659)	(948,378)
Reserves							
(Surplus added to Reserves) / Deficit taken from Reserves	(31,130)	(21,099)	15,000	(27,329)	(55,981)	(86,019)	(114,128)
Opening Fund Balance (at 1st April)	(70,010)	(64,550)	(85,649)	(70,649)	(97,978)	(153,958)	(239,977)
Closing Fund Balance (carried forward)	(101,140)	(85,649)	(70,649)	(97,978)	(153,958)	(239,977)	(354,105)
Opening Reserves as % of net expenditure	9%	9%	10%	9%	12%	19%	29%

TAX							
Tax at Band D	£55.04	£55.04	£57.33	£59.71	£62.19	£64.78	£67.47
Increase over previous year (£)			£2.29	£2.38	£2.48	£2.59	£2.69

Sensitivity							
£' required to maintain 10% reserves			(3,520)	10,586	(16,131)	(71,494)	(156,552)
Council tax % increase required to fund £10,000 expenditure			1.30%				
Council tax £ increase required to fund £10,000 expenditure			£0.71				
+/- 1% increase in Council Tax (£'s)			£7,709				
Band D equivalent (£) per +/- 1% increase in Council Tax			£0.55				

WINCHESTER TOWN ACCOUNT - BUDGET BASELINE CHANGES

INFLATION ON CONTRACTS

Contractual commitments		<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>	<u>Total</u>
		<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Recreation Grounds & Open Spaces	Contract, electricity and rates inflation	10,463	9,507	9,795	10,094	10,400	50,259
Cemeteries	Contract and rates inflation	2,860	2,877	2,964	3,053	3,145	14,899
Footway Lighting	Electricity inflation	1,152	250	262	275	289	2,228
Christmas Lights	Contract inflation	2,500	0	0	0	0	2,500
Total Winchester Town Contract Inflation		16,975	12,634	13,021	13,422	13,834	69,886

INFLATION ON INCOME

Income		<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>	<u>Total</u>
		<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Sports Pitches Income	Fees-Inflation	(1,300)	(1,085)	(1,139)	(1,197)	(1,256)	(5,977)
Cemeteries Income	Fees-Inflation	(5,140)	(5,396)	(5,666)	(5,950)	(6,247)	(28,399)
Total Winchester Town Income Inflation		(6,440)	(6,481)	(6,805)	(7,147)	(7,503)	(34,376)

GROWTH/SAVINGS OPTIONS FOR TOWN ACCOUNT
REVENUE EXPENDITURE GROWTH / (SAVINGS) OPTIONS

<u>Proposal</u>			<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>	<u>Total</u>
			£	£	£	£	£	£
Christmas Lights	Higher anticipated costs upon contract renewal starting Xmas 2009. (50% Town)	Unavoidable	2,500	2,500	2,500	2,500	2,500	12,500
Tree Care	Tree care maintenance (50% Town)	Possible	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(25,000)
Public Conveniences	50% Local funding of public conveniences by Town Forum and Parish Councils (80% Town)	Possible	40,000	40,000	40,000	40,000	40,000	200,000
Theatre Royal Winchester	Assign 10% of the grant provided to Winchester Town A/C	Possible	20,000	20,000	20,000	20,000	20,000	100,000
Revenue Grants	Increase in proposed grant awards (per WTF124 elsewhere on agenda)	Possible	16,760	16,760	16,760	16,760	16,760	83,800
Urban Neighbourhood Plans	Community Plans (per WTF115 Oct meeting)	Possible	Town Forum to consider setting aside a sum					0
Total Winchester Town Recurring Revenue Expenditure Growth / (Savings)			74,260	74,260	74,260	74,260	74,260	371,300
<u>One-off Revenue Expenditure to be funded from Reserves</u>								
Winchester City Centre 20mph speed limit	Review by HCC of key one-way streets-initial results expected Dec 2008	Possible	10,000	0	0	0	0	10,000
Total Winchester Town One-off Expenditure to be funded from Reserves			10,000	0	0	0	0	10,000

INCOME GROWTH / (SAVINGS) OPTIONS

<u>Proposal</u>			<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>	<u>Total</u>
			£	£	£	£	£	£
Cemeteries Income	Increased income above 5% inflation	Possible	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)	(30,000)
Total Winchester Town Income Growth / (Savings) Options			(6,000)	(6,000)	(6,000)	(6,000)	(6,000)	(30,000)

CAPITAL PROGRAMME GROWTH BIDS affecting the Town Account through capital financing

<u>Proposal</u>		<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>	<u>Total</u>
		<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Magdalen Hill Cemetery	Extension to include detailed design work, construction and landscape work	5,000	0	30,000	10,000	0	45,000
Total Capital Growth		0	5,000	0	30,000	10,000	45,000

Revenue Consequences on Town Account

<u>Proposal</u>		<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>	<u>Total</u>
		<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Magdalen Hill Cemetery	Capital Financing -see note below	5,000	0	0	0	3,380	8,380
Total Capital Financing		0	5,000	0	0	3,380	8,380