

WINCHESTER TOWN FORUM

5 October 2011

WINCHESTER TOWN ACCOUNT FINANCIAL STRATEGY 2012/13 TO 2014/15

REPORT OF HEAD OF FINANCE

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RECENT REFERENCES:

[WTF147:WTA Financial Strategy 2011/12-2014/15](#) – 6 October 2011

[WTF152: Winchester Town Account Budget 2011/12 - 26 January 2011](#)

[CAB2125: Budget and Council Tax 2011/12 - 9 February 2011](#)

[CAB2175: Revenue Outturn 2010/11 - 6 July 2011](#)

[CAB2202: Financial Strategy 2012/13 to 2014/15](#) - 6 July 2011

EXECUTIVE SUMMARY:

This report presents the proposed financial strategy for the Winchester Town Account for 2012/13 to 2014/15, and provides the financial outturn position for the Town Account for 2010/11 for information.

RECOMMENDATIONS:

1. That the Town Forum approves the Winchester Town Account Financial Strategy for 2012/13 – 2014/15.
2. That the 2010/11 outturn on the Winchester Town Account be noted.

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REPORT OF HEAD OF FINANCE

1 Introduction

- 1.1 A revision of the terms of reference for the Winchester Town Forum (WTF) in 2007 gave the Forum a greater role in developing the Town Account Budget.
- 1.2 To help it fulfil this role, the Town Forum set up the Winchester Town Account Informal Group to give early consideration to budget setting issues.
- 1.3 In 2007 the work of this group led to the development of a Financial Strategy for the Winchester Town Account. The overall objective of the Winchester Town Account Financial Strategy is to support the Town Forum in fulfilling its role in respect of the Town Account Budget.
- 1.4 The Financial Strategy approved in 2010 has been reviewed by the Informal Group at its meeting in September 2011 and the proposed Winchester Town Account Financial Strategy for 2012/13 to 2014/15 is presented at Appendix 2 for consideration and approval.
- 1.5 The Winchester Town Reserve opening balance at 1 April 2011 was £122,280 and the forecast balance at 31 March 2012 is £117,606, therefore meeting the strategy target of 10% of net expenditure.

2 2010/11 Outturn

- 2.1 The Revenue Outturn for 2010/11, reported to Cabinet in July ([CAB2175](#) refers) included the details of the Town Account outturn. The relevant comment was:

Winchester Town

Town expenditure in the year was £751,640, which was £99,813 lower than the Revised Budget. The favourable variances have increased the Town Account Earmarked Reserve closing balance to £122,280. Within the requests for GF revenue expenditure budgets to be carried forward is £47,882 relating to the Town Account, leaving a net underspend after carry forwards of £51,931. This has mainly resulted from lower than budgeted expenditure within Recreation Grounds & Open Spaces and Cemeteries.

(Detail is provided at Appendix 1)

OTHER CONSIDERATIONS:3 SUSTAINABLE COMMUNITY STRATEGY & CHANGE PLANS
(RELEVANCE TO):

- 3.1 The Financial Strategy is an integral part of the Council's Corporate Planning Framework and is driven by what the Council is seeking to achieve which is led by the District's Sustainable Community Strategy.
- 3.2 The Winchester Town Account Financial Strategy is aligned with the Council's Financial Strategy.

4 RESOURCE IMPLICATIONS:

- 4.1 As detailed in the body of the report.

5 RISK

- 5.1 This is considered in the draft strategy at paragraph 7.

BACKGROUND DOCUMENTS:

Working papers in the Finance Division.

APPENDICES:

Appendix 1 Winchester Town Account Revenue Outturn 2010/11

Appendix 2 Winchester Town Account – proposed Financial Strategy 2012/13 to 2014/15

WINCHESTER TOWN ACCOUNT OUTTURN 2010/11

	2010/11 Original Budget	2010/11 Revised Budget	2010/2011 Outturn	Variance (Fav)/Adv		Carry Forward Request
	£	£	£	£		£
Expenditure						
Recreation Grounds & Open Spaces	553,962	553,962	522,792	(31,170)	1	
Maintenance Work to Council Owned Bridges	15,000	23,608	8,726	(14,882)	2	14,882
Cemeteries	39,686	44,686	21,254	(23,432)	3	5,000
Community Wardens (Contribution)	45,000	45,000	45,000	0		
Grants	41,813	51,813	27,813	(24,000)	4	24,000
Footway Lighting	26,401	26,401	32,836	6,435	5	
Bus Shelter Cleaning & Maintenance	10,970	10,970	4,476	(6,494)	6	
Town Forum Support	5,595	5,595	4,798	(797)		
Christmas Lights	14,936	14,936	13,899	(1,037)		
Allotments	(1,018)	(1,018)	(1,454)	(436)		
Public Conveniences (Contribution)	50,000	50,000	50,000	0		
Theatre Royal (Contribution)	20,000	20,000	20,000	0		
Urban Neighbourhood Plans	1,500	1,500	1,500	0		
Grit Bins	4,000	4,000	0	(4,000)	7	4,000
Total Expenditure	827,845	851,453	751,640	(99,813)		47,882
Funding						
Proceeds of Council Tax	(863,506)	(863,506)	(863,506)	0		
Interest on Balances	0	0	(101)	(101)		
Total Funding	(863,506)	(863,506)	(863,607)	(101)		
Reserves						
(Surplus added to Reserves) / Deficit taken from Reserves	(35,661)	(12,053)	(111,967)	(99,914)		
Opening Fund Balance (at 1st April)	35,661	(16,250)	(10,313)	5,937		
Closing Fund Balance (carried forward)	(0)	(28,303)	(122,280)	(93,977)		

Explanation of main variances

- Underspend within Premises made up of lower than budgeted: grounds maintenance materials & contract costs, tree care, and waterways
- Carry Forward of underspend required to cover works to North Walls tennis court & car park footbridges. These works are estimated to be £30k, with £15k already within the 2011/12 budget
 - Underspend within Premises due to lower than budgeted maintenance costs, lower than budget support services costs, and £5k of unspent consultancy budget requested to be carried forward to 11/12
 - Carry Forward requested of committed £20k grant to Winchester Dramatic Society (Chesil Theatre), and £4k contribution towards the Tower Arts Centre
 - Higher than budgeted maintenance & support services costs
 - Lower than budgeted cleaning & maintenance costs
 - Additional grit bins were not purchased in 2010/11 following a review of the requirements after confirmation from HCC over the positioning of their grit bins
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Winchester
City Council

Winchester Town Account
FINANCIAL STRATEGY

2012/13 TO 2014/15

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Winchester Town Account

Financial Strategy

2012/13 to 2014/15

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Appendix

A - Charges to the Winchester Town Account

Winchester Town Account

Financial Strategy 2012/13 to 2014/15

1 Introduction

Winchester Town Forum

- 1.1 Although Winchester City Council is the local authority for the whole 250 square mile area of Winchester District (serving over 112,000 people) the rural areas also have local community representation through Parish or Town Councils, or Parish Meetings. They provide a focus for the discussion of local issues and consideration of solutions. For the Winchester town area, there is not a similar elected body, so the City Council decided in 2002 to establish the Winchester Town Forum, to cover the six unparished Town wards. The membership of the Forum is the 18 Councillors who represent those wards.
- 1.2 A revision of its terms of reference in 2007 gave the Forum increased powers to better represent the Town area. This allows the Forum to act as a consultative and advisory body regarding issues which affect the town, such as commenting on the emerging Local Development Framework documents. It can also promote community engagement through consultation exercises and encourage the formation of community groups. It also considers projects financed by the Open Spaces Fund in the Town and makes recommendations to Cabinet or the Portfolio Holder.
- 1.3 The Forum has the power to draft and recommend a capital and revenue budget for the Town Account to Cabinet and Council. The Town Account typically includes grants to charities which principally serve the Town area, playground refurbishments and maintenance of parks and open spaces. Once the Town Account budget has been set, the Forum also has some discretion in its spending during the financial year.

Winchester Town Account

- 1.4 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 A.
- 1.5 As a consequence of the increased powers given to the Winchester Town Forum in 2007 members of the Town Forum proposed that a financial strategy be developed for the Town Account. This is aligned with the Council’s Financial Strategy.

The Council's Financial Strategy

- 1.6 The Council's Financial Strategy is part of the Council's Corporate Policy Framework and is key to the achievement of the Council's corporate priorities. It aims to provide a financial foundation for delivering the Council's policy objectives by enabling resourced Change Plans to be put in place.
- 1.7 The overall objective of the Council's Financial Strategy is to determine how the Council wants to structure and manage its finances for a rolling three year forward period and to ensure this fits with and supports the objectives and priorities of the Council. It aims to support the rational allocation of resources based on as full and transparent a picture as possible.
- 1.8 In determining the financial strategy for the Town Account, as for the Council, consideration is given to the following:
- Setting the baseline financial position over the three year planning horizon
 - Identifying what resources may be available and how these may be used
 - Establishing Key Budget Principles
 - Developing options to support service change and improvement
 - Determining how performance is to be managed and measured
 - Managing risk
 - Consultation

These are each considered in turn below.

2 Setting the Baseline

- 2.1 Setting the Baseline for the Town Account will be an integral part of the exercise for the whole Council, and will be set using common assumptions.
- 2.2 To enable the rational allocation of resources based on a full and transparent picture the Council's Financial Strategy baseline will reflect the financial implications of the current position over the planning period i.e. if the Council makes no changes to what it currently does:
- what resources will it have?
 - how much will it be spending?
 - what will be the budget gap or surplus?

- 2.3 The current position will be determined by taking into account all available information.
- 2.4 The following key assumptions will be used to set the baseline for the medium term forecasts for the Town Account:
- The forecast Council Tax rate will remain at 2011/12 levels and any proposed annual increase in the level of Council Tax will be considered in the final stages of setting the budget.
 - there will be an annual increase in the number of households in the town served by the Council with consequential increases in both expenditure and income

3 Identifying Financial Resources

- 3.1 The main drivers determining the forecast expenditure and income levels for the baseline position for the Council are; statutory requirements, service demands, quality of service to be provided, legislative changes, inflation, resources and funding sources.
- 3.2 Capping regulations prevent the Council increasing the Council Tax above the Government's advised level. Whilst the parish tax amounts are excluded from the capping calculations the Winchester Town tax is included. As well as the possibility of capping, regard must be had to the ability and desire of the Council Tax payers to finance services in this manner.
- 3.3 For 2011/12, the Council complied with a Government request for councils to freeze council tax, and received additional grant equivalent to a 2.5 per cent increase from the 2010-11 level of Council Tax. It is expected that this will be matched exactly in each subsequent year of the Spending Review to compensate for the income foregone for a freeze. Authorities will not have to continue to freeze or reduce their council tax from 2012-13 to continue to receive this grant.
- 3.4 Whilst it is comparatively easy to consider new or expanded initiatives and the resources needed to deliver these, it is often more difficult to review existing services in order to reduce or stop them and release resources.
- 3.5 In recognition of this the Town Forum will arrange for an informal members group as appropriate to examine the detail of the Town Account income and expenditure.
- 3.6 It is considered appropriate that the Winchester Town Account reserve should be maintained at a level of approximately 10% of the total annual net expenditure.
- 3.7 To ensure that the Town Account balance is maintained at an appropriate level, it will be necessary for the Town Forum to identify any significant one-off expenditure items and ideally to plan ahead, so that annual Revenue

contributions are stable, avoiding the need for “yo-yoing” council tax increases and ensuring that sufficient balances are available (and earmarked if necessary) to cover one off expenditure when incurred.

- 3.8 Capital expenditure appropriate to the Town Account has historically been included in the Council’s capital programme with capital financing costs being recharged to the Town Account in accordance with the Council’s accounting policies. However, where this is seen as a constraint the Town Forum may consider accumulating its own reserves, over a period for specific capital spending plans.

4 Key Budget Principles

- 4.1 A fundamental principle to be applied to the Strategy is that Members should seek to attain a balanced revenue budget. Accordingly, the following principles will be applied to the 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.

5 Developing Options to Support Service Change and Improvement

- 5.1 The Winchester Town Financial Strategy is in line with the Vision for Winchester Town and seeks to match Town priorities with resources.
- 5.2 The various options to deliver, improve and transform services will be accompanied by pressures to resource these options adequately. In some cases

there will be a clear choice between competing pressures, in others it will be more of a balancing act.

- 5.3 An integrated approach to spending and services required, identifying priorities and pressures for growth, should enable the Town Forum to consider options for future service requirements to align with the likely available funding. The key to this is the ability of Members to make choices about priorities, levels of spend and the level of Council Tax.

6 Managing and Measuring Financial Performance

- 6.1 Winchester Town Account expenditure and income is monitored and controlled throughout the year within the Council's budgetary control and management reporting procedures.
- 6.2 The Town Forum has the responsibility to consider the draft capital and revenue budget for the S35 Town Account each year and to make recommendations to Cabinet and Council.
- 6.3 At its November meeting it will consider;
- the Revised Estimate for the current year,
 - the medium term forecast,
 - proposals for growth and savings.
- 6.4 In January the Town Forum will agree the recommendations to be made to Cabinet and to Council.
- 6.5 Where appropriate the work of an informal members group (para. 3.4) will inform this process.

7 Managing Risk

- 7.1 In managing risk it is important that risks are recognised and dealt with appropriately. There are various types and level of risk that have to be considered. The most significant is setting an appropriate level of Council Tax to meet service demands and to maintain an adequate level of reserves. If at any point Town reserves are unable to meet one-off demands General Fund reserves would be used with a payback plan including capital financing charges.

8 Consultation

- 8.1 The Winchester Town Forum will hold an open budget meeting which will provide the opportunity for consultation on the budget proposals with the Winchester Town community.

9 **Links to Other Strategies**

9.1 The Winchester Town Account Financial Strategy is directly aligned with the Council's Financial Strategy which is designed to support the delivery of the Council's priorities.

10 **Conclusion**

10.1 The Winchester Town Account Financial Strategy has been developed to support effective financial planning for the Town Account. It will continue to evolve. It recognises that there are constraints to achieving all the aspirations that Members and citizens have for their area, but sets out a framework for decisions on priorities to be made in the knowledge of the Council's ability to finance them.

CHARGES TO 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. Community Wardens

Wardens 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 flytipping. They make sure that abandoned vehicles are dealt with quickly and resolve problems about the way open spaces are used. The Town's contribution is £45,000 in 2011/12 .

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

This relates to the costs for cleaning of bus shelters in the Town area.

8. Christmas lights in the Town (matching funding as per parishes)

These costs relate to the provision of 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. Theatre Royal

Assignment of 10 per cent of the grant to the Theatre Royal Winchester to the Town Account. The Town's contribution is £45,000 in 2011/12 .

11. Public Conveniences

50 per cent local revenue funding of public conveniences by Parish Councils and Town Account (11/12 £50,000). .

12. Bridge Maintenance (Non-recurring budget)

Urgent repairs to WCC owned bridges in the Winchester Town Area. £30,000 split equally between 2011/12 and 2012/13.

13. Grit Bins

£2,000 has been assigned by the town forum in 2011/12 onwards to provide for maintenance of grit bins in the town area.

14. 20mph Speed Limit (Non-recurring budget)

£10,000 has been assigned by the town forum in 2011/12 only.

15. Interest on Balances

Interest is credited to the account annually based on the balance at 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, the Historic Resources Centre, and the parks and playing fields listed above. Income from car parks and town centre property is credited to the whole District.