

REPORT TITLE: WINCHESTER TOWN ACCOUNT FINANCIAL PLANNING  
2023/24

14 SEPTEMBER 2023

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

Contact Officer: Darren Kennedy Tel No: 01962 848464 Email  
[dkennedy@winchester.gov.uk](mailto:dkennedy@winchester.gov.uk)

WARD(S): ALL

PURPOSE

To provide an update of the current financial position of the Winchester Town Account and financial projections over the medium and long term. This supports the development of a refreshed financial strategy and final budget recommendations in January 2024.

RECOMMENDATIONS:

1. That the Town Forum notes the financial projections in Appendix 1, and agrees the budget timetable for 2024/25.

## IMPLICATIONS:

### 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. 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 This is an update report and as such there are no identified legal or procurement implications.

### 4 WORKFORCE IMPLICATIONS

- 4.1 The people who have been asked to carry out these reviews are doing so under the councils wider piece of work to meet the budget gap (Transformation Challenge – TC25). No additional resources have been identified at this stage of scoping the work except for the grants review programme which has a district budget allocated as part of the wider district review of the grants programme.

### 5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 Where any projects have an impact on property or assets the impact will be identified and presented to the Forum in the next set of reports at project level.

### 6 CONSULTATION AND COMMUNICATION

- 6.1 We are currently in the scoping phase of these projects. Each project will have a consultation and communication plan where appropriate.

### 7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 We are currently in the scoping phase of these projects. Each project will have a section on Environmental considerations in its individual report.

### 8 PUBLIC SECTOR EQUALITY DUTY

- 8.1 This report reports on 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 2027/28 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 A revision of the terms of reference for the Winchester Town Forum (WTF) in 2007 gave the Forum a greater role in developing the Town Account Budget. To help it fulfil this role, the Town Forum set up an informal member group to give early consideration to budget setting issues.
- 11.2 The overall aim of the Medium Term Financial Plan is to provide the Town Forum with early consideration of the current financial projections, any possible impacts from Government consultations, and any other possible financial implications in respect of the Town Account Budget.
- 11.3 The Medium Term Financial projections will be influenced by actions within the Council's control and external factors. A sensitivity analysis, showing a range of possible scenarios is included for consideration.
- 11.4 The district budget setting process is currently underway and any resulting options will be included for consideration within the Town budget setting process.
- 11.5 The core budget timetable remains in line with previous years, with initial budget proposals considered at November Town Forum and final recommendations made at January Town Forum.
- 11.6 In accordance with Section 35 of the Local Government Finance Act 1992 – "Special Expenses" are levied by the Council to cover the costs of local services in the Winchester Town area which elsewhere would be dealt with by parish councils, as there is no parish council for the Town area of Winchester.
- 11.7 WTF314, presented to January 2023 Town Forum, identified significant budget shortfalls over the medium-term projection period from 2023/24 to 2026/27. The town forum identified four key budget review areas to be brought forward to help address this and WTF319, presented to June 2023 Town Forum, gave a timetable for how these reviews would be presented back to the town forum for decisions.

### **Budget Review Update**

- 11.8 Summary updates are provided below on the progress of the four key budget review areas:
  - I. Play Refurbishment Programme – WTF323 elsewhere on this agenda provides initial draft options for the play refurbishment programme. This review work to date has shown that by taking a flexible approach there are many different ways of continuing to deliver the programme whilst

also bearing in mind the financial limitations currently facing the town account.

- II. Open Spaces and Grounds Maintenance – work is ongoing with an update due to be presented to November Town Forum.
- III. Cemeteries – initial project scoping is underway in order to produce options to come back to the town forum for consideration.
- IV. Grants – WTF321, elsewhere on this agenda, outlines how the initial £10k saving from 2024/25 will be actioned. It also outlines the review which will deliver the stepped budget savings in 2025/26 and 2026/27.

### **Community Infrastructure Levy**

- 11.9 A CIL update report was presented to July Cabinet (CAB3385 refers) highlighted that out of a total Town CIL collected amount of £1.317m, £1.027m has been spent or committed, leaving an uncommitted balance of £0.290m.
- 11.10 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.
- 11.11 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.

### **Updated Medium Term Forecasts and the impact of inflation**

- 11.12 The town accounts group met in August to review the latest forecasts and to start planning the focus of budget preparations. It was noted that inflation has remained far more 'sticky' than was forecast at the beginning of the year and therefore inflation forecasts needed review.
- 11.13 The budget forecast shown in Appendix 1 has been updated to reflect:
- a) Revised inflation forecasts – CPI inflation remained at 6.8% in July 2023 with a much slower decline that had originally been anticipated. Based on current forecasts it is considered reasonable to increase the 2024/25 contract inflation forecast uplift from 5% to 6%. Future uplifts from 2025/26 remained unchanged.
  - b) WTF323 Budget Review: Play Refurbishment Programme, considered elsewhere on this agenda, outlines initial options for consideration.

However, it also includes a refresh of the timing profiles of the existing programme. This has moved some expenditure out to 2027/28 which has had a materially beneficial impact on the MTFP projections shown in Appendix 1.

- c) Forecasts now reflect the 2022/23 outturn and revised capital programme profiling/timing.

11.14 Current inflationary pressures are considerable and are having a material impact on the medium term financial projections shown in Appendix 1. To give an indication of this the 10% inflation forecast for 2023/24 brings an increased expenditure pressure of c£60k per annum.

11.15 The refreshed forecasts show that despite an assumed 3% annual precept uplift the town reserve will fall below the 10% strategy target during 2024/25. The shortfalls from 2024/25 are significantly lower than presented in January and June and this is mainly due to the re-profiling of the play refurbishment programme. Whilst this improvement is very encouraging it is important to take into consideration the risks around growth in expenditure both from existing services and also planned improvements.

11.16 Due to increasing financial risks particularly in relation to rising inflation, the informal accounts group have determined to review the current target reserve balance of 10% to consider whether it is sufficient or needs increasing.

### Identifying Resources

11.17 **Winchester Town Precept** – The 2023/24 tax base is 14,665.50 with a precept of £80.93.

- The Council Tax Referendum limits for 2024/25 will be announced alongside the settlement. For modelling purposes it is currently anticipated that this will remain at up to 3% for lower tier authorities.
- Referendum limits prevent the Council increasing Council Tax above the Government's advised level, except with a referendum. Whilst parish tax amounts are currently excluded from these calculations the Winchester Town tax is included.
- Appendix 1 shows the financial projections up until 2027/28, including illustrative increases in the precept which present a balanced overall position.

11.18 **Fees and Charges** are reviewed on an annual basis and feed into the budget setting process. The key existing fees and charges relating to the Town Account are:

- Cemeteries – an income budget of just under £160k supports annual expenditure of just over £240k.

- Open Spaces (including sports pitches) – expenditure of c£890k per annum is supported by income of just under £130k.

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

	2023/2024 Forecast	2024/2025 Forecast	2025/2026 Forecast	2026/2027 Forecast	2026/2027 Forecast
<b>Assumptions:</b>					
Contract inflation	10%	6%	4%	2.0%	2.0%
Utilities	5%	5%	5%	5%	5%
Percentage increase in tax	5.5%	3%	3%	3%	3%
Tax Base		1.2%	1.2%	1.2%	1.2%

11.20 The sensitivity of the above assumptions is as follows:

- Contract Inflation is around £6k per 1%. If inflation were 8% for 2024/25 then this would cost an additional £12k per annum. If inflation remained higher than forecasts for longer than one year then the impact would be cumulate, so 8% inflation in 2024/25 and 6% inflation in 2025/26 would give a cumulative cost increase of £36k by the end of 2025/26 (£12k in 2024/25 and £24k in 2025/26).
- A 1% precept increase generates additional funding of c£12k per annum.
- A 1.2% tax base increase generates additional funding of c£14k 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

11.21 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).

11.22 In January 2017 (WTF250) the Town Forum approved a strategy to fund the long term requirements of the play area refurbishment from the Town Account Earmarked Reserve. Play area refurbishments in the town make up the largest proportion of town capital expenditure as shown in 11.15 below.

11.23 The following budgets are currently included within the capital programme:

- Changing Pavilion North Walls - £800k total budget (£716k remaining 2023/24 budget) funded by Town CIL of £295k, S106 Open Space funding of £216k, and £205k external funding.
- King George V Pavilions - £450k funded from Town CIL.
- Play Area Refurbishments - £714k from 2023/24 to 2027/28.

- iv. North Walls tennis courts surface upgrade - £150k funded by annual capital financing costs.

## **Reserves**

- 11.24 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.
- 11.25 May of the capital budget forecasts listed in 11.23 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.
- 11.26 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.
- 11.27 Action will need to be taken during the budget planning process in order to address the current forecast shortfalls in the reserve commencing 2024/25. The reserve balance is forecast to fall to £49k by the end of 2024/25, which is a shortfall of £71k to the current 10% MTFS target reserve level.

## **12 OTHER OPTIONS CONSIDERED AND REJECTED**

- 12.1 Other options were considered in last year's budget process leading to the focus on four key budget review areas. This paper gives a progress update and refresh of the medium term financial forecasts. Alternative options will be considered and noted in this year's budget consultation process, with an options paper due at November Town Forum meeting.

### **BACKGROUND DOCUMENTS:-**

#### **Previous Committee Reports:-**

Budget Review Updates 2023/24 – June 2023

Winchester Town Account Budget for 2023/24 - January 2023

#### **Other Background Documents:-**

None

### **APPENDICES:**

Appendix 1: Medium Term Financial Projections