

WINCHESTER TOWN FORUM (COUNCILLORS' MEETING)

12 September 2012

WINCHESTER TOWN ACCOUNT FINANCIAL STRATEGY 2013/14 TO 2015/16

REPORT OF THE HEAD OF FINANCE

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RECENT REFERENCES:

WTF161: WTA Financial Strategy 2012/13-2014/15 – 5 October 2011

WTF165: Winchester Town Account Budget 2012/13 - 25 January 2012

CAB2297: Budget and Council Tax 2012/13 - 8 February 2012

CAB2343: Revenue Outturn 2011/12 - 13 June 2012

CAB2362: Financial Strategy 2013/14 to 2015/16 - 4 July 2012

EXECUTIVE SUMMARY:

This report presents the proposed financial strategy for the Winchester Town Account for 2013/14 to 2015/16, and provides the financial outturn position for the Town Account for 2011/12 for information.

RECOMMENDATIONS:

1. That the Town Forum approves the Winchester Town Account Financial Strategy for 2013/14 – 2015/16.
2. That the 2011/12 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 an informal member 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 2011 has been reviewed and the proposed Winchester Town Account Financial Strategy for 2013/14 to 2015/16 is presented at Appendix 2 for consideration and approval.
- 1.5 The Winchester Town Reserve opening balance at 1 April 2012 was £182,511 and the forecast balance at 31 March 2013 is £102,213, therefore meeting the strategy target of 10% of net expenditure.

2 2011/12 Outturn

- 2.1 The Revenue Outturn for 2011/12, reported to Cabinet in June (CAB2343 refers) included the details of the Town Account outturn. The relevant comment was:

Winchester Town

Town expenditure in the year was £830,908, which was £63,858 lower than the Revised Budget. The favourable variances have increased the Town Account Earmarked Reserve closing balance to £182,511. Within the requests for GF revenue expenditure budgets to be carried forward is £59,127 relating to the Town Account, leaving a net underspend after carry forwards of £4,731. This has mainly resulted from lower than budgeted expenditure within Recreation Grounds & Open Spaces balanced by higher expenditure within 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 Winchester District Community Strategy.
- 3.2 The Winchester Town Account Financial Strategy is aligned with the Council's Financial Strategy. Establishing and following the Strategy is important in delivering the corporate outcome of being an Efficient and Effective Council.

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 Team.

APPENDICES:

Appendix 1 Winchester Town Account Revenue Outturn 2011/12

Appendix 2 Winchester Town Account – proposed Financial Strategy 2013/14 to 2015/16

WINCHESTER TOWN ACCOUNT - 2011/12 OUTTURN

	Per CAB2175	Per CAB2125	Per CAB2211			
	2010/11 Outturn	2011/12 Original	2011/12 Revised	2011/2012 Outturn	Variance (Fav)/Adv	Carry Forward Request
<u>Expenditure</u>	£	£	£	£	£	£
Recreation Grounds & Open Spaces	522,792	586,386	583,925	536,698	(47,227)	1 15,576
Maintenance Work to Council Owned Bridges	8,726	15,000	29,882	8,090	(21,792)	2 3,395
Support Costs to Council Owned Bridges	0	1,000	1,000	652	(348)	
Cemeteries	21,254	71,081	24,206	90,064	65,858	3 5,000
Community Wardens (Contribution)	45,000	45,000	45,000	45,000	0	
Grants	27,813	41,813	65,813	25,108	(40,705)	4 30,000
Footway Lighting	32,836	26,275	29,797	32,239	2,442	
Bus Shelter Cleaning & Maintenance	4,476	10,970	10,970	7,282	(3,688)	
Town Forum Support	4,798	5,595	4,798	4,139	(659)	
Christmas Lights	13,899	14,640	14,740	7,722	(7,018)	
Allotments	(1,454)	(1,624)	(1,365)	(1,817)	(452)	
Public Conveniences (Contribution)	50,000	50,000	50,000	50,000	0	
Theatre Royal (Contribution)	20,000	20,000	20,000	20,000	0	
20mph Speed Limit	0	10,000	10,000	4,845	(5,156)	5 5,156
Urban Neighbourhood Plans	1,500	0	0	0	0	
Grit Bins	0	2,000	6,000	885	(5,115)	
Revised Forecast Environmental Contract Savings		(40,000)	0	0	0	
Total Net Expenditure	751,640	858,136	894,766	830,908	(63,858)	59,127
Funding						
Proceeds of Council Tax	(863,506)	(868,165)	(868,165)	(868,165)	(0)	
Council Tax Freeze Funding (2.5%)		(21,704)	(21,704)	(21,704)	0	
Interest on Balances	(101)	(224)	(224)	(1,270)	(1,047)	
Total Funding	(863,607)	(890,093)	(890,093)	(891,139)	(1,047)	
Reserves						
(Surplus added to Reserves) / Deficit taken from Reserves	(111,967)	(31,957)	4,673	(60,232)	(64,905)	
Capital Expenditure funded by Town Reserve						
Opening Fund Balance (at 1st April)	(10,313)	(22,366)	(122,280)	(122,280)	0	
Closing Fund Balance (carried forward)	(122,280)	(54,323)	(117,606)	(182,511)	(64,905)	

Explanation of Main Variances

- 1) Surplus of roundabout income not yet spent (£16k), Serco Rectification Income (£22k), other minor underspends (£9k) other net adverse variances such as new Environmental Services contract profiling - £10k
- 2) Lower than forecast expenditure on Town Bridges - Carry Forward Request of £3k
- 3) Higher than budgeted expenditure of £66k due to new Environmental Services contract arrangements. Firstly the profiling of the new contract is equal twelfths starting 01/10/11 whereas budget profiling was based on previous contract volumes. Secondly additional expenditure has taken place for one-off clearance of green waste (£15k). Carry Forward of £5k requested to Support Capital works.
- 4) Underspend of £41k - £30k relating to Town contribution to Chesil Theatre works (total £90k Council contribution). Remaining underspend due to uncommitted budget.
- 5) £5k underspend requested to be carried forward for the next pilot



Winchester
City Council

Winchester Town Account
FINANCIAL STRATEGY

2013/14 TO 2015/16

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Winchester Town Account Financial Strategy 2013/14 to 2015/16

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Appendix

A - Charges to the Winchester Town Account

Winchester Town Account

Financial Strategy 2013/14 to 2015/16

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 voluntary bodies and not-for-profit organisations which principally serve the Town area; playground refurbishments, and the 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 its aspiration to be an efficient and effective Council. 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, and to guide our approach to delivering efficiency improvements and organisational savings whilst protecting services to the public.
- 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;
 - Consideration of the three outcomes of the Winchester District Community Strategy;
 - Developing options to support service change and improvement;
 - The Council's programme of organisational development;
 - Determining how performance is to be managed and measured;
 - Managing risk and scenario planning; and
 - Consultation

These are considered further 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 2010/11 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 2012/13, 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 2011-12 level of Council Tax. This additional grant is for 2012/13 only and therefore will not be received in any subsequent years. This is unlike the additional grant for freezing Council Tax in 2011/12 is expected to be matched exactly in each subsequent year of the Spending Review to compensate for the income foregone for a freeze.

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 exceptional spending plans, and/or releases from specific reserves to fund such items.
 - Reserves will not be used to fund annual, recurring expenditure
 - Savings and income proposals will be sufficient to eliminate any projected deficit and to fund Growth proposals
 - Earmarked reserves will only be created where there are specific future spending plans
 - The Council will seek to optimise income from services and assets
 - Capital and Revenue grant applications to be funded in part or in total from the Town Account will go through an agreed preliminary assessment by officers, prior to being considered in detail by an informal sub-group of the Town Forum as part of the established corporate grants processes. 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. Town Forum will adopt clear application and evaluation criteria and for its own grants programme.
 - Growth proposals will not create a revenue deficit in future financial years without equivalent forward savings also being identified

- Growth, savings and income proposals will be considered in relation to the Council's corporate objectives and priorities
- 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 time and cost pressures. It will be necessary for service and performance levels to be managed both upwards and downwards.
- 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 & scenario planning

- 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. In the event that the Town Account balance was more than fully utilised (overspent) at the year end the effect would be that the General Fund Balance would be used to cover this on a temporary basis with repayment required as soon as possible.

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 adopted outcomes.

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.

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. Core Grants for Voluntary Organisations

Assignment of a proportion of the core grants allocated to voluntary organisations based in the Town Area to the Town Account. These include Theatre Royal Winchester, to which The Town's contribution is £20,000 in 2012/13.

11. Project Grants for Voluntary Organisations

In 2012/13, Town Forum agreed to allocate a sum of around £5,000 in future budgets to enable the Forum to award its own, one-off project grants (to a maximum of £500 per grant) to organisations based in the Town Area.

12. Public Conveniences

50 per cent local revenue funding of public conveniences by Parish Councils and Town Account (2012/13 £50,000).

13. Bridge Maintenance

General repairs to WCC owned bridges in the Winchester Town Area

14. Grit Bins

Revenue budget to provide for maintenance of grit bins in the town area.

15. 20mph Speed Limit (Non-recurring budget)

In 2012/13, a brought forward of £5,156 representing the residual balance of a one-off £10,000 budget assigned by the town forum in 2011/12.

16. Night Bus Contribution

17. Mobile Flashing Speed Signs

18. 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 at 4. Income from car parks and town centre property is credited to the whole District.