

REPORT TITLE: WINCHESTER TOWN ACCOUNT BUDGET FOR 2023/24 (TO BE RECOMMENDED TO CABINET)

26 JANUARY 2023

REPORT OF FINANCE MANAGER (STRATEGIC FINANCE)

Contact Officer: Darren Kennedy Tel No: 01962 848462 Email dkennedy@winchester.gov.uk

WARD(S): ALL TOWN WARDS

PURPOSE

This report presents the current financial projections for the Town Account for the period 2022/23 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 2023/24.

RECOMMENDATIONS:

1. Agrees the draft budget for 2023/24 and the indicative projections for the strategy period as shown in Appendix 1;
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 the release of £50k from Town CIL as the Town Account contribution towards the KGV Park Plan Improvement Project. The total budget was approved by Cabinet in September 2022 (CAB3360) subject to Town CIL funding approval.

## 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.
- 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.

- 1.2 This report sets out the current financial position for the Forum, 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 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 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 EQUALITY IMPACT ASSESSEMENT

- 8.1 Whilst not impacting the budget for 2023/24 which is recommended to Cabinet, this report recommends a number of review areas in 11.8 below. In particular it is understood that changes in the play area or grants programmes may have an impact and therefore equality impact assessments will form part of those reviews and any subsequent decisions.
- 8.2 The recent census data showed an increase in children under 15 within the district, albeit a much lower percentage increase than the overall population increase (4.8% vs 9.4%). Knowing that playgrounds are important for families, consideration will be given to this changing demographic when decisions are made around this service.

#### 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 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 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:

- 11.1 This budget report has been produced at a very challenging time for the town account. High inflation levels have had a significant impact on budget projections due to high levels of contractual expenditure within the town, such as grounds maintenance. It is recognised that difficult decisions need to be taken in order to continue to deliver on existing plans whilst ensuring a balanced budget over the medium term.
- 11.2 The Winchester Town Forum (Informal Account) Group have met three times in total 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 2023/23 of £76.71 (per band D property), which was approved at Council in February 2022. The decision on the level of council tax for 2023/24 will be taken at Council in February 2023.
- 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 2023/24 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 2023/24 was confirmed in December and has resulted in a slightly above average increase in the tax base for the town area from 14,387 to 14,666. This means an overall precept increase of around £22k before any change in the precept charge.
- 11.7 This paper assumes a precept increase of 5.5% (£4.22) to £80.93 for 2023/24. This recommendation is made in light of the extremely challenging financial situation and bearing in mind that CPI inflation remains above 10% at the time of writing this report.

## Effect of increasing the Town Precept 2022/23

% MAX District Increase	% TOWN Precept Increase	Additional Income £000	Town Precept
	0%		£76.71
2.99%	2.99%	34	£79.00
2.78%	4.5%	51	£80.16
2.65%	5.5%	62	£80.93
2.15%	9%	101	£83.61

## Budget Review 2023/24

### Review Update

- 11.8 The informal accounts group have presented a budget forecast in Appendix 1 which currently shows shortfalls in the medium term financial strategy reserve target of 10%, despite recommending a precept increase of 5.5% for 2023/24. Informal Accounts group meetings have determined that rather than taking

drastic and short term decisions in relation to the relatively small discretionary budgets, more time is needed to develop plans to both achieve the medium term financial strategy and also deliver on the aims of the town forum. It is therefore proposed that detailed reports come back to the town forum in 2023/24 on four key areas in order to ensure the current forecast shortfalls are addressed:

- I. Play Refurbishment Programme – maintenance of good quality play areas is a high priority for the town forum. However, it is recognised that a review of the current refurbishment programme is required in order to fully understand the options for delivering a good quality programme. The review will focus on ensuring the right mix of facilities are available and also give a detailed refresh on how this can be delivered. The long term play refurbishment programme, reflected in the capital programme, shows indicative figures with assumptions on life of equipment and largely assuming the current status quo is maintained. One example could be that not all equipment in a play area needs replacing but instead a mix of replacement and refurbishment which would deliver both the play strategy aims, a reduced cost, and the potential environmental benefits of not replacing equipment which remains in good order.
- II. Open Spaces and Grounds Maintenance – it has long been recognised that this total budget accounts for almost 70% of the entire town budget. A detailed review is underway in order to fully understand these detailed costs, the drivers, and what options may exist in order to deliver cost reductions.
- III. Cemeteries – reducing income caused by reduced burials and increasing grounds maintenance expenditure has led to an increased net cost of delivering a service which aims to fully cost recover. Interim proposals to increase fees by 10% for 2023/24 are expected to deliver around £10k of additional income. A more detailed review is requested in order to give in-depth analyses of the current fee structure but also whether there are options for delivering this service in a different way.
- IV. Grants – the grants budget is a significant area of ‘discretionary’ spend. Whilst the importance of supporting the voluntary sector is recognised, reviewing discretionary budgets is unavoidable given the current financial situation. With this in mind baseline reductions to the total baseline grants budget (£80k in 2022/23) are proposed in Appendix 1. The reductions are £10k in 2024/25 increasing to £20k in 2025/26 and £30k in 2026/27 (so leaving a new baseline grants budget of £50k). These are target reductions and so a detailed plan of how these can be achieved needs to come back to the town forum.

11.9 **Community Infrastructure Levy (CIL) – the Neighbourhood CIL (Town)**  
receivable balance stood at £1.209m as at April 2022. Billed income is

reduced so far in 2022/23 with under £50k billed in the year-to-date. Commitments include £0.295m towards North Walls Pavilion; £0.250m towards KGV Pavilion, £0.099m Fencing and Floodlighting improvements at North Walls; £0.050m towards a proposal from Abbotts Barton Scouts; £0.073m towards Weeke access road; and a £0.010m Milland Road bid.

- 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.

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

	2022/2023 Forecast	2023/2024 Forecast	2024/2025 Forecast	2025/2026 Forecast	2026/2027 Forecast
<b>Assumptions:</b>					
Contract inflation	7%	10%	5%	4%	2%
Utilities	200%	5%	5%	5%	5%
Percentage increase in tax	Actual	5.5%	3%	3%	3%
Tax Base	Actual	1.2%	1.2%	1.2%	1.2%

11.11 The sensitivity of the above assumptions is as follows:

- a) Contract Inflation is around £6k per 1%. If inflation were 15% for 2023/24 then this would cost an additional £30k per annum.
- b) Utilities costs were approximately £11k in 2021/22 so a 200% forecast increase for 2022/23 is an additional cost of £22k per annum.
- c) A 1% precept increase generates additional funding of c£11k per annum.
- d) A 1.2% tax base increase generates additional funding of c£13k 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

- 11.12 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).
- 11.13 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.
- 11.14 The following budgets are currently included within the capital programme:
- i. Changing Pavilion North Walls - £800k total budget (£727k remaining over 2022/23 and 2023/24) funded by CIL of £295k, S106 Open Space funding of £256k, £205k external funding and Winchester Town Reserve of £44k.
  - ii. King George V Pavilions - £228k of S106 Open Space funding has been earmarked towards this project as well as £250k of Town CIL.
  - iii. Play Area Refurbishments - £914k from 2022/23 to 2025/26. A baseline projection of £100k per annum has been included in Appendix 1 from 2026/27 onwards.
  - iv. North Walls floodlight and fencing upgrade - £99k funded by Town CIL (of which £72k remaining to spend in 22/23).
  - v. North Walls tennis courts surface upgrade - £150k funded by annual capital financing costs (i.e. an annual repayment of the initial capital costs over the life of the asset, plus annual interest)

## Reserves

- 11.15 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 10% of the total annual net expenditure which is set aside to deal with any urgent / unexpected requirements.
- 11.16 The current forecasts in Appendix 1 show a large reserve deficit building up to £148k by the end of 2026/27 (£272k short of the 10% strategy target). This will be addressed through the major reviews planned above. This does mean there will be a shortfall to the 10% target of £58k in 2023/24 unless there are any delays in the current capital projects.
- 11.17 The increased risks identified in this report and caused mainly by contractual inflation have led the informal accounts group to consider whether a 10%

balance remains sufficient. An increase to 15% would give a greater buffer from any risks and uncertainties but would also further increase the already challenging budget process. Whilst the current forecasts highlight the importance of reviewing the reserve balance, this review needs to take place next year alongside the major reviews planned.

- 11.18 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.

## 12 OTHER OPTIONS CONSIDERED AND REJECTED

- 12.1 A lower proposed increase in precept was considered but rejected due to inflation levels currently above 10% and the ongoing baseline impact which would mean even greater medium term savings to be identified.

### BACKGROUND DOCUMENTS:-

#### Previous Committee Reports:-

Winchester Town Account Medium Term Financial Position – WTF313 – November 2022

Winchester Town Account Financial Planning – WTF310 – September 2022

Town Account Budget for 2022/23 – WTF306 – January 2022

#### Other Background Documents:-

None

### APPENDICES:

Appendix 1: Medium Term Financial Projections