

WINCHESTER TOWN FORUM (COUNCILLORS' MEETING)

26 January 2011

WINCHESTER TOWN ACCOUNT BUDGET 2011/12

REPORT OF HEAD OF FINANCE

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RECENT REFERENCES:

[CAB 2111: General Fund Budget 2011/12 - Progress Report, 19 January 2011](#)

[CAB2087: Council Tax Base 2011/12, 8 December 2010](#)

[WTF148: Winchester Town Account Budget 2011/12, 24 November 2010](#)

[CAB2078: General Fund Budget Consultation 2011/12, 10 November 2010](#)

[WTF147: Winchester Town Account Financial Strategy 2011/12 to 2014/15 - 6 October 2010](#)

EXECUTIVE SUMMARY:

This report presents the current financial projections for the Town Account for the period 2010/11 to 2014/15 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 2011/12.

RECOMMENDATIONS:

That the Town Forum:

1. considers the detailed budget for 2011/12 and the indicative projections for the strategy period, and
2. makes recommendations to the Cabinet on the budget to be set for the Winchester Town area for 2011/12

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1 Introduction

- 1.1 The Council's financial strategy as set out in report [CAB2038](#) (9 July 2010) 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 ([WTF147](#)) 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 (*but see below*).
 - 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 options have been consulted on and the Government has now announced the provisional grant settlements (see [CAB2111](#)).
- 1.4 There remain a number of items that have yet to be finalised, but with the exception of the letting of the Waste Management contract, these are not expected to impact on the Town Account.
- 1.5 The final Budget proposals will be considered by the Cabinet on 9 February 2011. 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 full Council in February.

- 1.6 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 within the Winchester Town area for 2011/12.

2 Revenue Budget 2011/12

- 2.1 The Town Forum considered budget options at its meeting in November 2010. The revenue budget projections are presented at Appendix 1. There are two additional growth options shown below (2.2 & 2.3). 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.
- 2.2 The first additional growth option of £16,000 relates to the proposed conversion of play areas at Sarum Close and Firmstone Road to alternative community use, presented elsewhere on the agenda (WTF149 refers).
- 2.3 The second additional growth option of a net £7,800 for a new septic tank at Magdalen Hill Cemetery. Due to the condition of the current tank it is emptied on a weekly basis at a cost of £2,400 per annum. The installation of a new Septic Tank would cost £10,000 but the recurring cost of emptying would reduce to £200 per annum, giving a recurring saving of £2,200 per annum. The life of the tank is c30 years, with a payback period of less than four years.
- 2.4 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.
- 2.5 Appendix 2 contains items of growth identified by officers following the discussions of the Informal Budget Sub-group led by the Chairman of the Town Forum.
- 2.6 The Town Forum budget has in the past provided a proportion of the Council's grants to voluntary organisations working in the Town area. At the time of writing the grants programmes for 2011/12 are under review (see report on "moving to a commissioning approach" elsewhere on this agenda, WTF153 refers). As presented in the budget options consultation paper an overall reduction to the total grants budget is being proposed. However, despite this change in approach there will still be a need, and an opportunity, for the Town Forum to offer grant support, particularly in view of the fact that the two priority neighbourhoods identified in the new Community Strategy for the coming three years (and which will therefore continue to benefit from commissioned initiatives) are in Winnall and Stanmore.
- 2.7 In respect of Refuse, Recycling, Garden Waste, Street Cleaning, Grounds Maintenance etc the Council has entered into joint procurement and contract management arrangements with East Hampshire District Council. Tenders for the services have now been received, for a new contract to start from 1 October 2011. The tenders have been evaluated and the results will be reported to the next meeting of the EHDC/WCC Joint Environmental Services

Committee on 31 January 2011, which has the delegated authority to let the contract provided it is within the previously agreed budget. It will then be possible to confirm any further budget savings achieved as a result of the procurement process (see CAB2082). The budget forecast in Appendix A assumes a 5% saving from 1 October 2011. In the event that there are any further savings achieved, it is proposed that this is used to replenish reserves in 2011/12 and that the full future implications are considered further as part of the budget setting process for 2012/13.

3 Capital Expenditure

- 3.1 The capital expenditure plans relating to the Town Account are provided at Appendix 3 and the revenue implications are reflected in the projections at Appendix 1.
- 3.2 A review of open space funding showed that the original 5 year play area plan from 2010/11 was no longer affordable. A revised play area plan of £145,000 is proposed (WTF149 refers), to be funded by the Open Space Fund. This will form part of the revised capital programme recommendations at February 2011 Cabinet.

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. The forecast balance at the end of 2010/11 is 3%, rising to 6% by the end of 2014/15. The implications of the current projections are that there may be insufficient balances available to fund one-off projects.
- 4.2 Consideration should also be given to achieving a reserve level of 10%, in line with the strategy.

5 Council Tax

- 5.1 The Council Tax Base for the Winchester Town area is now reflected in the estimates at 14,157.94 in 2011/12. This represents an increase of 76.28 (0.005%). For the purposes of the financial projections no increase has been assumed for subsequent years.
- 5.2 The Government have announced an intention that council tax bills will be frozen next year. In accordance with the General Fund Financial Strategy, approved in July, the baseline assumption is that Council Tax will be frozen at 2010/11 levels. This will also apply to the Winchester Town Account.
- 5.3 To facilitate this, a new grant scheme will be open to all billing and major precepting authorities which decide to freeze or reduce their council tax next year; they will receive additional funding in 2011-12, equivalent to raising their 2010-11 council tax by 2.5 per cent. This has been calculated at £173,000 for the District of which £22,000 is included in the forecasts for the Town Account

- 5.4 The Spending Review also commits to providing authorities with additional funding in future years to 'lock in' the benefits of the one year freeze and help ensure council tax payers will not face subsequent excessive increases.

OTHER CONSIDERATIONS:

6 SUSTAINABLE COMMUNITY STRATEGY AND CORPORATE BUSINESS PLAN (RELEVANCE TO):

- 6.1 In order that limited resources are matched most appropriately to the Council's priorities the budget options should be considered in the context of the Winchester District Sustainable Community Strategy and the draft Change Plans.
- 6.2 The Winchester Town Account Financial Strategy is aligned with the Council's Financial Strategy, and its budget is set within this framework.

7 RESOURCE IMPLICATIONS:

- 7.1 As detailed in the body of the report.

8 RISK MANAGEMENT ISSUES

- 8.1 The budget for next year and the forward projections will be influenced by various factors that cannot be quantified or assessed fully at this stage.
- 8.2 The Town Account maintains a reserve to help mitigate against uncertainties if they arise over the course of the financial year although this has been substantially depleted and should be replenished. The final decision on the City Council's budget for 2011/12 may impact on the Town budget as a result of the interrelationship between aspects of spending at a Town and District level.

BACKGROUND DOCUMENTS:

Working papers in the Financial Services Team (excluding exempt information relating to tenders and contracts)

[Minutes](#) of the Town Forum meeting on 24 November 2010

APPENDICES:

Appendix 1: Winchester Town Revenue Projections 2010/11 – 2014/15

Appendix 2: Expenditure Growth & Savings/Reduced Income Options for the Town Account

Appendix 3: Capital Programme extract for the Town area

Appendix 1

WINCHESTER TOWN ACCOUNT- REVENUE PROJECTIONS 2010/11 - 2014/15

<u>Assumptions</u>	2010/11	2011/12	2012/13	2013/14	2014/15
	Revised per CAB2057	Original	Forecast	Forecast	Forecast
2010/11 levels have been assumed pending budget decisions which may also impact on the Town Account					
<i>Management overheads/ recharges</i>					
<i>Contract inflation</i>		4.0%	4.0%	4.0%	4.0%
<i>Utilities</i>		4.0%	4.0%	4.0%	4.0%
<i>Contractual Expenditure - Waste Project (Savings)</i>		-2.5%	-2.5%		
<i>Percentage increase in tax</i>	6.30%	0.0%	0.0%	0.0%	0.0%
<i>Tax Base</i>	14,081.66	14,157.94	14,157.94	14,157.94	14,157.94
	2010/11 Revised	2011/12 Forecast	2012/13 Forecast	2013/14 Forecast	2014/15 Forecast
<u>Expenditure</u>	£	£	£	£	£
Recreation Grounds & Open Spaces *	553,962	570,386	575,299	587,498	600,186
Maintenance Work to Council Owned Bridges	23,608	15,000	15,000	0	0
Support Costs to Council Owned Bridges	0	1,000	1,000	0	0
Cemeteries *	44,686	48,281	50,156	54,582	60,785
Community Wardens (Contribution)	45,000	45,000	45,000	45,000	45,000
Grants	51,813	41,813	41,813	41,813	41,813
Footway Lighting	26,401	26,275	26,503	26,741	26,988
Bus Shelter Cleaning & Maintenance	10,970	10,970	10,970	10,970	10,970
Town Forum Support	5,595	5,595	5,595	5,595	5,595
Christmas Lights	14,936	14,640	14,640	14,640	14,640
Allotments	(1,018)	(1,624)	(1,624)	(1,624)	(1,624)
Public Conveniences (Contribution)	50,000	50,000	50,000	50,000	50,000
Theatre Royal (Contribution)	20,000	20,000	20,000	20,000	20,000
Urban Neighbourhood Plans	1,500	0	0	0	0
Grit Bins	4,000	0	0	0	0
Total Baseline Expenditure *	851,453	847,336	854,352	855,215	874,352
<u>OPTIONS-See Appendix 2</u>					
Revenue Expenditure Growth - Grit Bins		2,000	2,000	2,000	2,000
Revenue Expenditure Growth - Playgrounds		16,000	0	0	0
Revenue Expenditure Savings - New Cesspool		(2,200)	(2,200)	(2,200)	(2,200)
Reduced Income Option -Cemetery Income		15,000	15,000	15,000	15,000
Total Annual net Recurring Expenditure befc	851,453	878,136	869,152	870,015	889,152
<u>One-off expenditure - funded from Reserves</u>					
Revenue Expenditure Growth-20mph Speed Limit		10,000	0	0	0
New Cesspool		10,000			
Total Net Expenditure *	851,453	898,136	869,152	870,015	889,152

Appendix 1**WINCHESTER TOWN ACCOUNT- REVENUE PROJECTIONS 2010/11 - 2014/15**

	2009/10 Outturn	2010/11 Original	2010/11 Revised	2011/12 Forecast	2012/13 Forecast	2013/14 Forecast	2014/15 Forecast
	£	£	£	£	£	£	£
Funding							
Proceeds of Council Tax	(807,857)	(863,506)	(863,506)	(868,165)	(868,165)	(868,165)	(868,165)
Council Tax Freeze Funding (2.5%)	0	0	0	(21,704)	(21,704)	(21,704)	(21,704)
Interest on Balances	(548)	0	0	(224)	(143)	(352)	(554)
Total Funding	(808,405)	(863,506)	(863,506)	(890,093)	(890,012)	(890,221)	(890,423)
Reserves							
(Surplus added to Reserves) / Deficit taken from Reserves	44,460	(35,661)	(12,053)	8,043	(20,860)	(20,206)	(1,271)
Opening Fund (Balance) / Deficit - at 1st April	(54,773)	35,661	(10,313)	(22,366)	(14,323)	(35,183)	(55,389)
Closing Fund Balance (carried forward)	(10,313)	(0)	(22,366)	(14,323)	(35,183)	(55,389)	(56,660)
Closing Reserves forecast as % of net expenditure	1%	0%	3%	2%	4%	6%	6%
TAX							
Tax at Band D	57.68	£61.32	£61.32	£61.32	£61.32	£61.32	£61.32
Increase over previous year (£)				£0.00	£0.00	£0.00	£0.00
Sensitivity							
£'s required to maintain 10% reserves				67,447	72,592	51,819	33,526
Council tax % increase required to fund £10,000 expenditure				1.15%			
Council tax £ increase required to fund £10,000 expenditure				£0.71			
+/- 1% increase in Council Tax (£'s)				8,682			
Band D equivalent (£) per +/- 1% increase in Council Tax				£0.61			

* To note that the Total Net Expenditure has been set using a forecast Waste Management Contract saving of 5%. This is a provisional forecast and as such is still to be finalised.

Appendix 2REVENUE EXPENDITURE GROWTH /REDUCED INCOME OPTIONS FOR WINCHESTER TOWN ACCOUNTEXPENDITURE GROWTH/(SAVINGS) OPTIONS

<u>Title</u>	<u>Description</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>	<u>Total</u>
		<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Grit Bins	Maintain and stock extra grit bins provided by the City Council in the 2010/11 budget	2,000	2,000	2,000	2,000	8,000
20mph Speed Limit	Re-introduction of the one -off £10k budget removed in 2009/10 to Investigate the introduction of 20mph speed limit following staff changes and a budgetary review at Hampshire County Council	10,000	0	0	0	10,000
New Septic Tank - purchase	Due to the poor condition of the current Septic Tank at Magdalen Hill it is proposed to install a new one (See 2.3 of the report)	10,000	0	0	0	10,000
New Septic Tank - recurring savings	Annual recurring saving from reduced emptying	(2,200)	(2,200)	(2,200)	(2,200)	(8,800)
Playgrounds (WTF143 refers)	Conversion of play areas at sarum Close and Firmstone Road to alternative community use	16,000	0	0	0	16,000
Total Expenditure Growth / (Savings)		35,800	(200)	(200)	(200)	35,200

REDUCED INCOME OPTION

<u>Title</u>	<u>Description</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>	<u>Total</u>
		<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Cemetery Income	Shortfall in cemetery income despite fees being increased by 5.25% in 2010/11	15,000	15,000	15,000	15,000	60,000
Total Reduced Income		15,000	15,000	15,000	15,000	60,000

Appendix 3

CAPITAL PROGRAMME EXTRACT FOR THE TOWN AREA

<u>Title</u>	<u>Description</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>	<u>Total</u>
		£	£	£	£	£
Magdalen Hill Cemetery	Extension to include detailed design work, construction and landscape work	10,000	30,000	0	0	40,000
Total Capital		10,000	30,000	0	0	40,000

Revenue Consequences on Town Account of above

<u>Title</u>	<u>Description</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>	<u>Total</u>
		£	£	£	£	£
Magdalen Hill Cemetery	Assumed operational in 2013/14 and depreciation calculated over 25 years	0	0	1,600	1,600	3,200
Total Capital Financing		0	0	1,600	1,600	3,200

CAPITAL GROWTH OPTION (WTF143 refers) (funded by Open Space Fund)

PLAY AREAS-PROPOSED PLAN

<u>Title</u>	<u>Description</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>	<u>Total</u>
		£	£	£	£	£
Stanmore Recreation Ground	Replace items of equipment as required	15,000	0	0	0	15,000
Nursery Gardens, Fulflood	Refurbishment due (consult local group)	10,000	0	0	0	10,000
North Walls Skate Park	Complete refurbishment required	45,000	0	0	0	45,000
Imber Road, Winnall	Replace items of equipment as required	0	20,000	0	0	20,000
Monarch Way, Stanmore	Replace items of equipment as required	0	0	20,000	0	20,000
Orams Arbour, Fulflood	Replace items of equipment as required	0	0	0	35,000	35,000
Total Capital Growth		70,000	20,000	20,000	35,000	145,000