

REPORT TITLE: WINCHESTER TOWN ACCOUNT FINANCIAL PLANNING
2021/22

16 SEPTEMBER 2021

REPORT OF FINANCE MANAGER (STRATEGIC FINANCE)

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WARD(S): TOWN WARDS

PURPOSE

To provide an update of the current financial position of the Winchester Town Account and financial projections over the medium and long term. This supports the development of a refreshed financial strategy and final budget recommendations in January 2022.

RECOMMENDATIONS:

1. That the Town Forum notes the financial projections in Appendix A, and agrees the budget timetable for 2022/23.
2. That the Town Forum agrees in principle to allocate town CIL funding of up to £23k for Weeke Community Centre replacement of water main, surface water drainage & Fibre optic broadband installation.

IMPLICATIONS:

1 COUNCIL PLAN OUTCOME

- 1.1 This report sets out the current financial position and latest medium and long term projections, along with detailed sensitivity analysis. This analysis will help to guide and inform budget planning work and the options for delivering the Council Plan.

2 FINANCIAL IMPLICATIONS

- 2.1 Identifying and analysing the financial pressures and risks 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 No legal or procurement implications are identified at this time through this report, as projects are brought forward legal and procurement input may be required.

4 WORKFORCE IMPLICATIONS

- 4.1 None directly from this paper

5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 None directly from this paper

6 CONSULTATION AND COMMUNICATION

- 6.1 This report has been discussed with the town account informal group, portfolio holder, relevant staff and advisors.

7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 Environmental considerations will be considered as part of the business case supporting any budget proposals.

8 EQUALITY IMPACT ASSESSEMENT

- 8.1 This document is part of the budget consultation process and equality impact assessments will be considered alongside any relevant budget options.

9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 None required

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.

Risk	Mitigation	Opportunities
<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 that early planning enables enough lead in time for the implementation of 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 implementation 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>
<i>One-off projects increase the baseline recurring revenue budget requirement with limited ability to increase the town precept due to government referendum limits.</i>	<i>Identify all project requirements over the medium term (such as the play strategy) and ensure that funding is available for these projects.</i>	<i>Identifying project requirements over the medium term enables enhanced prioritisation and engagement.</i>

11 SUPPORTING INFORMATION:

Background

- 11.1 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. To help it fulfil this role, the Town Forum set up an informal member group to give early consideration to budget setting issues.
- 11.2 The overall aim of the Medium Term Financial Plan is to provide the Town Forum with early consideration of the current financial projections, any possible impacts from Government consultations, and any other possible financial implications in respect of the Town Account Budget.
- 11.3 The Medium Term Financial projections will be influenced by actions within the Council's control and external factors. A sensitivity analysis, showing a range of possible scenarios is included for consideration.
- 11.4 The district budget setting process is currently underway and any resulting options will be included for consideration within the Town budget setting process.
- 11.5 The core budget timetable remains in line with previous years, with initial budget proposals considered at November Town Forum and final recommendations made at January Town Forum.
- 11.6 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.

Community Infrastructure Levy Funding Bids

- 11.7 An application for funding has been received in relation to Weeke Community Centre. The application is in relation to works to complete the replacement of failing services and new broad band service prior to the access drive to the Weeke Community Centre being widened and resurfaced. The informal member group support the bid in principle and have requested a further financial breakdown to fully understand the exact expenditure that would be supported.

Identifying Resources

- 11.8 **Winchester Town Precept** – The 2021/22 tax base is 14,461.12 with a precept of £73.41.
 - The Council Tax Referendum limits for 2022/23 will be announced alongside the settlement. It is currently anticipated that this will remain at either below 3% or £5 for lower tier authorities.

- Referendum limits prevent the Council increasing Council Tax above the Government's advised level, except with a referendum. Whilst parish tax amounts are currently excluded from these calculations the Winchester Town tax is included.
- Appendix A shows the financial projections up until 2026/27, including illustrative increases in the precept which present a balanced overall position.

11.9 Fees and Charges are reviewed on an annual basis and feed into the budget setting process. The key existing fees and charges relating to the Town Account are:

- Cemeteries – an income budget of just over £160k supports annual expenditure of just over £200k.
- Open Spaces (including sports pitches) – Expenditure of c£700k per annum is supported by income of just over £40k.

11.10 **Community Infrastructure Levy (CIL)** – the Neighbourhood CIL (Town) receivable balance stood at £1.078m as at April 2021. Commitments include £0.295m towards North Walls Pavilion; £0.050m towards a proposal from Abbotts Barton Scouts; £0.050m towards Weeke access road; and a £0.010m Milland road bid.

- The principles for spending the Winchester Town Forum's share of CIL were approved in November 2016 (see WTF245), in order to provide for the community led improvement of the environment and infrastructure in the Winchester Town.
- A budget of £100k has been set for 2021/22 in order to progress the awarding and payment of CIL contributions to agreed projects.
- Increasing CIL receipts over the last couple of years will enable the town forum to allocate funding to a range of smaller and larger projects over the next few years, in order to mitigate the impact of recent development.
- Planning is underway to understand the facilities required at North Walls after the closure of River Park Leisure Centre. Additional infrastructure plans will be considered for CIL funding allocations.

11.11 The following central case assumptions have been used in the financial forecast shown in Appendix 1:

	2022/2023 Forecast	2023/2024 Forecast	2024/2025 Forecast	2025/2026 Forecast
Assumptions:				
Contract inflation	2%	2%	2%	2%
Utilities	5%	5%	5%	5%
Percentage increase in tax	0%	0%	0%	0%
Tax Base	14,635	14,810	14,988	15,168

Capital Expenditure

- 11.12 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).
- 11.13 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 11.15 below.
- 11.14 The following budgets are currently included within the capital programme:
- i. Changing Pavilion North Walls - £800k total budget (£732k remaining revised budget 2021/22) funded by CIL of £295k, S106 Open Space funding of £256k, £205k external funding and Winchester Town Reserve of £44k.
 - ii. King George V Pavilions - £228k of S106 Open Space funding has been earmarked towards this project.
 - iii. Play Area Refurbishments - £830k from 2021/22 to 2025/26. A baseline projection of £150k per annum has been included in Appendix A from 2026/27 onwards.

Reserves

- 11.15 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.
- 11.16 The capital budget forecasts listed in 11.13 above, particularly the significant programme of play area refurbishments is planned to be funded from the Town reserve. It is therefore important that long term planning ensures funding is in place to support these projects.
- 11.17 It should be noted that the forecast reserve balance shown in Appendix A does fluctuate on a year-by-year basis and individual end of year balances

are impacted by 'lumpy' one-off expenditure such as the play area refurbishments.

12 OTHER OPTIONS CONSIDERED AND REJECTED

12.1 None, this paper sets out the current financial position

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

Town Account Budget for 2021/22 – WTF292 – January 2021

Other Background Documents:-

None

APPENDICES:

Appendix A: Medium Term Financial Projections