

REPORT TITLE: WINCHESTER TOWN ACCOUNT BUDGET FOR 2025/26 (TO BE RECOMMENDED TO CABINET)

23 JANUARY 2025

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

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WARD(S): ALL

PURPOSE

This report presents the current financial projections for the Town Account for the period 2024/25 to 2028/29 and financial sensitivities, in order that recommendations can be made to the Cabinet on the budget to be set within the Winchester Town area for 2025/26.

RECOMMENDATIONS:

1. Agrees the draft budget for 2025/26 and the indicative projections for the strategy period as shown in Appendix 1;
2. Approves an increase in the target minimum town reserve balance from 15% to 20% of annual net service expenditure;
3. Considers the Council Tax precept for the Town area which it wishes to recommend to Cabinet, noting the requirements for the Council to keep within overall referendum requirements.

IMPLICATIONS:

1 COUNCIL PLAN OUTCOME

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

a) We deliver our greener faster agenda via the open spaces we look after. We contribute to 'living well' via the careful management of open spaces, play areas, having close ties with Planning policy and looking after our heritage sites. We work very closely with Winchester City of Sanctuary, making Winchester a welcoming city to all.

b) We support 'homes for all' by being active in our homelessness work in the city, and by supporting the energy efficiency retrofit of the homes the Council owns.

c) By working with the BID and direct with businesses and the culture offer we have within the city, we strongly support our vibrant local economy.

d) We are owners and advocates of the Winchester Vision and seek to give our residents and businesses options to influence our services and to have a say in where we spend our money. We welcome the public to our meetings and are promoters of 'your services, your voice'.

e) Under the theme of pride in place, we are very focussed on service delivery for the improvement of our city centre and have demanded higher standards in cleanliness, removal of graffiti and the reduction of anti-social behaviour in the city centre. Much of our budget is focussed on keeping the city centre clean and well cared for.

This budget paper is proposed in the context of maintaining the momentum we have built up to achieve our goals, in the challenging financial times we are currently experiencing. 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 None directly in this report, though individual projections are subject to review by Legal Services and Procurement where required.

4 WORKFORCE IMPLICATIONS

4.1 Services provided by the Town Forum are budgeted for within this paper. Any future changes to services or service levels may impact on the workforce who deliver those services. Should there be any proposed changes following the recommended review, each case for change will identify the impact on the resources.

5 PROPERTY AND ASSET IMPLICATIONS

5.1 None directly resulting from this paper.

6 CONSULTATION AND COMMUNICATION

6.1 This report has been discussed with the town account informal group and relevant staff. Recommendations agreed at town forum will go to Cabinet in February as part of the General Fund budget. To note that town budget is part of the general fund budget consultation process and Cabinet papers.

7 ENVIRONMENTAL CONSIDERATIONS

7.1 The budget is shaped to support the Council Plan and priorities within it.

8 PUBLIC SECTOR EQUALITY DUTY

8.1 None directly resulting from this paper.

9 DATA PROTECTION IMPACT ASSESSMENT

9.1 None directly resulting from this 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).

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</i>	<i>Long term strategic planning. Transformational efficiency savings.</i>

	<i>implementation of the budget options.</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>
<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>Changes in local government structures create additional risk and pressure on town budgets and reserves.</i>	<i>Ensure the town reserve is adequately resourced in order to deal with the risks faced within the town account.</i>	<i>Transformational efficiency savings.</i>

11 SUPPORTING INFORMATION:

11.1 This budget report has been produced within an environment of ongoing financial challenges for the town account. Past high inflation had a significant impact on town budgets and inflation has again started to rise (November CPI 2.6%). Increasing expenditure puts a significant strain on the town account which is predominantly funded by the town precept, which is subject to government referendum principles.

11.2 The Winchester Town Forum (Informal Account) Group met in January 2025 and their recommendations are contained within this report.

Winchester Town Precept

11.3 The town forum recommended a precept for 2024/25 of £85.38 (per band D property), which was approved at Council in February 2024. The decision on the level of council tax for 2025/26 will be taken at Council in February 2025.

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 has now been confirmed the overall referendum limit for the Council in 2025/26 be either 2.99% or +£5, which means +2.99% applies as the higher limit. This would mean the maximum district and town increase would be just

under 3%. The maximum increase for the town or district are interrelated, 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 council tax base for 2025/26 was confirmed in November and has resulted in a slightly above average increase in the tax base for the town area from 14,919 to 15,143. This means an overall precept increase of around £20k before any change in the precept charge
- 11.7 This paper assumes a core precept increase of 3% (£2.55) to £87.93 for 2025/26. Potential options relating to the precept are shown below.

Town Precept

% MAX District Increase	% TOWN Precept Increase	Additional Income £000	Town Precept	Town Precept £ Increase
	0%		£85.38	
2.99%	3.66%	47	£88.50	£3.12
2.94%	4.0%	51	£88.80	£3.42
2.79%	5.0%	64	£89.65	£4.27
2.71%	5.5%	70	£90.08	£1.58
2.05%	10.0%	127	£93.92	£5.42

Budget Review 2025/26

- 11.8 The December publication of the white paper on English devolution has created an additional element of risk and uncertainty that had not been part of the initial budget review process. Given the increased risk and the substantial assets controlled by the town account, it is considered prudent to increase available reserves held within the town reserve. The current strategy is to maintain a reserve balance of at least 15% of net baseline expenditure and it is proposed to now target a balance of at least 20% of net baseline expenditure, equating to c£260k.
- 11.9 Out of the initial four main budget review areas, agreed in the 2023/24 budget process, two reviews remain in progress:
- 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.
 - 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 was given to the town forum 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 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.

11.12 **Community Infrastructure Levy (CIL)** – the Neighbourhood CIL (Town) receivable balance stood at £0.701m as at April 2024, with additional in-year 2024/25 billing of £0.155m as at 07/01/2025. 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.

11.13 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
Assumptions:				
Contract inflation	4%	3%	3%	3%
Percentage increase in tax	3%	3%	3%	3%
Tax Base	Actual	1.2%	1.2%	1.2%

11.14 The sensitivity of the above assumptions is as follows:

a) Contract Inflation is around £7k per 1%.

b) A 1% precept increase generates additional funding of just under £13k per annum.

c) 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

- 11.15 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).
- 11.16 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.
- 11.17 There is currently a total budget of £0.590m in the capital programme for play area refurbishments to the end of 2028/29.

Reserves

- 11.18 The Winchester Town Account earmarked reserve is available to support planned one-off expenditure over the medium term as well as a contingency balance which is set aside to deal with any urgent / unexpected requirements. It is proposed in this report to increase the target contingency balance from 15% to 20% of net expenditure. This is to deal with the uncertainty and risks associated with the Government white paper detailed in 11.8 above.
- 11.19 The current forecasts in Appendix 1 shows the reserve decreasing to 11% in 2026/27. Additional funding or reductions in expenditure will need to be identified in order to meet the proposed target of 20%.
- 11.20 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.
- 11.21 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 Continue with the current target precept level of 15%. This option was rejected as it was considered it does not provide an adequate level of ongoing reserves to meet exceptional expenditure requirements.

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

Winchester Town Account Medium Term Financial Position (Draft Budget Options) – WTF333 – November 2024

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