

REPORT TITLE: TOWN ACCOUNT BUDGET FOR 2020/21

23 JANUARY 2020

REPORT OF FINANCE MANAGER (STRATEGIC FINANCE)

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WARD(S): ALL TOWN WARDS

PURPOSE

This report presents the current financial projections for the Town Account for the period 2019/20 to 2026/27 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 2020/21.

RECOMMENDATIONS:

That the Town Forum;

1. considers the draft budget for 2020/21 and the indicative projections for the strategy period;
2. considers the Council Tax precept for the Town area which it wishes to recommend to Cabinet, noting the requirement for the Council to keep within overall referendum constraints;
3. approves, in principle, CIL funds of up to £50,000 relating to a new scout facility from Abbots Barton and Hyde (6<sup>th</sup> Winchester) Scout Group
4. makes recommendations to Cabinet on the budget to be set for the Winchester Town area for 2020/21

## 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 2020-2025.

### 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 projects are subject to review by Legal Services where required.

### 4 WORKFORCE IMPLICATIONS

- 4.1 None directly resulting from this paper

### 5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 Proposals for replacement Pavilions at the King George V Playing Fields and North Walls are currently subject to feasibility studies. 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 and relevant staff.

### 7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 Environmental considerations will be part of the business case supporting any budget proposals.

### 8 EQUALITY IMPACT ASSESSEMENT

- 8.1 An equality impact assessment will form part of the decisions made with any town forum proposals where relevant.

### 9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 A data protection impact assessment will form part of the decisions made with any town forum proposals where relevant.

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>
<i>High expectations are raised over the delivery of major capital projects such as KGV and North Walls Pavilions before detailed financial estimates are calculated and funded.</i>	<i>Projects can only proceed if they have a detailed business case including detailed financial projections.</i>	<i>Projects delivered to high environmental standards.  Improving the standard of sports facilities available within the town area.</i>

11 SUPPORTING INFORMATION:**Background**

- 11.1 A previous report, ref. WTF273 Winchester Town Account Financial Planning 2020/21 introduced the budget setting process for 2020/21, 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 forum recommended a precept for 2019/20 of £69.19 (per band D property), which was approved at Council in February 2019. The decision on the level of council tax for 2020/21 will be taken at Council in February 2020.
- 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 2020/21 be either 2% or +£5, which means +£5 applies as the higher limit. This would mean the maximum district and town increase would be just over 3%. The maximum increase for the town or district 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. There are many scenarios but if the district increased by 3% then the town could increase by 4% and remain within the overall £5 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 A assume a 3% increase.

#### Effect of increasing the Town Precept 2020/21

% Precept Increase	Additional Income £000	Precept
0%		£69.19
1%	10	£69.88
2%	19	£70.57
3%	29	£71.27
4%	39	£71.96
5%	48	£72.65

- 11.7 The forecasts are currently calculated using an average increase in properties of 1.2% per annum from 2021/22, with the 2020/21 tax base confirmed at 14,126.22. 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	16	20

## **Budget Review 2020/21**

### Review Update

- 11.8 The community speed watch annual budget of £1k has been removed as there are no ongoing costs.
- 11.9 The city council is reviewing the detailed conclusion of a tender process relating to the public conveniences cleaning contract and is also consulting on whether any alternative arrangements could be made to reduce the overall cost of public conveniences. The town and parishes currently contribute 50% to the general running costs of the facilities.
- 11.10 Another paper on this agenda, ref. WTF280 sets out the proposed rolling five year play strategy to 2025. The total cost of the programme is estimated at £710k for the town account (plus £105k already within the 2019/20 budget), with two major schemes planned early on in 2021/22. This does reduce the town earmarked reserve to below the 10% strategy target in 2021/22 so consideration is needed as to whether this is affordable or whether a project may need to slip to a future year.
- 11.11 The community grants budget has been maintained at £60k per annum, with £33k available to support a new bidding process expected to commence from April 2020.
- 11.12 Two options have been presented for enhancements to Magdalen Hill Cemetery. The first is a proposal for works to the Cemetery Lodge at a cost of c£23k and is recommended for approval within the existing 2019/20 budget through the budget virement mechanism. The second is a proposal for grounds enhancements at c£18.5k and this will need further review and resources will need to be identified.
- 11.13 Another paper on this agenda, ref. WTF278 sets out options for the replacement of pavilions at King George V and North Walls. These are major capital projects and will have a significant financial impact on the town account both in terms of identifying the initial funding and also the long term commitment to the ongoing running costs of a new facility.

### Summary

- 11.14 Additional one-off growth pressures relating to the local plan and tree survey works totalling £87k have created a forecast shortfall of £45k within the town reserve by 2021/22. Measures will need to be identified to increase the reserve balance back up to the 10% target of c£90k; however consideration can also be given to the forecasts showing the reserve will be replenished by the end of 2022/23 without any further action based on current projections.

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

- 11.15 The total billed neighbourhood CIL (Town) contributions stood at £844k at September 2019. Approximately £638k of this has been received, of which £50k has been committed towards projects.
- 11.16 WTF278 Pavilions paper highlights major projects at King George V playing fields and North Walls. Funding will need to be identified for these projects and CIL applications are a potential source of funding to allocate.
- 11.17 WTF277 provides a CIL update and feedback on the current spending protocol.
- 11.18 Members of the Informal Accounts Group have met and assessed two proposals for CIL funding against the criteria set out in WTF277. Members have proposed that the bid of £50,000 in relation to Abbots Barton and Hyde Scout Group is supported. A request from the Highcliffe Community Forum for Action for £36,412 was also considered but members have sought further information before a final decision can be recommended. .

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

- 11.19 The following capital expenditure budgets are included within the councils capital programme:
- I. Changing Pavilions North Walls - £44k in 2019/20 (total project budget of £300k with £256k funded by S106 receipts)
  - II. Changing Pavilions King George V – to be identified
  - III. Play Area Refurbishments - £815k from 2019/20 to 2024/25. A baseline projection of £150k per annum has been included in Appendix A from 2025/26 onwards.
- 11.20 The following one-off expenditure projects are currently within the councils revenue budgets:
- I. St Maurice's Covert - £47k
  - II. Community Infrastructure - £150k (funded by CIL)
  - III. Local Plan - £25k (new proposal)
  - IV. Tree Survey Works - £62k (new proposal)

## Reserves

- 11.21 The opening reserve balance for 2019/20 was £433k. Funding the significant one-off capital and revenue expenditure requirements are forecast to reduce to below the strategy target of 10% during 2021/22. There are potential further pressures depending on decisions made in relation to the pavilion replacement projects highlighted in 11.14 above.
- 11.22 The pressure on the town reserve in 2021/22 is caused by one-off revenue and capital expenditure, in particular play area refurbishments of £350k in 2021/22. Based on existing forecasts the reserve will be replenished back to the target 10% by the end of 2022/23.
- 11.23 It should be noted that the reserve forecasts include illustrative annual increases in the town precept of 2% per annum from 2021/22 to 2023/24 (which are within 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 A variety of budget proposals are included in this paper for consideration.

### BACKGROUND DOCUMENTS:-

#### Previous Committee Reports:-

Winchester Town Account Financial Planning – WTF273 – September 2019

Town Account Budget for 2019/20 – WTF267 – January 2019

#### Other Background Documents:-

None

### APPENDICES:

Appendix A: Financial Projections to 2026/27

<b>WINCHESTER TOWN ACCOUNT - Financial Projections</b>								
	<b>2019/2020 Forecast</b>	<b>2020/2021 Forecast</b>	<b>2021/2022 Forecast</b>	<b>2022/2023 Forecast</b>	<b>2023/2024 Forecast</b>	<b>2024/2025 Forecast</b>	<b>2025/2026 Forecast</b>	<b>2026/2027 Forecast</b>
<b>Assumptions:</b>								
Contract inflation		2%	2%	2%	2%	2%	2%	2%
Utilities		5%	5%	5%	5%	5%	5%	5%
Percentage increase in tax		3%	2%	2%	2%	0%	0%	0%
Tax Base	13,981	14,126	14,296	14,467	14,641	14,817	14,994	15,174
<b>Cost of Services</b>								
<b>Recurring Budgets:</b>								
Allotments	(1,864)	(1,864)	(1,864)	(1,864)	(1,864)	(1,864)	(1,864)	(1,864)
Bus Shelter Cleaning / Maintenance / New Provision	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Cemeteries	34,073	36,286	38,556	40,882	43,269	45,716	48,225	50,799
Christmas Lights	8,946	9,115	9,287	9,463	9,642	9,825	10,012	10,202
Neighbourhood Service Officers (Contribution)	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
Footway Lighting	20,642	20,927	21,226	21,540	21,870	22,216	22,580	22,962
Grants	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000
Grants Bidding Process	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000
- Theatre Royal (Contribution)	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Support Costs for Grant Scheme	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Grit Bins	500	500	500	500	500	500	500	500
Maintenance Work to Council Owned Bridges	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500
Night Bus Contribution	6,652	6,785	6,921	7,059	7,200	7,344	7,491	7,641
Public Conveniences (Contribution)	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Recreation Grounds & Open Spaces	633,378	642,359	651,533	660,904	670,477	680,257	690,248	700,455
Town Forum Support	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
<b>Total Recurring Budgets</b>	<b>899,828</b>	<b>911,609</b>	<b>923,659</b>	<b>935,985</b>	<b>948,594</b>	<b>961,494</b>	<b>974,692</b>	<b>988,195</b>
<b>One-off Budgets:</b>								
St Maurice's Covert	47,287							
Community Infrastructure	50,000	100,000						
<b>Local Plan</b>		<b>25,000</b>						
<b>Tree Survey Works</b>		<b>30,704</b>	<b>30,935</b>					
<b>Total One-off Budgets</b>	<b>97,287</b>	<b>155,704</b>	<b>30,935</b>					
<b>Total Cost of Services</b>	<b>997,115</b>	<b>1,067,313</b>	<b>954,594</b>	<b>935,985</b>	<b>948,594</b>	<b>961,494</b>	<b>974,692</b>	<b>988,195</b>



	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	£	£	£	£	£	£	£	£
<b><u>Taxation and Non-specific grant income</u></b>								
Council Tax Income	(967,335)	(1,006,776)	(1,039,300)	(1,072,749)	(1,107,291)	(1,120,578)	(1,134,025)	(1,147,633)
Interest on Balances	(4,330)	(986)	(3,090)	(468)	(1,440)	(2,242)	(1,855)	(1,967)
<b>Total Taxation and Non-specific grant income</b>	<b>(971,665)</b>	<b>(1,007,762)</b>	<b>(1,042,390)</b>	<b>(1,073,217)</b>	<b>(1,108,731)</b>	<b>(1,122,820)</b>	<b>(1,135,880)</b>	<b>(1,149,600)</b>
<b><u>Transfers to/(from) Earmarked reserves</u></b>								
(Surplus added to Reserves) / Deficit taken from Reserves	25,450	59,551	(87,796)	(137,232)	(160,137)	(161,326)	(161,188)	(161,405)
Capital Expenditure funded by Town Reserve	105,000	84,000	350,000	40,000	80,000	200,000	150,000	150,000
Release from Town Community Infrastructure Levy Reserve	(50,000)	(100,000)						
<b>Opening Reserve Balance (at 1st April)</b>	<b>(433,003)</b>	<b>(352,553)</b>	<b>(309,002)</b>	<b>(46,798)</b>	<b>(144,030)</b>	<b>(224,167)</b>	<b>(185,493)</b>	<b>(196,681)</b>
<b>Closing Reserve Balance (carried forward)</b>	<b>(352,553)</b>	<b>(309,002)</b>	<b>(46,798)</b>	<b>(144,030)</b>	<b>(224,167)</b>	<b>(185,493)</b>	<b>(196,681)</b>	<b>(208,086)</b>
Closing Reserves forecast as % of net expenditure (Target = 10%)	35%	29%	5%	15%	24%	19%	20%	21%
<b><u>TAX</u></b>								
Tax at Band D	£69.19	£71.27	£72.70	£74.15	£75.63	£75.63	£75.63	£75.63
Increase over previous year (£)		£2.08	£1.43	£1.45	£1.48	£0.00	£0.00	£0.00
<b><u>Sensitivity</u></b>								
Council tax % increase required to fund £10,000 expenditure		1%						
Council tax £ increase required to fund £10,000 expenditure		£0.69						
+/- 1% increase in Council Tax (£'000s)		9,747						
Band D equivalent (£) per +/- 1% increase in Council Tax		£0.69						