

REPORT TITLE: WINCHESTER TOWN ACCOUNT MEDIUM TERM FINANCIAL POSITION

14 NOVEMBER 2018

REPORT OF FINANCE MANAGER (STRATEGIC FINANCE)

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WARD(S): ALL TOWN WARDS

PURPOSE

To provide an update on the current budget setting options and considerations for 2019/20, and the medium term plans and projections.

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 give to Cabinet in relation to the wider budget consultation.

## IMPLICATIONS:

### 1 COUNCIL STRATEGY 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 Strategy.

### 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 Strategy 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 Proposals for a replacement Pavilion at the King George V Playing Fields are currently subject to a feasibility study. Subject to the outcome of the study, an outline business case will be prepared to identify funding options. Officers are currently identifying potential external funding sources for this facility.

### 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

<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 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>

11 SUPPORTING INFORMATION:**Background**

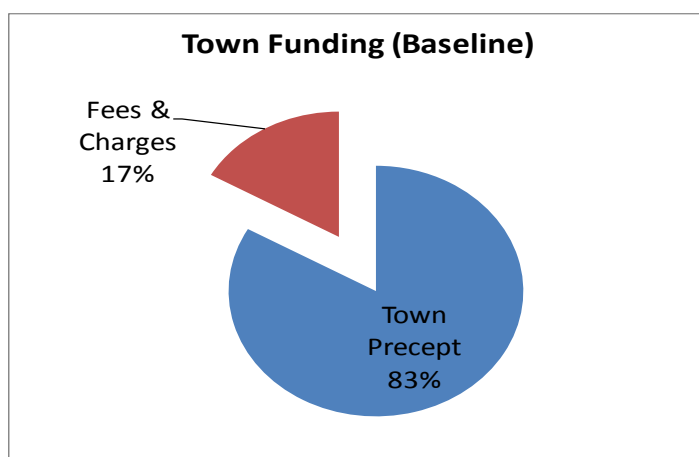
- 11.1 WTF263 Winchester Town Account Financial Planning 2019/20 introduced the budget setting process for 2019/20, the key principles, and updated medium term financial projections to 2026/27.
- 11.2 The Winchester Town Forum (Informal Account) Group met in early October in order to establish the key 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 2018/19 was set at £67.17 (per band D property). The decision on the level of council tax for 2019/20 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 2019/20 will remain at either 3% or £5, as was set for 2018/19. 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 3% increase. CPI inflation was 2.4% as at September 2018 (down from 2.7% in August 2018).

#### Effect of increasing the Town Precept 2019/20

% Precept Increase	Additional Income £000	Precept
0%		£67.17
1%	9	£67.84
2%	19	£68.51
3%	28	£69.19
5%	47	£70.53

- 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	56	112	168	224	280
Increase in Council Tax (£000)	4	8	12	15	19

### **Fees and Charges**

- 11.9 Cemeteries – a new charging schedule was approved commencing in 2016/17 in order to ensure the service was provided at as near to cost as possible. A strategy of increasing charges every year is not currently proposed but instead a more in-depth review every three to four years with the aim of achieving as far as possible a cost neutral position. The next review of charges will commence shortly for implementation in 2020/21.
- 11.10 Sports pitches remain one of the most significant net cost services provided by the Winchester town. Fees and charges are currently under review, including a benchmarking process to understand how our charges compare locally. It is proposed that a report is brought to the town forum in 2019 in order to understand the options available to the town and with the aim of reducing the current net cost of approximately £240k per annum.

### **Budget Review 2019/20**

- 11.11 A review of the grants process is underway (CAB3079 refers). The current annual budget of £80k should be considered alongside this review, as well as the relationship between town and district grant awards.
- 11.12 The Environmental Services contract expires at the end of September 2019. The current budget forecast has been maintained at existing costs (plus inflation).
- 11.13 Enhanced maintenance costs of £26.5k for the King George V playing fields following recent improvements has been met from the General Fund District budget for 2018/19. Consideration needs to be given to how this sum is funded in future years.
- 11.14 The annual update on play improvements report (WTF265) has identified an additional capital budget requirement of £200k in 2020/21 for KGV play area and skate park works. As this is in addition to the current plan no funding has yet been identified and based on the current financial projections in Appendix A it is unlikely these works could be funded from the town earmarked reserve in full.
- 11.15 The cost of the existing night bus service has reduced from c£12.5k to c£7.5k following the successful commercialisation of one of the routes. The budget forecast has currently been maintained while options are considered for whether this saving could be reinvested in enhanced transport services.

11.16 The review of fees and charges will highlight the options available to the council, particularly where income could be increased in order to reduce the net cost of services.

11.17 A contribution of £50k per annum is made for the annual running and maintenance costs of city centre public conveniences. In order to reduce this cost, options could be explored for either reducing the number of facilities or to consider charging for existing facilities.

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

11.18 The total billed neighbourhood CIL (Town) contributions stood at £638k at the end of Q2 2018/19. Approximately £400k of this has been received with the remainder expected within the next 18 months.

11.19 A one-off budget of £100k is available in 2018/19 and a further budget of £50k is proposed in 2019/20. This does not restrict further budget requests from coming forward for approval, up to the total amount of CIL available.

11.20 Committee report CAB3071 recommended the approval of an additional implementation officer, funded by the CIL admin element, in order to support the town and district allocation of funds.

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

11.21 The following capital expenditure budgets are included within the capital programme:

- I. Handlebar Café - £25k in 2018/19
- II. Chesil Theatre Grant - £30k in 2018/19
- III. Changing Pavilions North Walls - £44k in 2018/19 (total project budget of £300k with £256k funded by S106 receipts)
- IV. Changing Pavilions 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. To note a new requirement has been identified in 11.14 above which is not currently within the budget.

11.22 The following one-off revenue expenditure budgets are currently within the 2017/18 revenue budget:

- I. St Maurice's Covert - £44k
- II. Community Infrastructure - £100k
- III. Historic Environment Project Officer - £2k

## **Reserves**

- 11.23 The opening reserve balance for 2018/19 was £526k. Funding the significant one-off capital and revenue expenditure requirements in 2018/19 is forecast to reduce the balance to £62k by the end of 2018/19, which is below the strategy target of 10%. However, a refresh of the capital programme is likely to push some of this expenditure into 2019/20, resulting in a higher closing balance in 2018/19.
- 11.24 It should be noted that the reserve forecasts include illustrative increases in the town precept up to and including 2022/23 (which are below the current referendum levels) in order to fund all of the forecast budget requirements and achieve a 10% reserve balance over the medium term.

## 12 OTHER OPTIONS CONSIDERED AND REJECTED

12.1 None

### BACKGROUND DOCUMENTS:-

#### Previous Committee Reports:-

Winchester Town Account Financial Planning – WTF263 – September 2018

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

General Fund Budget 2018/19 – 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