

REPORT TITLE: WINCHESTER TOWN ACCOUNT FINANCIAL PLANNING  
2019/20

12 SEPTEMBER 2018

REPORT OF FINANCE MANAGER (STRATEGIC FINANCE)

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WARD(S): WINCHESTER TOWN

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 2019.

RECOMMENDATIONS:

1. That the Town Forum notes the financial projections in Appendix A, and agrees the budget timetable for 2019/20.

## IMPLICATIONS:

### 1 COUNCIL STRATEGY 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 Strategy which will be presented to the November Town Forum meeting.

### 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 Strategy and maintain a balanced budget.

### 3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 None identified

### 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.

<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 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 within 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 In order to pro-actively meet the medium to long term challenges, the Council agreed to develop a smarter Outcome Based Budgeting (OBB) approach to budget setting from 2018/19. A refresh of this 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. It has been agreed that, in line with the district budget timetable, the financial strategy will be agreed alongside budget recommendations in January. This will enable sufficient debate at Town Forum meetings in September and November, which will be incorporated into the final strategy.
- 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. The services currently covered by the Special Expenses are listed at Appendix 2.

### Identifying Resources

- 11.7 **Winchester Town Precept** – The 2018/19 tax base is 13,811.72 with a precept of £67.17.
- The Council Tax Referendum limits for 2019/20 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 capping 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.

11.8 **Fees and Charges** are reviewed on an annual basis in order to feed into the budget process, with a final list of fees and charges published in March each year. A more fundamental review is currently underway in order to develop a charging strategy for the next four years to 2022/23.

11.9 The key existing fees and charges relating to the Town Account are:

- Cemeteries – a new charging scheme was introduced in 2016/17, and revised in 2018/19, to coincide with the conclusion of the cemetery extension works. Income is currently forecast at £145k per annum, which does result in a forecast net service cost of £35k in 2018/19.
- Sports pitches – Income is currently forecast at £34k per annum (against forecast 2018/19 expenditure of £274k). A net service cost of £240k represents a significant proportion of the overall town budget and any options to increase income whilst continuing to support and promote sport within the town area should be considered.

11.10 **Community Infrastructure Levy (CIL)** – the Neighbourhood CIL (Town) receivable balance stood at £633k as at the end of July 2018, with further CIL expected to be billed before the end of 2018/19.

- 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 2018/19, which includes a brought forward budget of £50k from 2017/18.
- A review of the CIL spending protocols is underway and recommendations within CAB3071 will provide additional officer support in order to enable the effective delivery of CIL schemes within the town and district.
- 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.

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

	2019/2020 Forecast	2020/2021 Forecast	2021/2022 Forecast	2022/2023 Forecast	2023/2024 Forecast	2024/2025 Forecast	2025/2026 Forecast	2026/2027 Forecast
<b>Central Case Assumptions:</b>								
Contract inflation	2.5%	2%	2%	2%	2%	2%	2%	2%
Utilities	5%	5%	5%	5%	5%	5%	5%	5%
Percentage increase in tax	3%	2%	2%	2%	0%	0%	0%	0%
Tax Base	13,977	14,145	14,315	14,487	14,661	14,837	15,015	15,195

11.12 The **Environmental Services Contract (ESC)**, currently operated by IdVerde Ltd for the landscapes element of the contract (c£375k p.a. of town expenditure), expires at the end of September 2019. Cabinet paper CAB3044 provides an update on the current procurement position along with recommendations.

### **Capital 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 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.

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

- i. Handlebar Café - £25k in 2018/19
- ii. Chesil Theatre Grant - £30k in 2018/19
- iii. Changing Pavilion North Walls - £44k in 2018/19 (total project budget of £300k with £256k funded by S106 receipts)
- iv. Changing Pavilion King George V – to be identified
- v. Play Area Refurbishments - £1,065k from 2018/19 to 2024/25 (with £56k funded by S106 receipts). A baseline projection of £110k per annum has been included in Appendix A from 2025/26 onwards.

### **Reserves**

11.16 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.

11.17 The capital budget forecasts listed in 11.15 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.

11.18 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 2018/19. This is due to funding the capital programme and 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.

12 OTHER OPTIONS CONSIDERED AND REJECTED

12.1 None, this paper sets out the current financial position

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

Quarter 4 2017/18 Financial & Performance Monitoring – CAB3060 – July 2018

General Fund Budget 2018/19 – CAB3011 – February 2018

Capital Strategy and Capital Programme – CAB3014 – February 2018

Winchester Town Account Budget 2018/19 – WTF258 – January 2018

Other Background Documents:-

None

APPENDICES:

Appendix A: Medium Term Financial Projections

Appendix B: Budget Forecast 2018/19