

REPORT TITLE: WINCHESTER TOWN ACCOUNT MEDIUM TERM FINANCIAL POSITION

24 NOVEMBER 2020

REPORT OF FINANCE MANAGER (STRATEGIC FINANCE)

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WARD(S): WINCHESTER TOWN

PURPOSE

To provide an update on the current budget setting options and considerations for the four year medium term period from 2021/22 to 2024/25. This planning will enable the Town Forum to recommend a budget and precept for 2021/22 to Cabinet in January 2021.

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. Consider any feedback to Cabinet in relation to the wider budget consultation.

## IMPLICATIONS:

### 1 COUNCIL PLAN 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 Plan.

### 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 Plan and maintain a balanced budget.

### 3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 None identified

### 4 WORKFORCE IMPLICATIONS

- 4.1 None directly resulting from this paper

### 5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 This paper reflects the budgets and funding associated with town assets such as play areas and sports facilities.

### 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 ASSESSEMENT

- 8.1 None

### 9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 None

### 10 RISK MANAGEMENT

- 10.1 The main source of funding for baseline recurring expenditure is the town precept. As a stable source of funding overall financial risk is therefore relatively low but consideration must be taken of the requirement for the town

to keep within government referendum limits (a restriction not currently applicable to parish councils).

- 10.2 In recent years one-off expenditure (capital or revenue) has been funded up-front from the town reserve or external funding. This reduces risk by lowering the baseline revenue budget requirement.

<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 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 process 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>

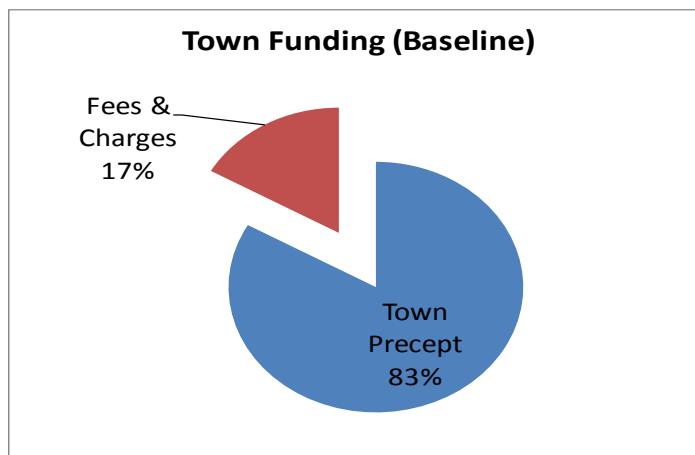
## 11 SUPPORTING INFORMATION:

### **Background**

- 11.1 WTF289 Winchester Town Account Financial Planning 2021/22 introduced the budget setting process, the key principles, and updated medium term financial projections to 2026/27.
- 11.2 The Winchester Town Forum (Informal Account) Group met in October 2020 in order to establish the key focus of the budget process and any priority resource considerations to bring back to the Town Forum.

### **Winchester Town Precept**

- 11.3 The town precept for 2020/21 was set at £71.27 (per band D property). The decision on the level of council tax for 2021/22 will be taken at Council in February.
- 11.4 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.
- 11.5 It is currently anticipated that the overall referendum limit for the Council in 2021/22 will remain at either 3% or £5, as was set for 2020/21. This would mean the maximum district and town increase would be just over 3% (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).
- 11.6 The graph below shows the current funding split of baseline town expenditure:



- 11.7 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 2% increase.

#### Effect of increasing the Town Precept 2021/22

% Precept Increase	Additional Income £000	Precept
0%		£71.27
1%	10	£71.98
2%	20	£72.70
3%	30	£73.41
4%	40	£74.12
5%	50	£74.83

11.8 The forecasts are currently calculated using an average increase in properties of 1.2% 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%	0.8%	1.2%	1.6%	2.0%
Increase in Properties	57	113	170	226	283
Increase in Council Tax (£000)	4	8	12	17	21

### **Budget Review 2021/22**

11.9 A review of bus shelters is underway to identify the cleaning and maintenance requirements over the medium term. It is anticipated that the budget requirement will be roughly equivalent to the existing £10k per annum.

11.10 Fees and Charges:

- a. Cemeteries - income is forecast at just under £164k based on existing fees and charges but this still leads to a net cost of almost £40k per annum. Fees and charges are currently under review, a 3% increase would generate an additional £5k per annum.
- b. WTF 288 Fees and Charges for hire of Sports Pitches and Open Spaces outlines proposals for increasing existing fees from April 2021. Increasing fees as proposed could generate up to an additional £3.5k per annum in income which would help to partly offset the additional costs of maintaining these facilities.

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

11.11 The Neighbourhood CIL (Town) receivable balance stood at £0.875m as at April 2020. Commitments include £0.295m towards North Walls Pavilion and £0.050m in principle towards a proposal from Abbots Barton Scouts.

11.12 A budget of £100k has been set for 2020/21 in order to progress the awarding and payment of CIL contributions to agreed projects.

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

11.13 Capital expenditure is either funded directly from the Town Account Earmarked Reserve, external funding such as CIL, or through the General Fund and repaid over the life of the asset (along with interest).

11.14 If the town did have a borrowing requirement relating to capital expenditure, the potential associated costs are shown below:

The following illustrates the annual estimated cost of borrowing (principal and interest) of £100,000 over 25 years and over 50 years. This has been illustrated at 3% (a prudent estimate of the cost of borrowing available to the council based on current rates plus a small margin) and at 2% (the possible future cost of borrowing following a Treasury consultation on the Public Works Loans Board (PWLB) lending criteria).

	<b>25 years</b> <b>£ per annum</b>	<b>50 years</b> <b>£ per annum</b>
<b>£100,000 @ 3%</b>	£5,743	£3,887
<b>£100,000 @ 2%</b>	£5,122	£3,182

11.15 The actual cost of borrowing is subject to fluctuation as they are set with a margin above UK Gilts and it is not guaranteed that PWLB will reduce its rates.

11.16 In January 2017 (WTF250) the Town Forum approved a strategy to fund the long term requirements of the play area refurbishment up until the end of 2024/25, from the Town Account Earmarked Reserve. Play area refurbishments in the town make up the largest proportion of town capital expenditure as shown in 11.17 below.

11.17 The following budgets are currently included within the capital programme:

- i. Changing Pavilion North Walls - £595k funded by CIL of £295k, S106 Open Space funding of £256k and Winchester Town Reserve of £44k.
- ii. King George V Pavilions - £228k of S106 Open Space funding.
- iii. Play Area Refurbishments - £710k from 2020/21 to 2024/25. A baseline projection of £150k per annum has been included in Appendix A from 2025/26 onwards.

11.18 The following one-off revenue expenditure budgets are shown in Appendix A:

- I. St Maurice's Covert - £6k
- II. Community Infrastructure - £100k
- III. Local Plan – £25k
- IV. Tree Survey Works - £62k spread over 2020/21 and 2021/22

## **Reserves**

- 11.19 The Winchester Town Account earmarked reserve is available to support planned one-off expenditure over the medium term as well as a contingency balance of 10% of the total annual net expenditure which is set aside to deal with any urgent / unexpected requirements.
- 11.20 The capital budget forecasts listed in 11.18 above, particularly the significant programme of play area refurbishments are planned to be funded from the Town reserve. It is therefore important that the long term planning ensures funding is in place to support these projects.
- 11.21 It should be noted that the forecast reserve balance shown in Appendix A does fluctuate on a year-by-year basis and is currently forecast to fall below 10% at the end of 2021/22. This is based on a number of central case estimates and is largely caused by significant capital play area expenditure over the next few years. The profiling of these projects will be reviewed as part of the budget process. It is possible that this review of profiling could push the funding requirements out to future years thereby increasing the near term forecast reserve balance.
- 11.22 It should be noted that the reserve forecasts include illustrative increases in the town precept which are below the current referendum levels).

## 12 OTHER OPTIONS CONSIDERED AND REJECTED

- 12.1 None, this paper sets out the current financial position

### BACKGROUND DOCUMENTS:-

#### Previous Committee Reports:-

Winchester Town Account Financial Planning – WTF289 – September 2020

Town Account Budget for 2020/21 – WTF279 – January 2020

#### Other Background Documents:-

None

### APPENDICES:

Appendix A: Medium Term Financial Projections

Appendix B: Detailed Budget Forecast 2021/22

