



Winchester
City Council

Budget Statement 2019/20



2019/20 FINANCIAL MANAGEMENT

Operational income and expenditure

 8d: Housing Revenue Account (HRA) Budget -

 8a: General Fund Budget

Capital investment

 8d: HRA Capital Strategy

 8b: General Fund Capital Strategy

Cash, debt and investment management

 8c: Treasury Strategy

 8c: Balance sheet

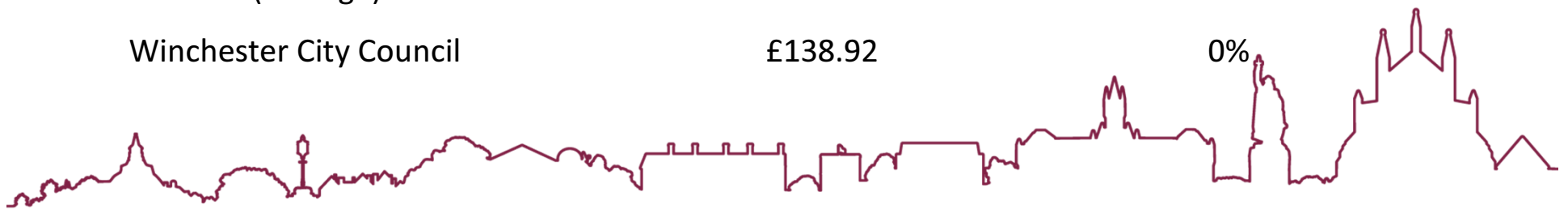


WE ARE FREEZING COUNCIL TAX

Winchester City Council 2019/20




Band D £138.92 p.a., a 0% change on 2018/19

	Band D 2019/20	%age change
HCC	£1,236.87	3.0%
Police	£201.46	13.5%
Fire	£67.71	3.0%
Winchester Town Forum	£69.19	3.0%
Parishes (average)	£91.27	4.7%
Winchester City Council	£138.92	0%



WCC COUNCIL TAX - NEW POLICIES

Vacant properties

-  100% premium on Council Tax for properties vacant for 2 or more years
-  200%, and 300% premium for 5 and 10 year vacant properties
-  Abolish 1 month discount

Care leavers

-  No Council Tax until their 25th birthday



THE COST OF HOUSING SERVICES

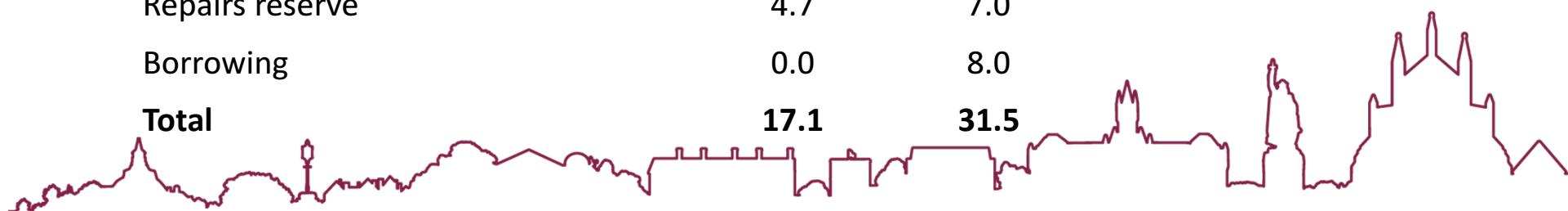
Housing Revenue Account 2019/20 budget

£m	2018/19	2019/20	
HRA Balance brought forward	9.1	10.7	
Housing Management	(6.6)	(6.2)	
Repairs	(5.2)	(5.3)	
Depreciation	(6.6)	(6.9)	
Interest	(5.1)	(5.2)	
Rents and other income	27.4	27.7	Note: 1% decrease in rent
Total income / (expense)	3.9	4.1	
Capital expenditure	(2.3)	(8.7)	
HRA Balance carried forward	10.7	6.1	



HOUSING CAPITAL PROGRAM

£m	2018/19	2019/20
Major external works	(2.9)	(4.7)
Major internal works	(3.3)	(2.3)
Improvements & conversions	(0.7)	(1.3)
Disabled adaptations & other	(0.8)	(0.8)
New Build	(9.4)	(22.4)
Total	(17.1)	(31.5)
<i>funded by:</i>		
HRA Revenue Account	2.3	8.7
Garage transfers	1.9	1.9
Right-to-buy & new build sales	7.0	4.3
Grants and S.106	1.3	1.6
Repairs reserve	4.7	7.0
Borrowing	0.0	8.0
Total	17.1	31.5



THE COST OF GENERAL SERVICES

£m	2018/19 Net	2019/20 Income	2019/20 Expenditure	2019/20 Net
Housing (General fund)	(1.6)	0.2	(1.8)	= (1.6)
Environment	(3.5)	10.4	(14.5)	= (4.1)
Health & happiness	(2.0)	0.4	(2.4)	= (2.0)
Business	(1.4)	0.2	(1.6)	= (1.4)
Estates, Revenue, benefits, projects	(4.0)	3.4	(7.2)	= (3.8)
Mgt, Financial, Tech, Legal, Democratic	(6.8)	0.5	(7.2)	= (6.7)
Investment income (non-treasury)	2.6	3.0	(0.4)	= 2.6
Total income / (expense)	(16.7)	18.1	(35.1)	= (17.0)

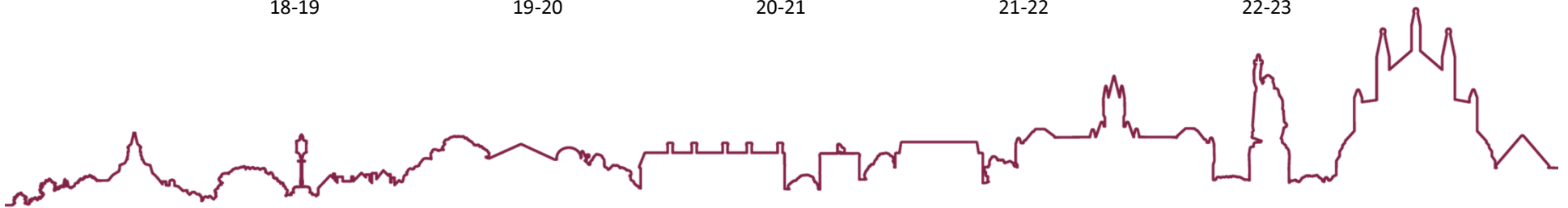
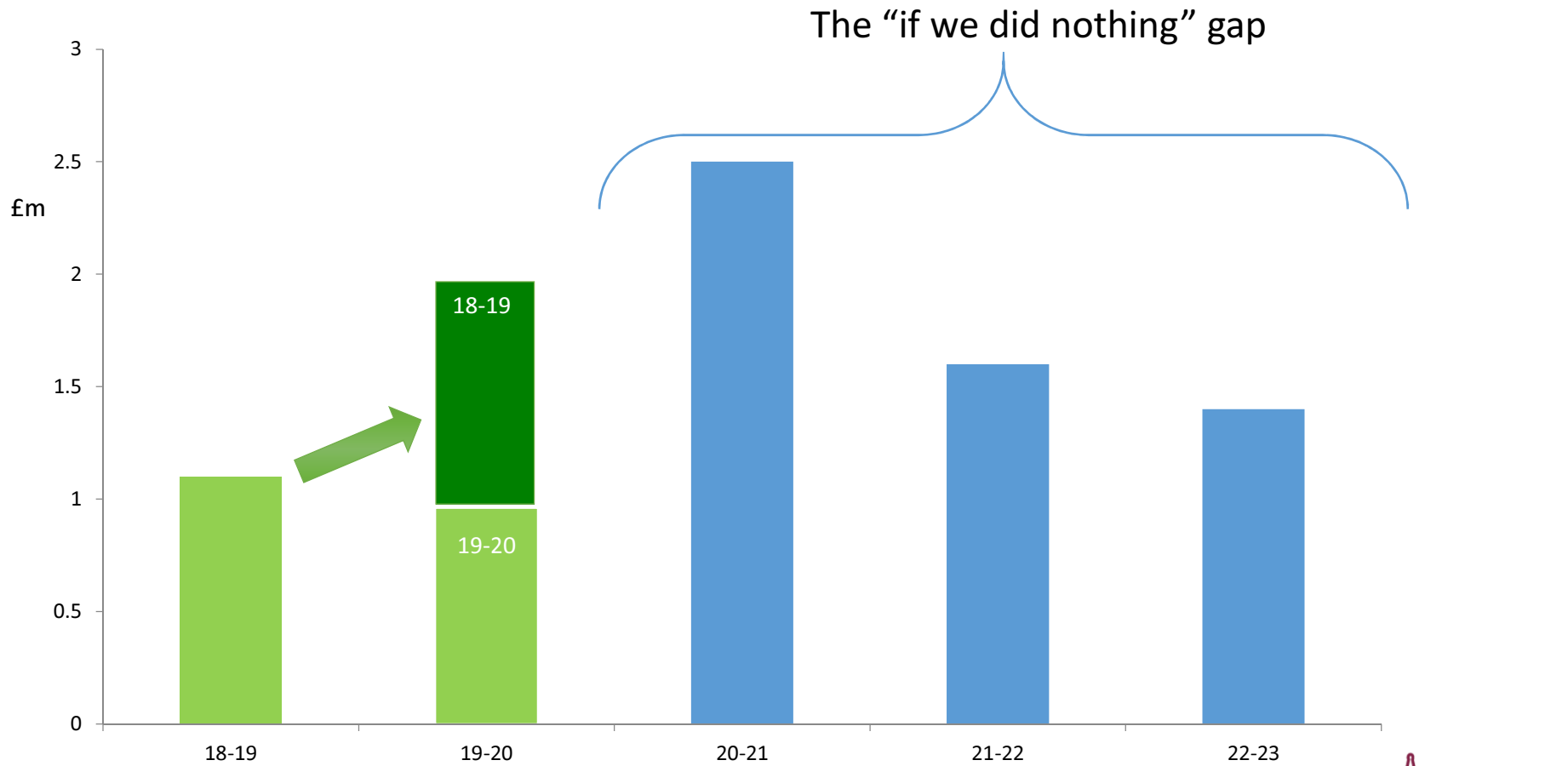


THE FUNDING OF GENERAL SERVICES

£m	2018/19	2019/20	
Council Tax	7.7	7.8	
Retained business rates	4.5	4.9	
New Homes Bonus	2.1	2.4	
Central Govt grants	0.3	0.3	
Reserve movements & other	2.1	1.4	(CIL, MIR, MRP, EMR, CFA)
Total Funding	16.7	17.0	



INCOME / SAVINGS PLANS OVER TIME



POTENTIAL FUNDING UPSIDE

- 🏰 Fair funding review
 - 🏰 Revenue support
 - 🏰 Baseline Business rates
- 🏰 Retained Business rates
- 🏰 New Homes Bonus scheme
- 🏰 Transition schemes



MEETING THE INCOME / SAVINGS CHALLENGE

Income, efficiency, transformation

Outcome Based Budgeting

- The 2019/20 total annual savings are a further £0.96m
- On top of annual recurring savings from 2018/19 of £1.1m

Efficiency

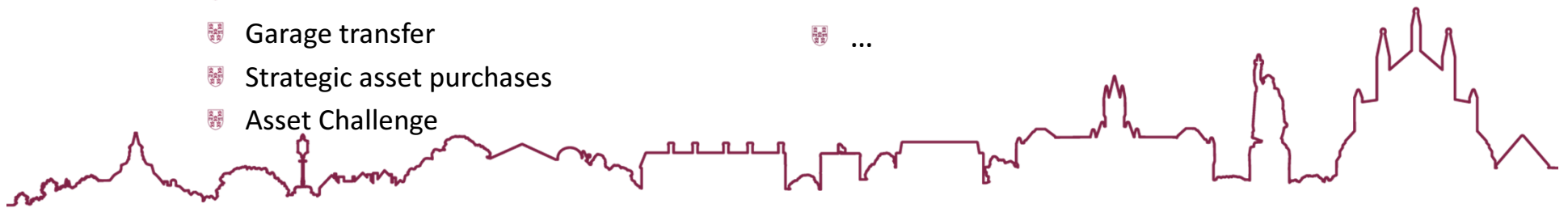
- Procurement reviews
- Underspend
- Fees, charges and underspend
- Housing company
- Transformation

Income

- Partnered Home Purchase
- Garage transfer
- Strategic asset purchases
- Asset Challenge

Asset management

- Vaultex
- Goods Shed
- Bishops Waltham Depot
- Lloyds lease
- Bar End Depot
- Friarsgate Surgery
- Station approach
- Cattlemarket
- S&L Centre
- River Park
- ...



COLEBROOK STREET PROJECT

 Prime asset in central Winchester


 Opportunity to create exciting new venue/s

 Culture and Tourism?

 Commercial?

 Residential?

 Project to explore options

 including better, modern, more energy efficient offices for WCC...

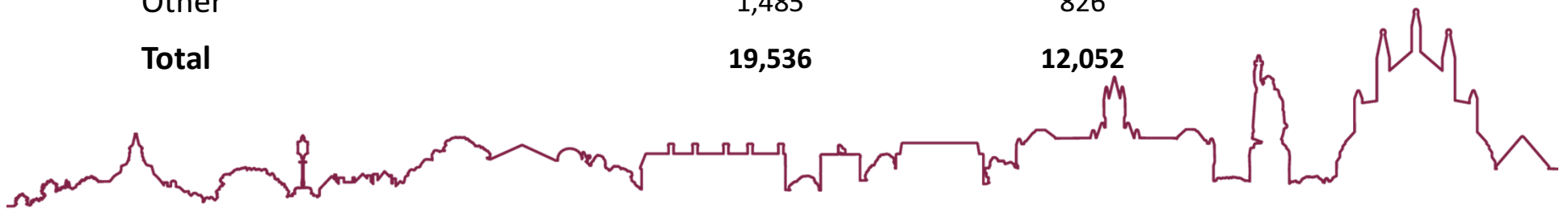
 Potential for new uses of the Guildhall



GENERAL FUND CAPITAL STRATEGY

Approved investments:

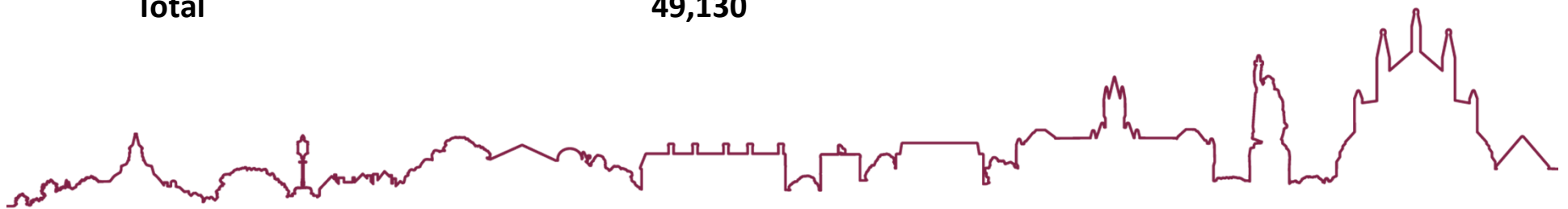
£'000	2018/19	2019/20
Strategic Asset Purchases	3,009	-
Replacement surgery	100	3,835
Bishops Waltham Depot	50	1,325
Disabled facility grants	1,000	1,400
Flood prevention	250	1,024
The Dean Car Park	-	1,005
Partnered Home Purchase	2,000	1,000
Friarsgate / 158-165 High St	9,972	700
Mately's Yard	-	573
Coventry House (Vaultex)	1,670	364
Other	1,485	826
Total	19,536	12,052



GENERAL FUND CAPITAL STRATEGY

Subject to appraisal:

£'000	2019/20
S&L Centre	20,323
Strategic Asset Purchases	15,000
Station approach	3,900
Coitbury House	2,100
HRA Garages	1,961
KGV Pavilion	1,000
Chesil car park	841
Energy management	250
Glass recycling bins	150
Other	3,605
Total	49,130



CAPITAL FINANCING

£m	2018/19	2019/20
Approved	22.5	12.1
Subject to appraisal	na	49.2
Total	22.5	61.2
<i>funded by:</i>		
Government and other grants	1.2	6.4
Reserves	1.5	6.0
Capital receipts	3.5	2.7
Capital financing requirements	16.3	46.1
Total	22.5	61.2






Sport & Leisure Capital Spend





THE 8-COURT SPORTS HALL CASE


“Full council froze the facility mix in 2016”

-  No. It was always subject to the business case.
-  The outline business case (2017) showed that a combination of demand, size, capital cost, operating cost, consultation and facility availability demonstrated that an 8-court hall was the right decision.
-  This was challenged and re-tested by O&S (2017)


“A bigger sports hall would make more money”


-  No. The extra revenue (realistically only at peak hours) from the greater capacity would not pay for the increased operating, capital and financing cost according to The Sports Consultancy, and according to the modelling. Proven in 2017.
-  Furthermore, a bigger sports hall would mean the elimination of a football pitch from the Garrison Ground, reducing the park’s overall revenue / adding to cost to mitigate.


“The 8-court hall is the same capacity as at River Park”


-  No. It has 22% more floor area, meets current guidelines, and because of the new flexible studio space will be used less for keep-fit / aerobics / yoga etc.


 “The Winchester College new 8-court facility (up from 4) is only for boys”

 No. It is designed for community use with access for all including facilities for disabled users.

 “Access and changing facilities will be improved to meet Sport England requirements including the provision of ‘Changing Places’ changing rooms for the sports hall and swimming pool” – Win Coll planning docs

 “Sports England openly accepts that their modelling will show spare capacity in the area which does not exist.”




 No. TSC is one of Sport England’s framework advisors on their Technical Assurance and Design Assurance Frameworks, and work closely with Sport England. There has been no mention of any concern they have over their modelling (in fact, for any project to receive Sport England funding, Facilities Planning Model assessments are a pre-requisite).

 Sport England has recently re-awarded the contract for managing the Facilities Planning Model, so it will be in place for the foreseeable future.




“In an 8-court hall you can’t play all the sports”

 No. In an 8-court hall you can play:

-  up to International level Basketball, Badminton, Netball and Volleyball;
-  up to Premier level 5-a-side Football, Handball, Athletics, Indoor Hockey and Korfball;
-  up to Community level Cricket

“Eastleigh Sports Hall is fully booked”

 No. On 18/2 it was possible to book the indoor main hall, at prime time (17:00 – 20:00):

	M 25/2	T 26/2	W 27/2	T 28/2	F 1/3
Badminton courts	7	5	18	10	8
Five-a-side Football pitch	1	1	3	1	1
Netball courts	1	1	3	1	1

Between 07:00 and 17:00 every day there were no fewer than 10 Badminton Courts, 1 five-a-side football pitches and 2 Netball courts available.



COST OF GOING TO A 12-COURT HALL

 New design fees

 New procurement process

 Loss of faith; operators, construction companies, designers, partners

 Negative impact on business case

 Capital cost: hall, changing facilities, car park

 Operating cost: energy, staffing

 Loss of football pitch

 Planning permission refusal

 SDNP refusal because of extra height

 Environmental impact

 Contrary to Design Framework

 Delay will mean a need to keep funding RPLC

 Write-off of design and planning fees to date

 £1.8m hit to the General Fund



S&L FULL BUSINESS CASE


“The business case is based on too few visitors”





No. RPLC gets around 600,000 visitors. Our Outline Business Case was based on 925,000. Everyone Active will have run their own assessment and made their fee offer to WCC based on their view, so the Final Business Case is not based on a number of visitors, but on the minimum guaranteed revenue. If there is outperformance WCC will share in it.

“The business plan shows a gradual increase in demand over time, yet the experience of other new centres is a rapid increase during the first year”





No. The full business plan is based on the fee offer to WCC based on their view, so the Final Business Case is not based on a number of visitors, but on the minimum annual guaranteed revenue. If there is outperformance WCC will share in it.




 “This investment will stop the City Council making other investments, and be a burden on the General Fund; it is a myth that it will pay for itself”


-  No. Thanks to strong financial management WCC has reserves dedicated to major investments (£5.74m) and infrastructure (£6.9m) designed to meet the impact of period between building a facility of this size and the arrival of the income to pay for it. Neither the General Fund nor the General Fund Reserve will bear any charge.
-  Thanks to the value of the revenue guaranteed by the operator the facility will be generate an annual surplus (i.e. covering paying for interest AND capital) five years after opening, thus contributing to the General Fund.
-  Over its life, the facility will more than pay for itself: Interest and Capital cost will be more than covered by Revenue received.
-  We are making other investments: Station Approach, Friarsgate, Movement Study, New Surgery, Vaultex, BW Depot, Glass collection bins, etc.


 “The business case is based on consultants’ estimates”


-  No. It is based on fixed and guaranteed tendered revenue and construction costs from Everyone Active (aka SML) and Wilmott Dixon
-  Professional fees already locked tendered and contracted.
-  Interest and MRP as modelled in accordance with accounting rules.
-  Overseen by HCC, The Mace Group, TSC, and WCC officers inc S151.


 “There is risk that the construction costs will go up”


 No. Once the construction contract is finalised, the construction cost is fixed, and the risk of cost overruns will be borne by the contractor, (unless WCC changes the design from the one agreed). Since the FBC the capital costs have reduced by a significant sum.

 “The construction cost is 25% higher than other facilities”


 No. Our project cost managers, Mace Group (a £2bn consultancy with 5,000 employees in 70 countries) is confident that the cost is competitive, albeit for a high quality facility. Anecdotally, the Sports Consultancy and PH for Finance each cited new facilities being completed at the moment that were completely in line with our costs.

 “The original cost was £28m. It is now £38m (capital cost per WCC’s project website). It keeps going up”


 No. The £28m was the 2016 guess for a hypothetical facility, taking no account of the actual location, ground conditions, design, final facility mix, materials, landscaping, traffic engineering, drainage needs.


 The £38m was in the Outline Business Case (November 2017) and the number in the Final Business Case is exempt, but those who were at the cabinet meeting will know...

“The financing is exposed to interest rate risk”


 No. WCC can borrow at a fixed long term rate from the Public Works Loan Board. As soon as the financing is put in place the rate can be locked in. Indeed, current PWLB rates are lower than in the FBC.


“At 44 years the payback period is too long”

 No. The payback period is around 20 years, and over the life of the asset the facility will more than pay for itself, generating a surplus for the district’s council tax and rate payers. A major facility inevitably takes time to recoup its outlay.


 Furthermore, the value of improved health and activity levels has not been included in the business case, but will be immense.


“Not discounting the cash flows is a mistake”

 No. Because the threshold was that over its life the facility should pay for itself - which it does.


 But it also has a positive net present value when the future income is discounted, so it meets that criteria as well. The internal rate of return is 3.1%.





 “The income from the facility is too risky over too long a period”

 No. The operator has guaranteed the Council’s minimum revenue with an index-linked amount. In the case of financial outperformance, the Council will share in the benefit.

 “The business case relies on inflation”


 No. Even if inflation were negative 3% for 40 years the project would still pay for itself in absolute terms over its life.

 “The life of the polycarbonate walls is only 25 years, so you can’t rely on income for longer than that”


 No. Much of the plant and machinery will need replacing after that period, (and some even sooner), but those costs are built into cash flows, so the building according to the Mace Group will be good for 80 years - 40 years longer than we have assumed in the business case.




“It’s an £multi-million project, and there’s been no sensitivity analysis”


 No. All the sensitivity analysis was done at Outline Business Case in Nov 2017

 Six models by TSC

 PHF model with sensitivity to prices, usage, hours, membership, catering, car parking, growth, facility mix, construction costs, partner funding etc.

 Capital cost estimated at £38m


 Threshold was set to get guaranteed revenue to at least cover the contracted construction cost.

 Now we know that WCC will receive revenue from Operators that more than covers capital cost of construction *and* interest – see exempt FBC papers to see how much more.

 Remaining sensitivities are explored in the FBC.

 Interest, inflation, benchmarking

“You should include the value of the land in the costs”

 No. If you included it, you should also include the value of the land realised from the current site, which would be far more than the value of the Garrison Ground site, so this would make the financial case even stronger.

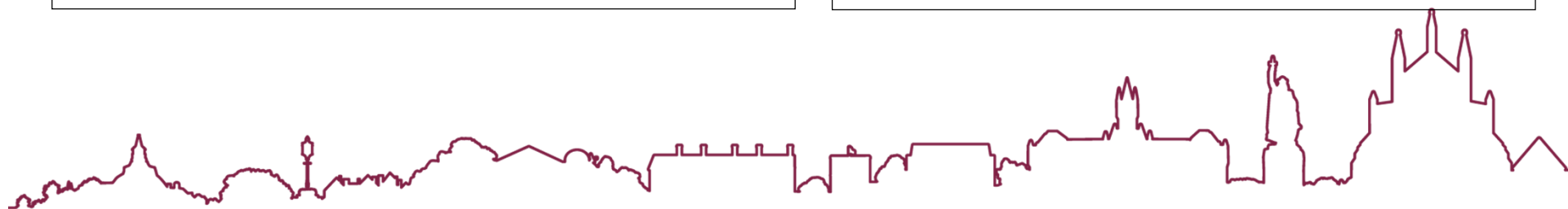
BALANCE SHEET

What we've got...

£m	31/3/18	
HRA Property	432	Social housing
Environment	22	Car parks, vehicles
Health & Happiness	14	S&L facilities, museums
WCC Operations	22	WCC Offices, depots
Investment property	48	Rented out property
Financial investments	38	Treasury investments
Other	(38)	Pensions, sundry
Total Assets	538	

How it's been paid for...

£m	31/3/18	
Borrowing	157	Long term debt
Usable reserves	50	Available for funding
Unusable reserves	331	e.g. Unrealised gains
Total equity	381	
Total Funding	538	Total debt + equity



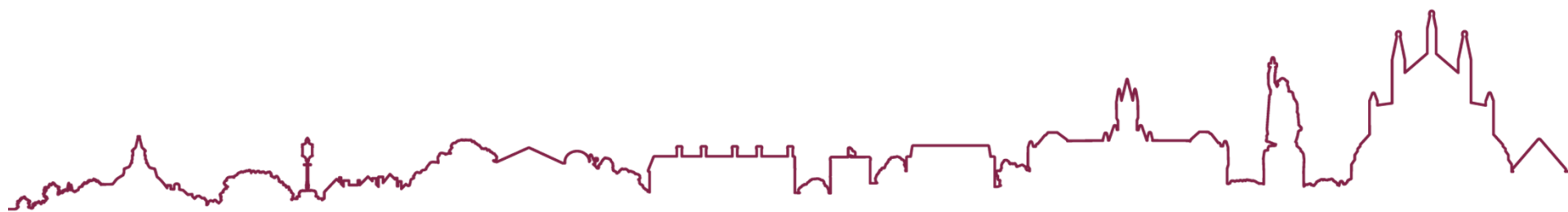
TREASURY MANAGEMENT - INVESTMENTS

	Asset value 30/11/18 £m	Average yield %
Short term investments	43.2	0.74
Long term investments	13.5	1.07
High Yield investments	5.0	4.26
Total	61.7	1.09

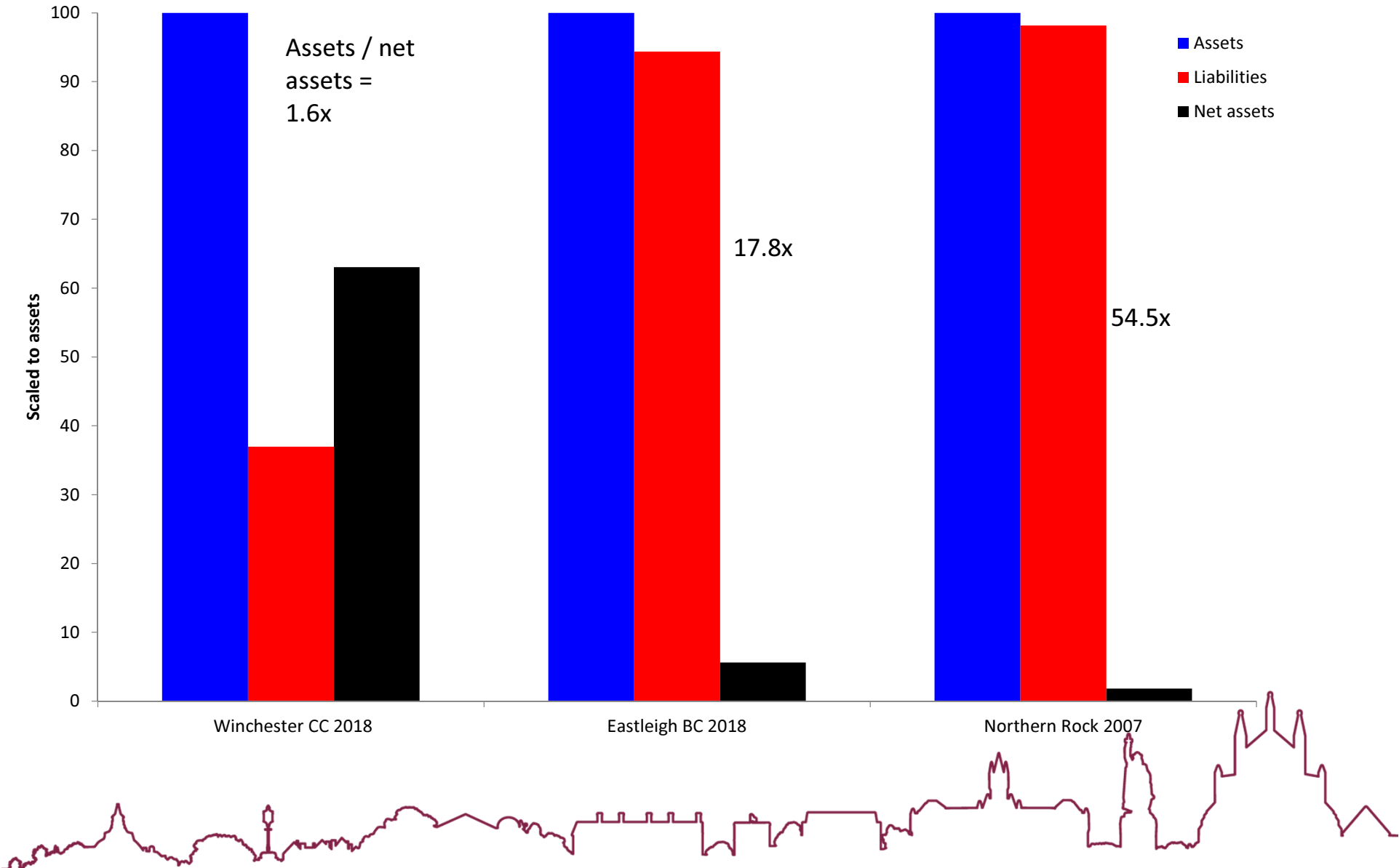


RESERVES, BORROWING AND GEARING

	2018/19 <i>£m</i>	2019/20 <i>£m</i>	2020/21 <i>£m</i>	2021/22 <i>£m</i>	2022/23 <i>£m</i>
Total reserves	381.4	377.2	363.1	356.6	357.2
Total CFR	177.2	196.1	249.6	293.8	305.0
Assets	558.4	573.2	612.1	649.6	662.2
Gearing	1.46x	1.52x	1.69x	1.82x	1.85x



Assets versus liabilities: different approaches....



FINANCIAL STEWARDSHIP

- 🏰 Healthy and sustained reserves available to fund key investments:
 - 🏰 Transformation
 - 🏰 Infrastructure
 - 🏰 Major investments – Station Approach, Vaultex, Friarsgate, S&L etc
- 🏰 Enabling Council to maintain and improve services and infrastructure...
- 🏰 Low levels of debt relative to assets
- 🏰 Long term debt funding long term assets





SUMMARY

 We will deliver the outcomes in the Council's Strategy...

 Winchester District will be a premier business location


 Delivering quality housing options

 Improve the health and happiness of our community

 Improving the quality of the District's environment

 ...with a focus on medium to long term sustainability

 Identifying opportunities to be more efficient

 Investing to meet strategic objectives and generate returns

 Creating opportunities for income generation

 We are a financially self-reliant and sustainable Council



PROCESS

- Reports went to Overview & Scrutiny on 28 January.
- Cabinet considered any responses on the 13th Feb.

