

REPORT TITLE: WINCHESTER TOWN ACCOUNT FINANCIAL PLANNING  
2024/25 (INITIAL DRAFT MEDIUM TERM FINANCIAL PROJECTIONS AND  
ASSUMPTIONS FOR 2024/25 TO 2028/29)

12 SEPTEMBER 2024

REPORT OF CABINET MEMBER: Cllr Kelsie Learney, Cabinet Member for Climate  
Emergency

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WARD(S): ALL

#### 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 2025.

#### RECOMMENDATIONS:

1. That the Town Forum notes the financial projections in Appendix 1, and agrees the budget timetable for 2025/26.

## IMPLICATIONS:

### 1 COUNCIL PLAN OUTCOME

- 1.1 The responsibilities of the Town Forum are delivered within wider goals of the Council Plan. The Town Forum focuses on the themes in the plan by delivering targeted services. Homes for all

### 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 This is an update report and as such there are no identified legal or procurement implications.

### 4 WORKFORCE IMPLICATIONS

- 4.1 Any workforce implications are likely to form part of the Transformation Challenge – TC25 project. No additional resources have been identified at this stage of scoping the work except for the grants review programme which has a district budget allocated as part of the wider district review of the grants programme.

### 5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 Where any projects have an impact on property or assets the impact will be identified and presented to the Forum in the next set of reports at project level.

### 6 CONSULTATION AND COMMUNICATION

- 6.1 Each project will have a consultation and communication plan where appropriate.

### 7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 Each project will have a consultation and communication plan where appropriate.

### 8 PUBLIC SECTOR EQUALITY DUTY

- 8.1 None at the time of writing this report. Each project will have a consultation and communication plan where appropriate.

## 9 DATA PROTECTION IMPACT ASSESSMENT

9.1 No personal data was used in the preparation of this budget paper.

## 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).

<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 2028/29 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>
<i>High levels of contractual inflation and the continuation of current precept referendum limits.</i>	<i>Medium term financial planning and sensitivity analysis highlighting the challenges posed by high inflation.</i>	<i>Transformational efficiency savings.</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.
- 11.7 In January 2024 the town forum recognised that the financial risks associated with the town account supported an increase to the target reserve level from 10% to 15% of net baseline expenditure. In order to support this increase and budget pressures highlighted during the budget setting process, the precept was recommended to increase by 5.5% in 2024/25. This was supported by Council in February 2024.
- 11.8 During the 2024/25 budget process the town forum identified four key budget review areas to be brought forward to help address this and WTF319, presented to June 2023 Town Forum, gave a timetable for how these reviews would be presented back to the town forum for decisions. There are two remaining reviews which have been carried into the 2025/26 budget process: review of Cemeteries, and review of grounds maintenance.

### **Community Infrastructure Levy**

- 11.9 The closing town CIL reserve balance stood at £701k at the end of March 2024, representing all billed income less expenditure.

11.10 The following budgets and commitments are currently planned to be funded from Town CIL, totalling £412k and leaving £289k of CIL remaining to be allocated:

- a) KGV Park Plan £37k
- b) St Giles Hill Stabilisation Works £20k (funding for urgent works approved by the Town Forum informal accounts group in June/July 2024 as June meeting cancelled due to General Election).
- c) North Walls Pavilion £295k
- d) Abbots Barton and Hyde Scouts Facility £50k
- e) Milland Road £10k

11.11 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.

11.12 Based on historic receipts around £150k to £200k of town CIL is expected per annum. There are risks around relying on this funding as reductions in development in the town area or changes to the CIL scheme could significantly impact on future receipts. As such this future forecast is used for planning purposes but is not to be committed to schemes as certain funding.

### **Updated Medium Term Forecasts**

11.13 The town accounts group met in August to review the latest forecasts and to start planning the focus of budget preparations.

11.14 The budget forecast shown in Appendix 1 has been updated to reflect:

- a) Revised inflation forecasts – CPI inflation is currently expected to rise from a low of 2% and therefore estimates from 2025/26 have been increased from 2% to 3%.
- b) The final precept increase of 5.5% for 2024/25, up from a budgeted 3%.
- c) Forecasts now reflect the 2023/24 outturn and revised capital programme profiling/timing.

11.15 The refreshed forecasts show that based on current estimates the target reserve balance of 15% of net expenditure can now be met. However, it is noted that this is before any additional expenditure pressures.

### **Identifying Resources**

11.16 **Winchester Town Precept** – The 2024/25 tax base is 14,918.69 with a precept of £85.38.

- The Council Tax Referendum limits for 2025/26 will be announced alongside the settlement. For modelling purposes it is currently anticipated that this will remain at up to 3% 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 1 shows the financial projections up until 2028/29, including illustrative increases in the precept of 3% per annum.

11.17 **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 under £160k supports annual expenditure of just over £245k.
- Open Spaces (including sports pitches) – expenditure of c£1.02m per annum is supported by income of £144k.

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

	2024/2025 Forecast	2025/2026 Forecast	2026/2027 Forecast	2027/28 Forecast	2028/29 Forecast
<b>Assumptions:</b>					
Contract inflation	6%	4%	3%	3%	3%
Utilities	5%	5%	5%	5%	5%
Percentage increase in tax	5.5%	3%	3%	3%	3%
Tax Base	14,919	15,098	15,279	15,462	15,648

11.19 The sensitivity of the above assumptions is as follows:

- Contract Inflation is around £6k per 1%. If inflation were 6% for 2025/26 then this would cost an additional £12k per annum. If inflation remained higher than forecasts for longer than one year then the impact would be cumulate, so 6% inflation in 2025/26 and 2026/27 would give a cumulative cost increase of £30k by the end of 2026/27 (£12k in 2025/26 and £18k in 2026/27).
- A 1% precept increase generates additional funding of c£13k per annum.
- A 1.2% tax base increase generates additional funding of c£15k per annum. Whilst 1.2% is a reasonable long term forecast increase per annum, there can be significant year-on-year deviations to this average.

## Capital Expenditure

- 11.20 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).
- 11.21 In January 2017 (WTF250) the Town Forum approved a strategy to fund the long term requirements of the play area refurbishment from the Town Account Earmarked Reserve. Play area refurbishments in the town make up the largest proportion of town capital expenditure.
- 11.22 The following budgets are currently included within the capital programme:
- i. Changing Pavilion North Walls - £800k total budget (£718k remaining 2024/25 budget) funded by Town CIL of £295k, S106 Open Space funding of £218k, and £205k external funding.
  - ii. Play Area Refurbishments - £590k from 2024/25 to 2028/29.
  - iii. CIL project budgets totalling £57k and identified in 11.10 (a) and (b) above. KGV Park Plan and St Giles Hill Stabilisation works.

## Reserves

- 11.23 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 15% of the total annual net expenditure which is set aside to deal with any urgent / unexpected requirements.
- 11.24 Many of the capital budget forecasts listed in 11.22 above, particularly the significant programme of play area refurbishments are 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.
- 11.25 It should be noted that the forecast reserve balance shown in Appendix 1 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 Other options were considered in last year's budget process leading to the focus on four key budget review areas. This paper gives a progress update and refresh of the medium-term financial forecasts. Alternative options will be considered and noted in this year's budget consultation process, with an options paper due at November Town Forum meeting.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

Winchester Town Account Budget for 2024/25 - January 2024

Winchester Town Account Medium Term Financial Position (Budget Options) –  
November 2023

Other Background Documents:-

None

APPENDICES:

Appendix 1: Medium Term Financial Projections