

REPORT TITLE: WINCHESTER TOWN ACCOUNT MEDIUM TERM FINANCIAL POSITION (DRAFT BUDGET OPTIONS)

11 NOVEMBER 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 on the current budget setting options and considerations for the four-year medium-term period from 2025/26 to 2028/29. This planning will enable the Town Forum to recommend a budget and precept for 2025/26 to Cabinet in January 2025.

RECOMMENDATIONS:

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

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 PUBLIC SECTOR EQUALITY DUTY

- 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).

Risk	Mitigation	Opportunities
<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 WTF3331 Winchester Town Account Financial Planning 2025/26 introduced the budget setting process, the key principles, and updated medium term financial projections to 2028/29.
- 11.2 The Winchester Town Forum (Informal Account) Group met in October 2024 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 2024/25 was set at £85.38 (per band D property). The decision on the level of council tax for 2025/26 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 2025/26 will remain at up to 3% (as £5 is now below 3%). The maximum increase for the town or district are 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 potential additional annual income generated by increasing the Town Precept is shown in the table below. The financial projections in Appendix 1 currently assume a 3% increase.

Effect of increasing the Town Precept 2025/26*

% MAX District Increase	% TOWN Precept Increase	Additional Income £000	Town Precept	Town Precept £ Increase	District Precept £ Increase	District Precept 24/25 £
	0%		£85.38			£159.36
2.99%	2.99%	38	£87.93	£2.55	£4.76	£164.12
2.84%	4.0%	51	£88.80	£3.42	£4.53	£163.89
2.62%	5.0%	64	£89.65	£4.27	£4.29	£163.65
2.11%	10.0%	127	£93.92	£5.99	£3.11	£162.47

* To note these estimates are prior to finalisation of the council tax base for 2025/26 so are subject to change.

- 11.7 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:

	0.2%	0.4%	0.8%	1.2%	1.6%	2.0%
Increase in Properties	30	60	119	179	239	298
Increase in Council Tax (£000)	3	5	10	16	21	26

Budget Review 2025/26

- 11.8 The 2023/24 budget review process addressed the immediate financial pressures that had been facing the town account due to high levels of contractual inflation and additional revenue budget pressures. It is important that focus remains on the medium-term forecasts in order to ensure the ambitions of the town forum and any future unexpected growth areas can be achieved through a balanced budget.
- 11.9 Out of the initial four main budget review areas, agreed in the 2023/24 budget process, two reviews remain in progress:
- a) **Cemeteries** – a review is underway in order to set out options for the future of the cemeteries. Additional time is needed in order to explore the potential options further and therefore this review will be brought to the town forum shortly.
 - b) **Open Spaces and Grounds Maintenance** – given the complexities and sensitivity around this review it has been agreed to run this review within the existing TC25 project. A verbal update is to be presented to town forum on the same agenda as this report, in November.
- 11.10 A review of bus shelter cleaning and maintenance is underway, including where the future responsibility of this sits, and further details will be presented in due course.
- 11.11 The annual review of fees and charges is currently underway and covers cemeteries and open spaces within the Winchester town account. Cemeteries is specifically covered as one of the main budget review areas.
- 11.12 The following budget growth proposal has been identified during the budget review process:
- a) The town forum support budget has remained at £5,000 for a number of years. Following a review of officer time and meeting room usage it has been identified that costs are now around £17,500 per annum and so the budget forecast has been uplifted by £12,500.
- 11.13 **Community Infrastructure Levy (CIL)** – the Neighbourhood CIL (Town) receivable balance stood at £0.701m as at April 2024. Commitments include £0.495m towards North Walls Pavilion; £0.037m towards the KGV Park Plan; £0.050m towards Abbots Barton and Hyde Scouts Facility; £0.020m towards St Giles Hill Stabilisation works; and £0.010m for Milland Road.
- 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.

- 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.

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

	2025/2026 Forecast	2026/2027 Forecast	2027/2028 Forecast	2028/2029 Forecast
<u>Assumptions:</u>				
Contract inflation	4%	3%	3%	3%
Percentage increase in tax	3%	3%	3%	3%
Tax Base	1.2%	1.2%	1.2%	1.2%

11.15 The sensitivity of the above assumptions is as follows:

- Contract Inflation is around £7k per 1%.
- A 1% precept increase generates additional funding of just under £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

11.16 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).

11.17 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 below.

11.18 There is currently a total budget of £0.590m in the capital programme for play area refurbishments to the end of 2028/29.

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 15% of the total annual net expenditure which is set aside to deal with any urgent / unexpected requirements.

- 11.20 The current forecasts in Appendix 1 shows the reserve decreasing below 15% in 2025/26 and 2026/27 but then replenishing back above 15% in 2027/28 and 2028//29 due to forecast precept increases of 3% per annum.
- 11.21 Currently the capital budget forecasts listed 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.
- 11.22 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 None, this paper sets out the current financial position

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

Winchester Town Account Financial Planning 2024/25 – WTF331 – September 2024

Town Account Budget for 2024/25 – WTF328 – January 2024

Other Background Documents:-

None

APPENDICES:

Appendix 1: Medium Term Financial Projections