Public Document Pack

RUSHMOOR BOROUGH COUNCIL

CABINET

at the Council Offices, Farnborough on
Tuesday, 18th January, 2022 at 7.00 pm

To:

Cllr D.E. Clifford, Leader of the Council
Cllr K.H. Muschamp, Deputy Leader and Customer Experience and Improvement Portfolio Holder

Cllr Marina Munro, Planning and Economy Portfolio Holder
Cllr A.R. Newell, Democracy, Strategy and Partnerships Portfolio Holder
Cllr M.L. Sheehan, Operational Services Portfolio Holder
Cllr P.G. Taylor, Corporate Services Portfolio Holder
Cllr M.J. Tennant, Major Projects and Property Portfolio Holder

Enquiries regarding this agenda should be referred to Chris Todd, Democracy and Community, on 01252 398825 or e-mail: chris.todd@rushmoor.gov.uk

A G E N D A

1. **DECLARATIONS OF INTEREST** –

Under the Council's Code of Conduct for Councillors, all Members are required to disclose relevant Interests in any matter to be considered at the meeting. Where the matter directly relates to a Member's Disclosable Pecuniary Interests or Other Registrable Interest, that Member must not participate in any discussion or vote on the matter and must not remain in the room unless they have been granted a dispensation (see note below). If the matter directly relates to 'Non-Registrable Interests', the Member's participation in the meeting will depend on the nature of the matter and whether it directly relates or affects their financial interest or well-being or that of a relative, friend or close associate, applying the tests set out in the Code.

NOTE:
On 27th May, 2021, the Council's Corporate Governance, Audit and Standards Committee granted dispensations to Members appointed by the Council to the Board of the Rushmoor Development Partnership and as Directors of Rushmoor Homes Limited.

2. **MINUTES** – (Pages 1 - 2)

To confirm the Minutes of the meeting held on 14th December, 2021 (copy attached).

3. **COUNCIL TAX SUPPORT SCHEME 2022/23** – (Pages 3 - 8)
(Cllr Diane Bedford, Chairman of the Council Tax Support Task and Finish Group)

To consider Report No. FIN2206 (copy attached), which sets out the work undertaken by the Council Tax Support Task and Finish Group to review the Council's Council Tax Support Scheme.

4. **APPOINTMENT OF DIRECTORS - FRIMLEY4 BUSINESS PARK, FRIMLEY** – (Pages 9 - 12)
(Cllr Martin Tennant, Major Projects and Property Portfolio Holder)

To consider Report No. PETS2202 (copy attached), which sets out a proposal to agree new Directors for Frimley Business Park Management Limited, which is a company owned by the Council.

5. **FIRST HOMES INTERIM POLICY STATEMENT** – (Pages 13 - 28)
(Cllr Marina Munro, Planning and Economy Portfolio Holder)

To consider Report No. EPSH2204 (copy attached), which sets out a proposed First Homes Interim Policy Statement in relation to how the Council will implement first homes through the planning system.

6. **REVENUE BUDGET MONITORING REPORT P2 2021/22** – (Pages 29 - 46)
(Cllr Paul Taylor, Corporate Services Portfolio Holder)

To consider Report No. FIN2201 (copy attached), which sets out the Council's anticipated financial position for 2021/22, based on the monitoring exercise carried out during October and November, 2021.

7. **CAPITAL PROGRAMME MONITORING AND FORECASTING REPORT P2 2021/22** – (Pages 47 - 54)
(Cllr Paul Taylor, Corporate Services Portfolio Holder)

To consider Report No. FIN2202 (copy attached), which sets out the latest forecast of the Council's Capital Programme for 2021/22, based on the monitoring exercise carried out during Q2, 2021.

8. **RECOMMENDATIONS FROM BUDGET STRATEGY WORKING GROUP 2021/22** – (Pages 55 - 60)
(Cllr Paul Taylor, Chairman of the Budget Strategy Working Group)

To consider Report No. FIN2204 (copy attached), which sets out recommendations from the Budget Strategy Working Group, resulting from its work over the past year.

9. **MEDIUM TERM FINANCIAL STRATEGY 2022/23 TO 2025/26 - UPDATE** – (Pages 61 - 72)
(Cllr Paul Taylor, Corporate Services Portfolio Holder)

To consider Report No. FIN2203 (copy attached), which sets out an update on the key factors influencing the preparation of the 2022/23 budget and an update on the Provisional Local Government Finance Settlement.

10. **EXCLUSION OF THE PUBLIC** –

To consider resolving:

That, subject to the public interest test, the public be excluded from this meeting during the discussion of the undermentioned items to avoid the disclosure of exempt information within the paragraphs of Schedule 12A to the Local Government Act, 1972 indicated against such items:

Item Nos.	**Schedule 12A Para. No.**	**Category**
11 and 12	3	Information relating to financial or business affairs

11. **INVESTMENT PROPERTY PORTFOLIO - AGREEMENT OF REVISED RENTAL OFFER** – (Pages 73 - 106)
(Cllr Martin Tennant, Major Projects and Property Portfolio Holder)

To consider Exempt Report No. PETS2201 (copy attached), which gives details of proposed alterations to financial arrangements with the tenant of a commercial premises owned by the Council.

12. **APPLICATION FOR SECTION 49 REMISSION OF NON-DOMESTIC RATES** – (Pages 107 - 116)
(Cllr Paul Taylor, Corporate Services Portfolio Holder)

To consider Exempt Report No. FIN2205 (copy attached), which gives details of an application for the remission of non-domestic rates due to hardship.

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CABINET

Meeting held on Tuesday, 14th December, 2021 at the Council Offices, Farnborough at 7.00 pm.

Voting Members

Cllr D.E. Clifford, Leader of the Council

Cllr Marina Munro, Planning and Economy Portfolio Holder
Cllr M.L. Sheehan, Operational Services Portfolio Holder
Cllr P.G. Taylor, Corporate Services Portfolio Holder
Cllr M.J. Tennant, Major Projects and Property Portfolio Holder

Apologies for absence were submitted on behalf of Cllrs K.H. Muschamp and A.R. Newell.

The Cabinet considered the following matters at the above-mentioned meeting. All executive decisions of the Cabinet shall become effective, subject to the call-in procedure, from **29th December, 2021**.

47. **DECLARATIONS OF INTEREST** –

Having regard to the Council's Code of Conduct for Councillors, no declarations of interest were made.

48. **MINUTES** –

The Minutes of the meeting of the Cabinet held on 16th November, 2021 were confirmed and signed by the Chairman.

49. **BUSINESS RATES - DISCRETIONARY RATE RELIEF APPLICATION** –
(Cllr Paul Taylor, Corporate Services Portfolio Holder)

The Cabinet considered Report No. FIN2127, which set out details of an application for rate relief on behalf of Blucando Limited.

Members were informed that details of the application were contained within the Report and that the applicant was a technology company that had relocated to Farnborough.

The Cabinet RESOLVED that 75% discretionary rate relief be awarded to Blucando Limited for a period of one year, as set out in Report No. FIN2127.

50. **REPROVISIONING OF TEMPORARY ACCOMMODATION** –
(Cllr Marina Munro, Planning and Economy Portfolio Holder)

The Cabinet considered Report No. EPSH2135, which set out details relating to the provision of the Council's hostel accommodation in the Borough.

Members were informed that the Council currently provided hostel accommodation at North Lane Lodge and Clayton Court in Aldershot. Both of these properties were owned by the Ministry of Defence and formed part of the Wellesley development land. The Council had use of these properties until September 2023 and had started work to find replacement accommodation from this date.

Members expressed strong support for the proposed approach for the ongoing provision of this important Council service.

The Cabinet RESOLVED that the project plan and a supplementary estimate of £40,000, which was needed to fund legal and advisory costs, site surveys and due diligence work, as set out in Report No. EPSH2135, be approved, to support the delivery of alternative accommodation.

51. **REPORT OF URGENCY DECISION - NOS. 35-39 HIGH STREET, ALDERSHOT** – (Cllr Martin Tennant, Major Projects and Property Portfolio Holder)

The Cabinet received Report No. ED2102 and a Record of Executive Decision, which set out an urgent decision made on 10th December, 2021 by the Executive Director, in consultation with the Major Projects and Property Portfolio Holder, in relation to urgent works required to a party wall between Nos. 35-39 High Street, Aldershot. The details of the issues and work required to make the wall safe were set out in the Report and the Record of Executive Decision.

The Cabinet RESOLVED that the action taken, as set out in the Record of Executive Decision dated 10th December, 2021, be noted and endorsed.

The Meeting closed at 7.10 pm.

CLLR D.E. CLIFFORD, LEADER OF THE COUNCIL

CABINET
18 JANUARY 2022

COUNCIL TAX SUPPORT TASK & FINISH GROUP
COUNCILLOR DIANE BEDFORD (CHAIRMAN)

REPORT NO: FIN2206

KEY DECISION: NO

COUNCIL TAX SUPPORT SCHEME – 2022/23

SUMMARY:

This report sets out the work undertaken by the Council Tax Support Task and Finish Group, to review the Council's Council Tax Support Scheme (CTSS) and recommends action as follows:

RECOMMENDATIONS:

Cabinet are requested to:

a) Recommend to Council that the current Council Tax Support Scheme for working age customers continues for 2022/23 with the usual alignment to Housing Benefit rates.

b) Commission the Council Tax Support Task and Finish Group to undertake a detailed review of the Council Tax Support Scheme in early 2022/23 to take into account the continuing impact of the Covid 19 pandemic and the increasing cost of the scheme and its local impact on scheme recipients and other local council tax payers.

c) Note the deliberations and considerations of the Council Tax Support Task and Finish Group in arriving at recommendation a) and b) above

1. BACKGROUND

1.1 Since 1 April 2013, local authorities have been providing their own Council Tax Support Scheme (CTSS) to replace the previous national Council Tax Benefit Regulations, which had supported residents with their Council Tax costs.

1.2 Whilst local authorities have the freedom to set their own local schemes, based on local circumstances and needs, local authorities are required to provide pensioners with the same level of support received under the previous national Council Tax Benefit arrangements.

1.3 Accordingly, most local authorities have devised hybrid schemes, whereby those of pensionable age receive up to 100% of their Council Tax bill in support, whilst the maximum level of support for working age customers is typically lower and a range of other local adjustments have been made.

1.4 In Rushmoor we are in our ninth year of operating our local scheme, which has been overseen by a cross-party Member Welfare Group, superseded in 2018 by the Council Tax Support Task and Finish Group, convened by the Overview and Scrutiny Committee.

1.5 In previous years, Rushmoor's local scheme has proved effective and Council Tax collection rates remained high at 97.9% for 2018/19, marginally down from 98% in 2017/18. A change to the maximum support someone can receive if they are of working age was reduced from April 2018 to 88% from 90%. For 2019/20 the collection rate was 97.8%, slightly lower than the previous year, and for 20/21 lower again at 96.8%. However, the situation has been closely monitored to understand the impact of Covid -19.

1.6 Due to a gradual recovery from the impact of furlough and job losses caused by the impact of Covid-19 on people's financial circumstances, there has been a slight improvement in the overall collection rate of Council Tax for this financial year so far. The collection rate at the end of September 21, was 94.19% in comparison to 93.5% at the end of September 2020.

1.7 Collection rates for recipients of CTS show a better position than those of the overall collection rate. The way these are calculated is slightly different to the main rates as CTS is awarded at the start of the year for up to the full annual charge. Main collection rates are calculated as a % of the Council Tax due in the year to date. The only date we are 100% sure of the actual figures is at 31 March 2022 when we have comparable figures.

1.8 For Working age recipients, the collection rate in terms of the amount of Council Tax paid for the full year and being paid in the current month (September 2021) was 72%. This was down on the same time last year, but the CT hardship grant paid in 20/21 was the main reason for this, with 62% of working age recipients having no balance to pay last year. For pension age recipients the collection rate is currently 98% which is slightly higher than pre-Covid. This is helped mainly by the pensioner CTS scheme allowing 100% support in most cases, due to it mirroring the previous national Council Tax Benefit scheme and a significant number of the remaining residents paying their instalments regularly.

1.9 It is assumed at the time of writing, that there will not be any additional financial support from the Department of Levelling Up, Housing and Communities(DLUHC) for 2022/23 to fund additional pressures on the local CTSS in England, on top of those in 2020/21.

2. WORK OF THE COUNCIL TAX SUPPORT TASK AND FINISH GROUP

2.1 A Council Tax Support Task and Finish Group was established in 2019, as a sub-group of the Overview and Scrutiny Committee (OSC) and has been working to the previously agreed terms of reference.

2.2 The Group met on 17th August 2021, 6th October 2021, and 25th November 2021 to make their recommendations.

2.3 The Group considered the on-going impact of Covid-19 and associated data regarding the CTSS.

2.4 The Group weighed up several factors and paid specific attention to the following matters during their deliberations:

- Current collection rate for Council Tax payments in Rushmoor amongst CTS recipients
- How collection rate last year compares in Rushmoor this year, as opposed to previous years
- Council Tax Support caseload data
- Comparable data relating to CTS schemes for other local authorities in Hampshire and across England.
- Early collection rate for the main Council Tax data following the ending of furlough schemes and the gradual return to work for many who lost their jobs or suffered reduced hours.
- ONS data and local employment statistics
- Evidence and data presented by Citizens Advice
- Changes to national welfare benefits such as Universal Credit
- Options to change the scheme were presented such as reviewing the Banding Cap level, considering a reduction in the maximum amount of council tax liability eligible for support and reducing the savings threshold
- The impact of likely Council Tax increase in 2022/23 on residents and the prioritisation of cost reductions and savings

2.5 The on-going position because of Covid-19 in respect of Council Tax collection and payments and the subsequent relatively slow recovery presents financial impacts on both the council and its residents. The current CTSS is familiar to customers and is relatively stable. The group agreed that this is not the right time to make fundamental changes, and indeed maintaining the current scheme for 2022/23 would help those of working age maintain a consistency at a time when they may be facing other personal and financial changes and challenges. Also, any scheme modelling and forecasting at this time using current data and information would be unlikely to provide a reliable picture of the longer-term claimant profile and caseload.

2.6 It is difficult to forecast the CTSS costs in 2022/23 with any degree of certainty due to the residual Covid-19 impacts and any further restrictions in terms of people being able to work from home and retain their jobs. This creates a continuing level of uncertainty with the current economic climate. We have seen a small drop in people claiming Council Tax Support which we can assume is due to an increase in their financial resources, but it is a little early to be clear how this might play out for the remaining months of 2021/22 and into the new year.

2.7 Having considered all the data available to answer the lines of enquiry set out in 2.4, (full details of various comparable and alternate modelled options are contained within detailed appendices attached) and recognising that there were factors that would both support changes in 2022/23 and also bring into question the timeliness of a change, the Group on balance considered that the best option to recommend to Cabinet was one of no immediate change but keep the scheme under close review and undertake a more fundamental review in 2022/23.

Option put forward by the Group

2.8 To maintain the CTSS for 2022/23, as an identical scheme to the current year, whilst the Council Tax Support Task and Finish Group continue to monitor the financial recovery from the impact of Covid-19 on people's ability to pay the Council Tax. With the Covid-19 position being unprecedented it is not possible to forecast with any degree of certainty what will happen. However, early indicators do show that it would be reasonable to anticipate further decreases in CTS caseload and expenditure for the remainder of the financial year. Finally, the group were clear that they would recommend a fundamental review of the scheme in early 2022 using robust data and future consultation with the public and the major preceptors.

TABLE 1: Council Tax collection rates within Rushmoor, for those receiving CTS - % of those where full year paid and paying in September 21

CTS collection Rates at date stated	Collection rate for those of Working age	Collection Rate for Pensioners
September 2019	92.3%	95.8%
September 2020	85.5%	97.2%
September 2021	72.4%	98.1%

TABLE 2: Overall Council Tax collection rates

Month and Year	% Collected of in year charge due to date
September 2019	95.86%
September 2020	93.50%
September 2021	94.19%

2.9 Presently expenditure on the CTS scheme is £5,173,766. The table below shows the comparative position.

TABLE 3: Council Tax Support – award data

CTS paid by group	September 19	September 20	September 21
Pensioner	£2,103,187	£2,137,277	£2,188,528
Working age	£2,290,835	£2,530,525	£2,985,237
Total	£4,394,022	£4,667,803.	£5,173,766

2.10 At 30 Sept 2021, the cost of CTS was £5,174m. As you can see from Table 3, the cost at the end of September 20 was £4.668m an increase of £0.506m.

2.11 The cost of the scheme is higher than at the same time in 2020 but it has dropped during 2021/22 from ££5.220m in April 2021 to £5.174m in September 2021. This is a reduction of £46k and is due to the caseload beginning to reduce as people come off furlough and go back into work after Universal Credit. If we see the same level of reduction in the second half of the year, expenditure for 2021/22 could decrease by £90k. At this level, the reduction in cost to Rushmoor for the 21/22 scheme would be £12k.

3. LEGAL IMPLICATIONS

3.1 There are no specific legal implications resulting from this report. The Council has already had an established CTSS and does not wish to make any changes for 2022/23.

4. FINANCIAL IMPLICATIONS

4.1 Whilst there are no financial implications arising directly from this report, the estimated cost of the Council Tax Support Scheme for 2022/23 will be included when calculating the total amount of Council Tax income for the year. Increases in the cost of the CTS scheme will have a direct impact on the amount of Council Tax that is assumed in the revenue budget for 2022/23. A reduction on the level of Council Tax will increase the pressure on the Council's Revenue budget and further savings or cost reductions may need to be identified to ensure a balanced budget can be agreed

4.2 Members will need to consider the financial implications of the scheme when considering the Budget for 2022/23 at the Council meeting in February 2022.

5. CONCLUSIONS

5.1 Cabinet are asked to consider the issues raised in this report and to follow consider the Group's recommendation, that the Option as described in 2.8, be adopted.

Councilor Diane Bedford
Chairman of Council Tax Support Task and Finish Group

BACKGROUND DOCUMENTS:

- 17th August 2021 presentation to Council Tax Support Members Task and Finish Group
- 6th October 2021 presentation to Council Tax Support Members Task and Finish Group
- 25th November 2021 presentation to Council Tax Support Members Task and Finish Group

CONTACT DETAILS:

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CABINET
18 JANUARY 2022

COUNCILLOR MARTIN TENNANT
MAJOR PROJECTS AND PROPERTY
PORTFOLIO HOLDER

KEY DECISION: NO

REPORT NO. PETS2202

APPOINTMENT OF DIRECTORS
FRIMLEY4 BUSINESS PARK, FRIMLEY GU16 7SG

SUMMARY AND RECOMMENDATIONS:

The purpose of this report is to agree new Directors for the Frimley Business Park Management Ltd company.

Recommendations

That Cabinet agrees that:

a) the Corporate Manager – Legal, and
b) the Head of Service responsible for the Property and Estates Function

should be appointed as Directors of the FBP Management Limited company.

1. INTRODUCTION

1.1 The Council's Head of Property and Technical Services, Paul Brooks is currently a Director on the Frimley Business Park Management Ltd company but is leaving the employment of the Council next month. Therefore, a new director will need to be appointed.

2. BACKGROUND

2.1 The Council has owned part of Frimley4 Business Park since April 2019.

2.2 As part of the sale process, 50% of the company (FBP Management Ltd) was transferred to the Council for £44 (£1 per share). This Company manages the service charge for the whole park, including the site landscaping. It operates as a cost recovery company so that at the end of the year, costs match income. Currently, the Council appointed Directors are the Head of Property, Estates and Technical Services (Paul Brooks) and Service Manager – Property and Estates (Helen Bristow)

2.3 The other Director is appointed by XLB, a development company that purchased the front part of the site from Novartis in May 2021 with the intention to redevelop this for industrial and storage use.

2.4 The Company employs a facilities manager, currently Mobius, to manage the outdoor amenity areas and oversee works on the site as part of the service charge. The Company also employs Avison Young to pay tax and other costs, collect the service charges that pays the invoices from the company and for any other rechargeable items. Websters is appointed as the accountants for the Company

3. DETAILS OF THE PROPOSAL

General

3.1 The need to appoint a new Director following the resignation of Paul Brooks from the Council and the linked resignation as a Director. As Mr Brook's role is not being replaced immediately the Executive Leadership Team have considered how the Director roles for the company are best undertaken. The current Head Economy, Planning and Strategic Housing, Tim Mills, will be undertaking the Head of Service role for the Property and Estates Team on an interim basis from Mr Brook's departure and has the experience to fill this position.

3.2 The Service Manager – Property and Estates, is currently also a Director and could remain in the role but following governance discussions, it is now considered that this role would be better undertaken by someone separate from the management of the asset. The Council's Corporate Manager Legal, Catriona Herbert has the appropriate skills and experience and has agreed to be appointed as the second Director.

Alternative Options

3.3 There is not an alternative to appointing directors unless the Council disposes of the asset.

3.4 Councillors could be appointed as per other outside bodies. This would require the overseeing of advisors and other duties of a director according to the company's articles of association and these responsibilities are more usually undertaken by senior officers of the Council.

Consultation

3.5 Consultation has taken place with members of the Corporate Governance Group and the Portfolio Holder for Property & Major Projects.

4. IMPLICATIONS

Risks

4.1 If replacement directors are not made the company cannot function as it should.

Legal Implications

4.2 Non appointment could be decided upon, in theory under the articles of the company, but would mean the Council would not have the majority influence over the Company.

Financial and Resource Implications

4.3 Potential penalties from Companies House and a backlog of recovery of service charges without a functioning management company.

Equalities Impact Implications

4.4 There are no equalities impact implications

Other

4.5 Poor management would impact upon the asset value of the property and the Council's reputation as a landlord.

5. Conclusions and Recommendation.

5.1 Following a review of the governance arrangements and director responsibilities, it is proposed that in future the postholders in the roles of

a) Corporate Manager – Legal, and
b) the Head of Service for the Council's Property and Estates functions

be appointed as Directors of the FBP Management Ltd company.

CONTACT DETAILS:
Report Author: Paul Brooks, Head of Property, Estates and Technical Services
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BACKGROUND INFORMATION:
Cabinet Report 2nd April 2019 – Report RP 1908

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CABINET

COUNCILLOR MARINA MUNRO
PLANNING AND ECONOMY PORTFOLIO HOLDER

18 JANUARY 2022

REPORT NO. EPSH2204

KEY DECISION? YES

FIRST HOMES INTERIM POLICY STATEMENT

SUMMARY AND RECOMMENDATIONS:

This report seeks Cabinet's approval to adopt the Rushmoor First Homes Interim Policy Statement to provide certainty to developers as to how the Council will implement first homes through the planning system.

Delegated authority is sought to enable the Head of Economy, Planning and Strategic Housing in consultation with the Portfolio holder to make amendments to the Interim Policy Statement following adoption to reflect any relevant changes to national policy and guidance or case law.

1. INTRODUCTION

1.1. In August 2020 Local Authorities were consulted on the government's proposals to introduce First Homes as part of the affordable housing tenure on all new housing developments.

1.2. On 1 April 2021 the government released its response to the consultation setting out the key details for delivery of First Homes. On 24 May 2021 a Written Ministerial Statement and Planning Practice Guidance document were published, setting out further details on the First Homes policy and procedures, and confirmed an implementation date of 28 June 2021.

1.3. It is on that basis that this report has been prepared, recommending an Interim Policy Statement for negotiating the delivery of First Homes in Rushmoor until such time that it can be considered through the Local Plan process.

1.4. First Homes is a new tenure of low-cost home ownership affordable housing which allows first time buyers to get onto the housing ladder at a reduced price.

1.5. This report sets out how the council will implement First Homes through the planning system. First Homes provide an opportunity to help local, first time buyers get onto the housing ladder. The approach set out in this report is based upon guidance set out by central government and is an interim policy position prior to the adoption of a new Local Plan.

2. BACKGROUND

2.1. First Homes were introduced through a Written Ministerial Statement and changes to the Planning Practice Guidance (PPG) in May 2021. Although the definition of affordable housing in the National Planning Policy Framework (NPPF) has not been updated, the guidance states that First Homes should be considered to meet the definition of affordable housing for planning purposes.

2.2. From the end of December 2021, the Government's policy on First Homes, as set out in the Written Ministerial Statement and Planning Practice Guidance, will be a material consideration for the Council when determining planning applications and in relation to the provision and type of affordable housing on market-led sites.

<u>What are First Homes?</u>

2.3. First Homes are the Government's preferred discounted market tenure, and are homes sold to first time buyers (as defined by the Finance Act) at a discount of least 30% of open market value (with the discount maintained for future resales) and at a price no higher than £250,000 after the discount has been applied (first sale only). First Homes should comprise at least 25% of the affordable housing on market-led sites.

2.4. Local Authorities are able to increase the level of discount from at least 30% to either at least 40% or at least 50% where a need is demonstrated through evidence. Assuming that discount is capped at 30%, the maximum open market value before discount would be in the region of £357,000.

2.5. Purchasers are eligible to purchase a First Home if:

- they have household income of less than £80,000 (this is the same as the qualifying criteria for shared ownership housing;
- it is their only home;
- at least 50% of the discounted value of the property is financed via a mortgage or other similar form of finance.

2.6. It is important to note that in the event that a First Home is not sold to a qualifying buyer within 6 months of advertisement, the developer can sell it as an open market home and repay the Council a cash contribution in lieu of the discount.

2.7. The requirement for First Homes is a material consideration in the planning process. They are not required to be provided with planning applications on market-led sites determined before 28 December 2021 (or 28 March 2022 where there has been significant pre-application engagement). However, LPAs must be flexible in allowing developers to introduce First Homes into the tenure mix prior to these dates should they request to do so.

How are first homes secured?

2.8. First Homes will be secured through Section 106 agreements as is the case for other types of affordable housing. However, it is important to note that the council cannot allocate First Homes in the same way as nominations for social rented housing as First Homes are purchased from sellers in a similar manner to open-market homes.

2.9. The council therefore has a key role in determining certain eligibility criteria, verifying potential purchasers are eligible, and monitoring to ensure First Homes are retained in perpetuity and sold at the same level of discount as the original purchase (although the £250,000 cap does not apply on resales). This will be secured by the S106 and the restriction on the title.

2.10. Planning guidance recommends that councils should publish an Interim Policy Statement (IPS) to explain how First Homes will be implemented in their area. The IPS sets out the council's requirements for First Homes prior to them being integrated into the next Local Plan.

Changes to the affordable housing tenure mix

2.11. First Homes will come into force prior to the production and subsequent adoption of a new Local Plan so it is necessary to understand how they will impact upon the mix of affordable homes the council is able to secure on planning applications in the interim.

2.12. The PPG states that First Homes should comprise the first 25% of affordable housing (Para ID: 70-012-20210524). It then states that prior to a new local plan policy coming into force, the residual affordable housing should be split in proportion with the Local Plan policy. The only exception to this approach is where there is a policy requirement for social rented housing which should be protected (Para ID: 70-015-20210524).

2.13. The Rushmoor Local Plan does not explicitly seek social rented housing, with Policy LN2 (Affordable Housing) requiring that the affordable housing should be 'predominantly subsidised rented accommodation'. The Affordable Housing SPD (2019) states that affordable housing should secure 70% for subsidised rent (social rent or affordable rent models) and 30% for intermediate housing (low cost home ownership).

2.14. As the council does not stipulate social rented housing as a policy requirement in the Local Plan or SPD, the residual 75% should therefore be split in accordance with the proportions in Affordable Housing SPD with 70% subsidised rented and 30% intermediate housing. This approach is being utilised by other Hampshire authorities with a similar planning policy framework.

2.15. The introduction of First Homes therefore results in the tenure mix changing from 70% subsidised rent and 30% intermediate housing (as set out in the Affordable Housing SPD) to the following:

- 25% First Homes,

- 53% subsidised rent
- 22% intermediate housing

2.16. The council will monitor case law on the implementation of First Homes and consider in due course whether any changes in approach would be appropriate.

2.17. The PPG states that ‘a policy compliant planning application should seek to capture the same amount of value as would be captured under the local authority’s up-to-date published policy’ (ID: 70-014-20210524).

2.18. The council should therefore be able to capture the same amount of value from the tenure mix with First Homes as it would with the mix required by the Local Plan and Affordable Housing SPD. This section of the PPG goes on to state that ‘this value can be reallocated to a different affordable housing mix under the new policy’.

<u>Is there likely to be much value to re-allocate?</u>

2.19. First Homes discounted by 30% will generally be a cheaper product for developers to deliver than either affordable rented or social rented accommodation as these are sold to registered providers at a greater discount.

2.20. However, within Rushmoor First Homes with 3-bedrooms or more would require a greater discount than 30% to bring their price below the £250,000 price cap. In these cases, as the 30% discount is a minimum, developers have the discretion to offer a greater discount to get below the price cap, however this would increase the cost to the developer of delivering affordable housing.

2.21. The table below demonstrates the average market value of 3 bed houses being marketed between May and December 2021 at three development sites in the borough.

Development	**Market Value (£)**[1]
Wellesley, Aldershot	464,400
The Crescent, Southwood, Farnborough	456,800
Sky Plazza, Farnborough	442,400

2.22. To bring the above values to within the £250,000 price cap discounts of between 44% and 46% would be required.

2.23. The provision of a scheme with First Homes will therefore usually be cheaper than a scheme compliant with Local Plan Policy LN2, though this is dependent upon the specifics of the development and the mix and size of units being provided.

[1] Sourced from Rightmove between May and December 2021 and based on OMV of three bedroom houses

Local eligibility criteria

2.24. Although national policy sets out a national default for how First Homes should operate, the council has the ability to influence some aspects of how they are implemented locally. This may include income caps, a local connection test, or criteria based on employment status to prioritise particular groups. The local authority has some discretion over how these should be set, but the PPG is clear that they should 'not limit the eligible consumer base to the point that homes become difficult to sell' (ID: 70-008020210524).

2.25. In accordance with National Guidance local eligibility criteria do not apply for all active members of the Armed Forces, divorced/separated spouses or civil partners of current members of the Armed Forces, spouses or civil partners of a deceased member of the armed forces (if their death was wholly or partly caused by their service) and veterans within 5 years of leaving the armed forces.

2.26. It is proposed that the following local eligibility criteria are introduced through the Interim Policy Statement:

- Local connection test
- Essential worker and ex armed-forces priority (veterans that left military service five or more years ago)

3. DETAILS OF THE PROPOSALS

First Homes Interim Policy Statement

3.1 In accordance with National Guidance it is proposed that the council adopts an Interim Policy Statement (IPS) (attached as Appendix 1). It is important to note that the IPS does not set planning policy and would not be adopted as a supplementary planning document, it does however provide guidance and clarity around issues which are material planning considerations by virtue of being required by national policy.

3.2 The IPS provides guidance on:

- the impact of First Homes upon the tenure mix of affordable housing
- locally set eligibility criteria.

3.3 The document would therefore indirectly take on some material weight and would be used to assess affordable housing proposals through the development management process. As the IPS sets out how the council is implementing national policy, it is not proposed to undertake public consultation on the document.

3.4 As First Homes have been introduced relatively quickly by the government, delegated authority is sought to enable the Head of Economy, Planning and Strategic Housing in consultation with the portfolio holder to make amendments to the IPS following adoption to reflect any relevant changes to national policy and guidance or case law.

Alternative Option

3.5 The alternative option would be not to publish an Interim Policy Statement and to deal with proposals on a case-by-case basis. This could leave the council in a weak position when negotiating with developers and will not deliver a consistent approach.

3.6 Although the council could also decide not to set any local eligibility criteria, this would miss an opportunity to prioritise residents with local connections and meet local housing needs.

Consultation to Date

3.7 The proposed interim policy position has been shaped by the outcome of the government's consultation on First Homes proposals, which sought the views of local authorities, Registered Providers, and developers.

3.8 A draft of the First Homes Interim Policy Statement that is the subject of this report was presented to members of the Strategic Housing and Local Plans Group (SHLPG) on 7th December 2021. Members were keen to ensure that both essential workers and ex-armed forces personnel are given sufficient opportunity to be able to access First Homes; the policy statement has been amended to reflect this through local requirements in paragraph 2.15 of the Interim Policy Statement.

4. IMPLICATIONS

Risks

4.1. There are not considered to be any risks associated with the implementation of the recommendations of this report.

Legal Implications

4.2. The Government has issued a Written Ministerial Statement and supporting Planning Practice Guidance regarding the introduction of First Homes as the Government's preferred discounted market tenure. The Government's policy on First Homes is a material consideration which the Council must have regard to when determining a planning application.

Financial and Resource Implications

4.3. The additional workloads associated with the First Homes will put additional pressure on existing resources with the Council.

Equalities Impact Implications

4.4. The proposal does not change the amount of affordable housing that can be secured through planning applications but will alter the mix of affordable housing products delivered in accordance with the Governments policy on first homes. The impact upon individuals will depend upon their specific circumstances. Residents who have a desire to purchase a home (but cannot afford to do so) could benefit from the initiative, however, for residents who want to rent an affordable home it could be considered negative as it will slightly reduce the supply of new affordable homes for rent.

CONCLUSIONS

5.1 Following the publication of the ministerial statement and first homes guidance, it is important that the council has a First Homes Interim Policy Statement (Appendix 1) in place to provide clarity to developers as to how first homes will be implemented within the borough.

BACKGROUND DOCUMENTS:

Appendix 1 – First Homes Interim Policy Statement

The Written Ministerial Statement (24 May 2021) relating to first homes is available to view at:
https://questions-statements.parliament.uk/written-statements/detail/2021-05-24/hlws48

The First Homes Planning Practice Guidance is available to view at:
https://www.gov.uk/guidance/first-homes

The adopted Local Plan is available to view at:
https://www.rushmoor.gov.uk/rushmoorlocalplan

The adopted Affordable Housing Supplementary Planning Document (SPD) is available to view at:
https://www.rushmoor.gov.uk/article/11715/Affordable-housing-SPD

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Appendix 1

Rushmoor Borough Council

First Homes Interim Policy Statement – November 2021

Introduction

1.1 This statement has been produced by Rushmoor Borough Council to provide guidance on how First Homes should be delivered prior to the Review of the Rushmoor Local Plan.

1.2 This guidance is based upon:

- Planning Practice Guidance[1], 'First Homes' (published 24 May 2021), and
- Written Ministerial Statement[2] dated 24 May 2021.

What are first homes?

1.3 First Homes is a new tenure of discounted market sale affordable housing. First Homes in Rushmoor must be:

- Discounted by at least of 30% against market value on the first sale, with the same level of discount retained for subsequent sales; and
- Sold to first time buyers (subject to meeting the eligibility criteria set out in this note) and be their sole or primary residence; and
- Be sold at a price no higher than £250,000 after the discount has been applied (first sale only).

1.4 First Homes are the government's preferred discounted market tenure and should account for at least 25% of all affordable units secured through developer contributions. First Homes will be included as part of the affordable housing requirement on any planning permissions determined on or after 28 December 2021.

1.5 As an exception to this, First Homes will not be required until 28 March 2022 on schemes where there has been significant pre-application engagement. The council will consider whether there has been significant pre-application engagement on a case-by-case basis taking into account the scale and complexity of the proposal and the extent of discussions about affordable housing.

[1] https://www.gov.uk/guidance/first-homes

[2] https://questions-statements.parliament.uk/written-statements/detail/2021-05-24/hlws48

How does First Homes affect the affordable housing requirements in the Local Plan and Affordable Housing SPD?

2.1 Rushmoor Local Plan Policy LN2 (Affordable Housing) requires sites of 11 or more dwellings to provide a minimum of 30% of dwellings as affordable homes with a lower threshold of 20% set for sites located within Aldershot or Farnborough Town Centres. The policy states that affordable housing should be predominantly subsidised rented affordable housing… with a smaller proportion of intermediate affordable housing.

2.2 The Affordable Housing Supplementary Planning Document (2019) states that:

- affordable housing should secure 70% for subsidised rent (social rent or affordable rent models) and 30% for intermediate housing (low-cost home ownership).
- As private market rents are high in Rushmoor compared to local incomes, social rents should be offered wherever possible to support low-income households who live and work in the Borough.
- To best meet housing needs, the two-bed requirement should provide a mix of houses and flats. To offer maximum flexibility, two-bed homes should be able to accommodate occupation by four people

2.3 The requirement for First Homes set out in the Planning Practice Guidance (PPG) is a material consideration that should be taken into account in the determination of planning applications. This states that First Homes must comprise at least 25% of the affordable housing on market-led sites[3].

2.4 The following example is based upon a 40-unit scheme that would generate a requirement for 12 affordable units:

- First Homes (25% of Affordable Housing) 3 units
- Subsidised Rent (70% of the remaining Affordable Housing) 7 units
- Intermediate Housing (30% of the remaining Affordable Housing) 2 units

2.5 The guidance also advises how the requirement for First Homes should change the affordable housing mix if it is being integrated into an existing Local Plan. The guidance states: '*a policy compliant planning application should seek to capture the same amount of value as would be captured under the local authority's up-to-date published policy'*[4].

2.6 However, the guidance goes on to state that once the total value of the local plan policy and the policy with First Homes have been compared, '*this value can then be reallocated to a different affordable housing mix under the new policy*'.

2.7 Appendix 1 of this document sets out a methodology for calculating the difference in value between a first homes complaint scheme and a scheme compliant with policy LN2 of the Local Plan (no first homes). The worked example demonstrates that First

[3] NPPG Para 70-012-20210524
[4] PPG ID 70- 014-20210524

Homes discounted by 30% will, in most cases, be a cheaper product for developers to deliver than subsidised rented[5] and intermediate units[6].

2.8 As First Homes are being required in lieu of subsidised rented units, the council has an expectation that where feasible any additional financial value generated due to the first homes requirement will be invested to provide additional social rented units as opposed to affordable rented.

2.9 The council will therefore require affordable housing to be delivered in accordance with the following mix:

- 25% First Homes
- 53% Subsidised Rent
- 22% Intermediate Housing

2.10 This mix satisfies the requirement of NPPF paragraph 65 that at least 10% of the overall number of homes should be affordable home ownership products on major sites.

Mix of First homes

2.11 Whilst development should respond to local needs and provide a mix of sizes of First Homes within the constraints of the price cap, the mix should include a particular emphasis upon a mix of 1 and 2 bedroom properties. For mixed schemes, our preference is for the mix of 2 bedroom units to be provided as 50% flats and 50% houses.

Off-site delivery

2.12 Rushmoor Local Plan Policy LN2 enables the use of commuted sums (a financial contribution) towards off site affordable housing provision for schemes of between 11 and 14 dwellings or schemes greater than 15 units in exceptional circumstances.

2.13 Where financial contributions are secured instead of on-site units, a minimum of 25% of these contributions will be used to secure First Homes.

Eligibility Requirements

2.14 National policy sets certain requirements about who can purchase First Homes. The tables below provide further detail on the national requirements:

National Requirements	**Additional Information**
First-time buyers	Purchasers of First Homes must be a first-time buyer.
Mortgage purchase plan	Purchasers of First Homes must have a mortgage or home purchase plan to fund at least 50% of the discounted purchase price.

[5] typically valued at 55% of the Open Market Value (OMV)
[6] typically valued at 65% OMV

Maximum annual income	Purchasers of First Homes must not have a household income exceeding £80,000 per year.

2.15 In addition, to the national requirements local authorities can introduce local requirements.

2.16 In accordance with first homes guidance[7] any local requirements set do not apply for all active members of the Armed Forces, divorced/separated spouses or civil partners of current members of the Armed Forces, spouses or civil partners of a deceased member of the armed forces (if their death was wholly or partly caused by their service) and veterans within 5 years of leaving the armed forces.

2.18 The local requirements that apply in Rushmoor are set out below:

Local Requirements	**Additional Information**
Local connection. This restricts who can purchase a First Home for the first three months that a property is entered into the market by the developer. After this time, it is available for anyone to purchase.	Local connection includes: • Those who currently live or work in the borough • Those moving to the borough with a local offer of employment • Buyers with evidenced caring responsibilities in the borough • Buyers with evidenced support needs being met by family members in the borough
Essential Worker and Ex Armed Forces priority This restricts who can purchase a First Home for the first three months that a property is entered into the market by the developer. After this time, it is available for anyone to purchase.	Essential worker being defined as: Those who meet the UK Government definition of an essential worker at the time of marketing the properties and who meet the local connection requirements Ex Armed forces being defined as: Applicants who have evidence of active service within the UK Armed Forces but left the armed forces more than five years ago and meet the local connection requirements above.

[7] PPG ID 70- 008-20210524

Securing First Homes

3.1 The landowner will need to enter into a legal agreement[8] with the Council. This will include:

- Ensuring First Homes are priced fairly (with a valuation from a RICS surveyor) and remain First Homes for perpetuity with the same level of discount passed on to future purchasers;
- Setting out requirements relating to the marketing of First Homes for first and subsequent sales to ensure they are marketed in an appropriate manner and for suitable timescales;
- Ensuring that a legal restriction is registered onto a First Home's title on its first sale; and
- Setting out requirements to ensure the council can recover the value of the affordable housing in the event of a mortgagee enforcing their security against a property, or a First Home not being sold after it has been marketed for six months.

[8] Section 106 Agreement

Appendix 1 – calculating the value differential between a scheme compliant with Local Plan Policy LN2 and First Homes Policy.

1.1 A worked example of how to calculate commuted sums is shown below for a 40-unit residential scheme in a part of the Borough where the 30% affordable housing requirement applies.

Step 1 - Calculate Gross Development Value of the varying affordable property types:

Dwelling Type -no of bedrooms	Open Market Value Per Unit	First Homes (70% OMV)	Subsidised Rent units (55% OMV)	Intermediate units (65% OMV)
1	£230,000	£161,000	£126,500	£149,500
2	£300,000	£210,000	£165,000	£195,000
3	£400,000	exceeds price cap	£220,000	£260,000

Step 2a – Calculate the number of affordable units by dwelling type required by Local Plan Policy LN2 with a split of 70% Subsidised Rent and 30% Intermediate.

Dwelling Type no of bedrooms	Total Number of units	Total Number of Affordable units (30%)	Subsidised Rent units	Intermediate units
1	10	6	5	1
2	20	6	4	2
3	10	0	0	0
	40	12	**9**	**3**

Step 2b - Calculate the Development Value of the affordable units to be delivered by a Local Plan Policy Compliant scheme

Dwelling Type – no of bedrooms	Total Number of Affordable units (30%)	Subsidised Rent units	Intermediate units
1	6	£632,500	£149,500
2	6	£660,000	£390,000
3	0	0	0
	12	**£1,292,500**	**£539,500**

Development value of affordable units based on Policy DE2 = **£1,832,000**

Step 3a– Calculate the number of affordable units by dwelling type required the First Homes Ministerial Statement.

Dwelling Type - no of bedrooms	Total Number of units	Total Number of Affordable units (30%)	First Homes	Subsidised Rent units	Intermediate units
1	10	6	0	4	2
2	20	6	3	3	0
3	10	0	0	0	0
	40	12	**3**	**7**	**2**

Step 3b - Calculate the Development Value of the affordable units to be delivered by a First Home Ministerial Statement Compliant scheme

Dwelling Type - no of bedrooms	Total Number of Affordable units (30%)	First Homes	Subsidised Rent units	Intermediate units
1	6	0	£506,000	£299,000
2	6	£630,000	£495,000	0
3	0	0	0	0
	12	£630,000	£1,001,000	£299,000

Development value of affordable units based on First Homes Policy = **£1,930,000**

Step 4 – Calculate difference in value of the affordable housing between a Local Plan policy compliant scheme and a first homes compliant scheme

£1,930,000 (Step 3b output) – **£1,832,000** (Step 2b output) = **£98,000**

CABINET
18 JANUARY 2022

KEY DECISION: ~~YES~~/NO

COUNCILLOR PAUL TAYLOR
CORPORATE SERVICES PORTFOLIO HOLDER
REPORT NO. FIN2201

REVENUE BUDGET MONITORING REPORT P2 2021/22

SUMMARY:
This report sets out the anticipated financial position for 2021/22, based on monitoring exercise carried out with budget officers during October and November.

RECOMMENDATIONS:

CABINET is recommended to:

i. note the latest revenue forecasts and financial impact on reserve balances
ii. Approve the additional transfers from earmarked reserves as set out in paragraph 7.4 of the report.

1 INTRODUCTION

1.1 Covid-19 continues to have an impact on local authority budgets nationally and has been particularly significant for district and borough councils with a significant loss of income from services in 2020/21 and an uncertain income recovery this financial year.

1.2 This report provides members with an update on the likely impact on the Council’s finances and incorporates the first monitoring position statement for the financial year 2021/22. The purpose of this report is to notify members of any known significant variations to budgets for the current financial year, highlight any key issues, and to inform members of any action to be taken if required.

1.3 The forecast focuses on the immediate financial pressures as they have been identified. Further analysis will be undertaken in the coming weeks on the Medium-Term Financial Strategy and Savings Plan to inform the budget setting process for 2022/23.

1.4 Due to the volume of information contained in the report, it would be helpful where members have questions on matters of detail if they could be referred to the report author or the appropriate Head of Service before the meeting.

2 REVENUE BUDGET FORECAST

2.1 The original net General Fund Revenue budget for 2021/22 was approved by Council at their meeting in February 2021 of £12.869m.

2.2 Changes have been made to the budget to allocate approved carry forwards from 2020/21, additional revenue items to service budgets and supplementary estimates agreed by Cabinet and Council. Therefore, the current budget is now £13.076m. A reconciliation between the original budget and latest budget is shown in the table below.

Table 1: General Fund Revenue Budget reconciliation

General Fund Revenue Budget	**2021/22 (£'000)**
Original Budget, Council Feb 2021	12,869
Add: Aldershot Lido (Cabinet 20/04/2021)	0
Add: Food Waste (Council, 24/06/2021)	90
Add: FLC Demolition (Cabinet, 08/06/2021)	20
Add: Crematorium Feasibility (Council, 07/10/2021)	75
Add: 2020/21 Budget carry forwards (*)	390
Add: Reserve Funded expenditure (**)	123
Add: Covid Grant carried forward (*)	156
Add: Supplementary Estimates <£20k	22
Less: Additional Transfers from Reserves (***)	(669)
Latest Budget 2020/21	**13,076**

2.3 The updated forecast for the General Fund is a net adverse variation of £0.353m (2.70% of the Net Revenue budget) as shown in Table 2.

2.4 This report provides members with details of major variations on the revenue budget. Section 8 of the report highlights the risks and uncertainties on the forecast variation.

Table 2: General Fund Revenue Budget Forecast (P2 2021/22)

General Fund Revenue Budget	2021/22 Original Budget (£'000)	2021/22 Latest Budget (£'000)	2021/22 Outturn Forecast (£'000)	2021/22 Variation (£'000)
Corporate Services	5,184	5,315	5,550	235
Customer Experience & Improvement	55	446	561	115
Major Projects & Property	(5,434)	(5,184)	(5,061)	123
Operational Services	9,869	10,309	10,667	358
Planning & Economy	2,303	2,487	2,487	0
ICE Programme	536	546	546	0
SUBTOTAL	**12,513**	**13,919**	**14,750**	**831**
Less: Reversal of Accounting entries	(2,901)	(2,901)	(2,901)	0
Net Service Revenue Expenditure	**9,612**	**11,018**	**11,848**	**831**
Corporate Income & Expenditure	3,616	3,086	2,691	(395)
C19 Expenditure Pressures	0	0	0	0
C19 Risk	0	0	0	0
Movement in Reserves	(103)	(772)	(994)	(223)
Savings Plan	(256)	(256)	(80)	176
Net General Fund Revenue Budget	**12,869**	**13,076**	**13,465**	**389**
Funded by:				
Council Tax	6,928	6,928	6,928	0
Business Rates	3,574	3,574	3,574	0
New Homes Bonus	863	863	863	0
Covid-19 Emergency Funding	589	589	589	0
Covid-19 Income Loss	101	101	137	36
Other Funding	(200)	(200)	(200)	0
TOTAL Funding	**11,855**	**11,855**	**11,891**	**36**
Core (Surplus) or Deficit	**1,014**	**1,221**	**1,574**	**353**
Balanced by:				
General Fund Balance				0
Service Improvement Fund				0
Workforce Reserve				0
Stability & Resilience Reserve	(1,014)	(1,221)	(1,574)	(353)
Core Surplus or Deficit after Transfers	**0**	**0**	**0**	**0**

Note 1: The Original budget, as approved by Council in February 2021, included Additional Items which have now been included with Service budgets.

2.5 The key variations within Services are summarised in the table below. Service budgets that are considered 'high-risk' have been identified within the table.

Table 3: Key Service variations

Significant Budget Variations	Portfolio	P1 Variation (£'000)	P2 Variation (£'000)	Change (£'000)
Legal Service	CDS	0		0
Land Charges	CDS	0		0
Finance Service	CDS	0	50	50
Housing Benefit/Rent Allowances	CDS	0		0
Audit Fees	CDS	60	75	15
Retirement/Pension Costs	CDS	0	110	110
Elections	CDS	0		0
Grants to Voluntary Organisations	CDS	0		0
Climate Change	CDS	0		0
Deprivation Strategy	CDS	0		0
IT	CE&I	125	125	0
Council Offices/Facilities	CE&I	(10)	(10)	0
Commercial Property	MP&P	0		0
Victoria Road	MP&P	73	73	0
Markets & Car Boot Sales	MP&P	0		0
Regeneration Due Diligence	MP&P	50	50	0
Car Parks	OPS	95	95	0
On-Street Parking	OPS	0	70	70
Leisure (inc. Lido)	OPS	0	0	0
Crematorium	OPS	200	250	50
Princes Hall	OPS	0	0	0
Waste & Recycling	OPS	(57)	(57)	0
Housing/Homelessness	OPS	0		0
Building Control	P&E	0		0
Development Control	P&E	0		0
Economic Development	P&E	0		0
Subtotal Service Revenue Expenditure		**536**	**831**	**295**

2.6 The main variations on the revenue budget relate to reduced income expectations for the Crematorium (£250k) and Car Parks (£95k). Additional expenditure variations across the IT service (£125k), redundancy and pension strain costs (£110k funded from earmarked reserve), spend in relation to the Victoria Road site (£73k funded from the earmarked reserve), and an anticipated overspend on external audit fees of £75k.

<u>Corporate Services (£235k additional expenditure)</u>

It is anticipated that additional external audit fees will be charged by the Council's external auditors, EY, upon completion of the 2019/20 audit of the Council's financial statements. For the purposes of budget monitoring, it has been assumed that the level of additional fees charged for the 2018/19 audit of £75k can be viewed as representative.

As part of the service reorganisation following the closure of Farnborough Leisure Centre staff costs of £110k have been incurred on redundancy and pension strain elements. These are funded centrally from the Workforce Planning reserve with the service reporting the net underspend on salary costs.

Owing to pressures within the finance service, an additional £50k is forecast to be required over the remainder of the financial year to ensure key staff vacancies are covered owing to long-term absence and the implementation on the revised finance team structure.

Customer Experience and Improvement (£115k net overspend)
No change in the variation reported to Cabinet in September 2021. The narrative below from the September report is shown for completeness.

IT Service (£125k overspend): A significant overspend across the IT service is forecast for the financial year. The most significant element of the overspend (£103k) relates to staff costs with additional expenditure on contractors and agency staff in the first few months on the year. The level of expenditure and activity has been reviewed by the Head of Service and Service Manager with plans in place to mitigate cost pressures over the remainder of the year.

The IT Service faces several challenges in terms of Service Desk support, Applications support and IT input into Council projects. A longer-term resourcing plan will be brought forward to address the staffing requirements required to stabilise the service and address the financial pressures. In the short-term, the outturn forecast assumes the service will transition from higher-cost contractor arrangements to recruitment of additional staff on fixed-term contracts.

Council Offices/Facilities (£10k underspend): Following a review of the Council's facilities as part of the response to Covid and New Ways of Working, provision of on-site canteen facilities was withdrawn. A net saving of £10k is forecast for the year.

Major Projects & Property (£123k additional expenditure, reserve funded)
No change in the variation reported to Cabinet in September 2021. The narrative below from the September report is shown for completeness.

Victoria Road (£73k additional expenditure, reserve funded): As highlighted in the Revenue Budget Monitoring Report 2020/21 in April (Report No. FIN2108), payment was received in 2020/21 following the surrender of the lease for 14-40 Victoria Road, Aldershot. The net income was transferred to a specific earmarked reserve recognising that the Council would incur costs associated with holding and developing the site. To date, additional expenditure of £73k on Repairs and Maintenance, Empty Property rates and Security costs.

Markets & Car Boot Sales (No variation/on-budget): Whilst the Markets and Car Boot Sales are recovering well these are entirely dependent on the level of Covid restrictions that have hampered income potential, through non-attendance and through capacity restrictions. Costs have also increased as part of compliance in terms of cleaning and staffing to monitor compliance. Long term, the viability of these areas will depend on their positioning within the newly regenerated town centre developments and the provision of services that support them such as trader parking and storage, including waste management.

Commercial Property (No variation/on-budget): The financial performance of the Council's Commercial Property investment portfolio is set out in Section 3 below. No material variation is forecast within this report although the General Fund budget approved in February 2021 did include a transfer of £250k from the Commercial Property reserve to mitigate for any reduction in rental income over the year.

Regeneration Projects (£50k additional expenditure, reserve funded): The forecast across the revenue budgets associated with the Council's regeneration programme is for additional expenditure of £50k covering further due diligence costs for the Union Yard scheme and associated project management costs. It is proposed this is funded from the Regeneration reserve.

<u>Operational Services (£358k net adverse variation/income shortfall)</u>
Princes Hall (No variation/on budget): It is assumed that there are no further interruptions to the business with pantomime performances able to go ahead without restrictions. Whilst there has been a reduced level of income due to delay in reopening of Princes Hall this has been covered by extension of vaccination centre usage and salary savings.

Crematorium (£250k income shortfall): As highlighted to Cabinet P1 Budget Monitoring Report in September (FIN2113), Crematorium income is down 20%

against the budget since the start of the year with a to date variation of £234k on income. Should this trend continue for the remainder of the financial year there would be an income shortfall of up to £300k. Given the continued performance levels the forecast variation has been increased to £250k although there may be an improvement in the level of activity will increase over the winter months as evidenced in previous years. Therefore, the projected adverse variation for the year is estimated at £250k although members will note that there is risk within this projection.

Car Parks (£95k income shortfall): The budget for 2021/22 assumed that around 66% of pre-Covid Car Park income would receive in the year. Car Park fines and charges income has been recovering slowly over the first part of the year with around 55% of activity against pre-Covid levels. In terms of Car Park charges and fines, this gives rise to a £20k income shortfall but this is mitigated through staff salary savings.

The level of Fixed Penalty Notice income is more of a concern and the forecast for the year indicates an income shortfall of £95k adverse with little prospect of any significant recovery over the remaining months of the financial year.

On Street Parking (£70k income shortfall): On-Street parking charges are currently running at around 80% of pre-Covid levels giving rise to a forecast income shortfall of £70k. The final position will need to be reviewed taking into account any income loss compensation received from the Government in line with the agency arrangements with Hampshire County Council.

Waste and Recycling (£57k net additional income): Income from the Garden Waste service and from Bulky Waste collections has been resilient in the early part of the year. Garden Waste income is forecast to be £45k above budget, with an additional £10k of expenditure due under the contract reflecting the additional demand. The garden waste service is an entirely demand led service and the Council has seen around 1,000 additional subscribers over the course of the last year, increasing income from subscriptions and to a lesser extent increasing contractor cost to carry out the collections.

Bulky Waste is forecast to be £41k above budget, with an additional £14k of expenditure to meet demand. The bulky waste service is also a heavily demand led service with some seasonal variation in bookings. There is a forecast net favourable position with the bulky waste service of around £27k reflecting an increase in demand for bookings, possibly because of people spending more time in their homes, or changes to access arrangements at the County Council's household waste recycling centre.

Planning & Economy (No variation/on-budget)
No variation to report

ICE Programme (No variation/on-budget)
No variation to report

Table 4: Corporate Income & Expenditure

Corporate Income & Expenditure	2021/22 Original Budget (£'000)	2021/22 Latest Budget (£'000)	2021/22 Outturn Forecast (£'000)	2021/22 Variation (£'000)
Minimum Revenue Provision (MRP)	2,457	2,457	2,457	0
Interest Receivable	(1,090)	(1,090)	(990)	100
Interest Payable	795	795	300	(495)
Other CI&E	349	349	349	0
Cabinet/Council decisions	0	75	75	0
Additional Items/Growth	1,105	500	500	0
TOTAL CI&E	**3,616**	**3,086**	**2,691**	**(395)**

3. COMMERCIAL PROPERTY PORTFOLIO

3.1 The Council's asset management advisors, Lambert Smith Hampton Investment Management (LSHIM) have reported that property investment portfolio shows favourable rent collection rates under the current Covid rent collection restrictions that are in place until March 2022.

3.2 The risk to the portfolio, in terms vacancies, has been around the properties that are recommended for disposal or the office sector, where uncertainties around future levels of occupation have led tenants to serve notices to end or break tenancies. The mitigation work being carried out is to lower risk by actively managing and engaging with tenants and looking at the future options of assets to maintain or enhance income through site development.

3.3 Commercial Property income has remained robust, but challenges remain over the financial year. The next quarter day is in March 2022 which may be a more challenging period given the ending of the Coronavirus Job Retention Scheme and fluctuating economic/trading conditions due to the impact of the Omicron variant from December 2021. Protections that have been in place around commercial tenants will remain in place until March 2022.

3.4 Should the financial performance of the Council's commercial property deteriorate, the in-year impact on income will be met from the Commercial Property reserve, with the budget setting process for 2022/23 considering the impact across the medium-term.

4. TREASURY MANAGEMENT – INVESTMENT INCOME AND BORROWING

4.1 As reported to members throughout 2020/21 Treasury management income from the Council's investments was adversely impacted by the uncertainty in global financial markets. As outlined in the Treasury Management Strategy, the Council invests its surplus balances generating an income return of over £1m per annum. The Strategy sets out that the Council aims to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

4.2 The Council has two broad classes of investments – Money Markey Funds (where balances are held for short periods until required) and Pooled Funds.

4.3 The Bank of England raised the base rate on 15 December 2021 from 0.10% to 0.25% in response to inflationary pressures in the economy. It is not expected the base rate increase will have a material impact on the Council's investment income from Money Market Funds.

4.4 The Council holds a more significant element of its surplus balances in Pooled Funds. At the time the budget was set in February 2021 the performance of the Council's Pooled Funds had recovered significantly from the initial downward assessment made in Q1 2020/21. Whilst the economic recovery from the coronavirus pandemic has continued. There does remain some economic uncertainty as support schemes such as furlough ended, and inflationary pressures remain.

4.5 The Council currently has £102m of external borrowing that has been utilised to support the Capital Programme. Whilst borrowing costs have remained low, the Council will need to assess its borrowing position over the coming months with particular reference to the profile of borrowing required for the Union Yard scheme that Council approved at their meeting on 29 July 2021.

4.6 The budget monitoring outturn forecast indicates that there are 2 material variations expected on Treasury Management activities. Firstly, a reduced borrowing requirement and a reduced cost of borrowing during the year gives rise to a forecast underspend on Interest Payable of £495k. Secondly, the level of investment income is forecast to be £100k lower than the budget based on a cautious view on Pooled Fund performance for the remainder of the year.

5. SAVINGS PLAN

5.1 The outturn forecast has assumed savings included within the MTFS will be delivered in full during 2021/22.

5.2 The P1 budget monitoring report in September 2021 indicated a risk around the level of interest the. Council will receive on the service loans provided to Rushmoor Homes. There has been a delay in RHL activity during the year leading to a delay in further drawdowns. This is reflected in the adverse variation of £176k in the table below.

5.3 Given the delay in the initial drawdown in 2020/21, officers will need to review the interest profile which will be included in the Budget reports to Cabinet and Council in February 2022.

Table 6: Savings Plan Forecast

Savings Plan	2021/22 Original Budget (£'000)	2021/22 Latest Budget (£'000)	2021/22 Outturn Forecast (£'000)	2021/22 Variation (£'000)
Procurement Savings	(20)	(20)	(20)	0
Service Loans to Housing Company	(186)	(186)	(10)	176
Salaries monitoring	(50)	(50)	(50)	0
TOTAL Savings Plan	**(256)**	**(256)**	**(80)**	**176**

5.4. Members will be aware that the Council has been working through a revised approach to its Savings Programme that seeks to address the funding gap identified in the February 2021 MTFS. As a result, a Cost Reduction and Efficiencies Programme (CREP) has been to identify cost reductions and additional income for the new MTFS period.

5.5 A detailed design for the programme was agreed by Cabinet in March 2021 with significant work undertaken by Heads of Service and Service Managers to identify opportunities and lines of enquiry that will be validated and considered by members during 2021-22. Recommendations and outcomes from the CREP programme will need to be agreed by members and implemented over the coming weeks and months and will cover the new MTFS period with some initial cost reductions for 2021/22 possible.

5.6 The current Savings Plan will continue to be reviewed in the light of Covid-19 and is likely to result in a rephasing of savings. Any reduction in the level of savings planned for 2021/22 will increase the adverse variance currently forecast.

6. GOVERNMENT FUNDING, COUNCIL TAX AND BUSINESS RATES

6.1 As part of the 2021/22 Local Government Finance Settlement the Government provided additional funding to support Councils with expenditure and income loss due to the coronavirus pandemic.

6.2 Rushmoor's allocation for 2021/22 is £0.589m of funding and this was included in the Revenue budget as approved by Council in February 2021.

6.3 In addition to the additional Covid expenditure funding the government extended the Sales, Fees and Charges income loss scheme into Q1 of 2021/22. Where losses are more than 5% of a Council's planned income from sales, fees and charges, the Government will cover 75% of these losses. The claim for the period was for £137k and this is reflected in the General Fund revenue budget forecast. No further income loss scheme is anticipated.

6.4 Covid-19 has several implications for the Council's Council Tax and Business Rate income.

6.5 At the time of writing this report, the Council Tax collection rate to the end of November was 94.15%, with the equivalent figure from 2020/21 being 93.69%. This position is likely to improve during the year as part of the reduced collection rate is due to impact from 2020/21 where a number of council taxpayers re-profiled their payments. However, there remains some risk to Council Tax collection rates as the support provided to vulnerable individuals and households through the Council Tax Hardship Fund is not available in 2021/22 as the Government did not continue the scheme.

6.6 Any reduced level of Council Tax collection is dealt with through the Collection Fund. If the level of Council Tax collected in the year is lower than budgeted, this gives rise to a deficit on the collection fund and will impact on the following year's budget. Any deficit is shared between Rushmoor and the precepting authorities (Hampshire County Council, Police and Crime Commissioner for Hampshire, and Hampshire Fire and Rescue Authority).

6.7 As highlighted in the 2020/21 General Fund Revenue Outturn report (FIN2113), It is likely that it will take some time for the impact from Covid on business rates income to unwind. At the time of writing the outturn report, the relevant accounting treatment has been applied to ensure the General Fund revenue budget is protected in the current year. Further work will be undertaken over the coming weeks to work through the implications on the Council's MTFS.

6.8 Whilst current collection rates for business rates have improved when compared to 2020/21 (92.05% against 88.93%), changes to the level of additional business rates reliefs and the ending of furlough support for businesses will have an impact on business rates collection over the remainder of the year.

7. RESERVES AND BALANCES

7.1 As highlighted in 2020/21 General Fund Revenue Outturn report, the level of reserves and balances held by the Council increased in 2020/21. A significant element of the increase can be attributed to timing differences on Business Rates Income and Grants provided by the Government to support the Council's response to Covid.

7.2 However, the level of the Stability and Resilience Reserve reduced at the end of 2020/21 and is forecast to reduce further in the current financial year. To set a balanced budget for 2021/22, there is a planned transfer of £1.014m from the Stability and Resilience Reserve. Taking into account additional budget agreed by Council and the current forecast for the financial year, the level of Stability and Resilience reserve transferred to the General Fund Revenue Budget will be £1.574m – an increase of £0.560m.

7.3 This is not a sustainable position going forward and the Council will need to review the level of Stability and Resilience Reserve forecast to be held over the MTFS period. The MTFS update report sets out the emerging position on reserves and balances for 2022/23 and the need to ensure an adequate Stability and Resilience reserve balance is maintained over the medium-term strategy period. Other earmarked reserve balances will be reviewed as part of the budget setting process to ensure they remain adequate.

7.4 Further reserve movements are forecast in the year to mitigate the impact of adverse variations or to transfer funding that was set aside in previous years. These include:

- £73k transfer from the Victoria Road earmarked reserve to fund expenditure in relation to the development site.
- £50k transfer from the Regeneration reserve is assumed to fund elements of the due diligence and project management of the Union Yard scheme.
- £100k from the Workforce Planning reserve to fund redundancy and pension strain cost incurred.

7.5 The table below shows the forecast of the impact on the key reserves supporting the General Fund revenue budget.

Table 8: Reserves and Balances Forecast (P2)

Transfers To (From) Reserves	Balance 31/03/2021 (£'000)	Transfers To (£'000)	Transfers From (£'000)	Forecast Balance 31/03/2022 (£'000)
General Fund Balance	(2,000)	0	0	(2,000)
Earmarked Reserves				
Stability & Resilience	(4,577)	(121)	1,574	(2,748)
Service Improvement Fund	(129)	0	129	0
Commercial Property Reserve	(1,750)	121	250	(1,379)
Regeneration Reserve	(357)	0	150	(207)
ICE Reserve	0	0	0	0
Climate Emergency Reserve	(239)	0	23	(216)
Deprivation Reserve	(96)	0	0	(96)
Pension Reserve	(669)	(818)	0	(1,487)
Regeneration Due Diligence Reserve	0	0	0	0
Workforce Reserve	(200)	0	100	(100)
Treasury Reserve	(400)	0	180	(220)
CPE Rolling Fund	(281)	0	(98)	(379)
Budget Carry Forwards	(390)	0	390	0
Elections Reserve	(87)	0	87	0
Victoria Road	(110)	0	73	(37)
Commercial Property (168)	(121)	0	0	(121)
Covid BRR Reserve	(10,812)	0	0	(10,812)
Covid Grants (Various)	(393)	0	156	(237)
Cyber Security	(100)	0	100	0
SANG/s106	(3,973)	0	0	(3,973)
Other Earmarked Reserves/Prior yr grants	(2,474)	0	273	(2,201)
TOTAL Reserves and Balances	**(29,158)**	**(818)**	**3,386**	**(26,214)**

Note: Balance on 31 March 2021 subject to confirmation of the 2020/21 outturn position and audit of the financial statements.

8. RISKS AND UNCERTAINTIES

8.1 There is a degree of uncertainty in the outturn forecasts provided by budget holders particularly due to the impact of Covid-19 on the local and national economy with the Omicron variant which emerged in December 2021. There are a number of risks and uncertainties in the outturn forecasts, which are set out below.

8.2 The risks and uncertainties are highlighted in this section as the impact on the Council's financial position has not been included within the outturn forecast. Whilst the issues discussed below remain a risk or uncertainty, they could have a material impact on the Council's finances.

8.3 Changes to the Council's Waste and Recycling services were implemented in the second half of 2021. These were agreed by Council at their meeting in July 2021 but the forecast of the net change to the cost of the service will be based on estimates and assumptions. Close monitoring of the contract and cost changes from the new service will be required to inform members of the financial impact of the change. The outturn forecast has assumed that these changes are cost neutral in revenue terms, although a reconciliation of income and expenditure of the changes on the contract will need to be undertaken in Q4 2021/22.

8.4 The Council started a new contract with Places Leisure for a 3-year period covering the provision of leisure services at Aldershot Pools and the Lido. Under the terms of this contract, the Council is exposed to greater financial risk should the net cost of service provision exceed the estimates contained within the report to Cabinet and Council in February 2021 (Report No. OS2101)

8.5 As highlighted in this report, the forecasts are based on assumptions which will be subject to change and revision over the remainder of the financial year. For clarity, the key assumptions are listed below:

- Social distancing restrictions remained largely in place until the end of July with easing thereafter. No further restrictions or impact has been assumed. This has not been reviewed following the emergence of the Omicron variant in December 2021.
- Commercial Property – any shortfall in 2021/22 funded from Commercial Reserve. Any longer-term impact dealt with through budget setting process
- Council Tax & Business Rates collection shortfalls contained within the collection fund but will need to be incorporated into the 2021/22 budget
- Cost of additional council tax support cases managed within the remaining balance of Hardship allocation (around £0.108m)
- Recovery of income for the remainder of the year are in line with budget (with exception of Car Parking income and Crematorium income which has been included as a variation in this report)

8.6 The over-riding risk is that Rushmoor (as a Borough and/or as a Council) does not fully recover from the impact of Covid-19. This would lead to a weakening of the local economy longer-term impact on the financial sustainability of the Council reduce the ability for the Council to meet the needs of residents and businesses, and to fulfil the Council's statutory obligations.

9. LEGAL IMPLICATIONS

9.1 No additional legal implications arise from this report.

10. FINANCE AND RESOURCE IMPLICATIONS

10.1 The finance and resource implications from budget monitoring are set out within this report. Any additional financial implications will be addressed through normal Council procedures and processes.

10.2 The Council will also need to carefully consider the financial impact of spending decisions and ensure that any unnecessary expenditure is avoided where possible.

11. CONCLUSIONS

11.1 There will always be variances reported in-year against budgets due to the Council adapting its priorities to manage inevitable changes in demand pressures and having a flexible approach to changing circumstances. The Council will need to ensure budgets are monitored closely over the coming months and focus on high-risk income and expenditure service areas. Future updates to Cabinet must set out the management action that is available to address any adverse variation and any other action that can be taken to mitigate the impact on the Council's wider financial position.

11.2 It is important that the Council considers an appropriate range of options to ensure any shortfall is managed. Any utilisation of reserves in 2021/22 will need to be addressed in the budget strategy to ensure balances and reserves remain adequate.

11.2 The forecast variation of £0.353m and approved budget changes of £0.185mm will be funded from reserves in the short term. The Council is committed to several significant projects such as Union Yard Regeneration scheme and needs to ensure the financial and resource impacts are identified, monitored, and reported to members. It is important that the Council considers an appropriate range of options to ensure any shortfall is managed. Any utilisation of reserves in 2021/22 will need to be addressed in the budget strategy to ensure balances and reserves remain adequate.

11.3 The MTFS Update reports sets out ways in which the Council can ensure financial sustainability is achieved over the medium-term. The 2020/21 Revenue outturn and the 2021/22 Revenue budget monitoring positions have resulted in an increased the utilisation of the Stability and Resilience reserve. The Council will need to consider options arising from the Cost Reduction and Efficiencies Programme and identify alternative capital financing options including a forecast of capital receipts of external funding streams.

11.4 Over the MTFS period, reduced levels of Council Tax and Business Rates income may put additional pressure on the Council's financial position. The achievement of the Savings Plan is integral to the MTFS forecast and will need to be reviewed in terms of savings profile and whether the savings can be delivered in the current economic climate. It is likely that further savings will be required over the MTFS period to balance the budget.

BACKGROUND DOCUMENTS:
None

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CABINET
18 JANUARY 2022

COUNCILLOR PAUL TAYLOR
CORPORATE SERVICES PORTFOLIO HOLDER
REPORT NO: FIN2202

KEY DECISION: ~~YES~~/NO

CAPITAL PROGAMME MONITORING AND FORECASTING REPORT P2 2021/22

SUMMARY AND RECOMMENDATIONS:

SUMMARY:

This report informs Members of the latest forecast of the Council's Capital Programme for 2021/22 based on the monitoring exercise carried out during October and November 2021.

RECOMMENDATIONS:

i) Note the latest Capital Programme position, as set out in Tables 1 and 2 including the proposed slippage of £26.893m

1 INTRODUCTION

1.1 This report informs Members of the latest forecast regarding the Council's Capital Programme for 2021/22.

1.2 There are some projects of material financial significance included in the Council's approved Capital Programme for 2021/22. These projects are:
(a) Regeneration – Aldershot
(b) Regeneration - Civic Quarter
(c) Replacement cremators, and,
(d) Housing PRS

2 BACKGROUND

2.1 Financial Services, in consultation with relevant budget officers, carry out regular monitoring of the Capital Programme.

2.2 A summary of the overall position is shown in **Appendix A**.

3 CURRENT POSITION

3.1 The Council approved the Capital Programme of £38.510m on 20 February 2021. Based on the budget monitoring process Table 1 shows the reconciliation of budget changes together with the projected actual capital expenditure for the year 2021/22.

Table 1: Analysis of capital expenditure and approved budget 2021/22

	(£'000)
Total approved budget for the year 2021/22*	38,510
Plus: Additional budget approvals made for the year 2021/22 **	611
Slippage form 2020/21	2,176
Total approved budget for 2020/21	41,297
Actual plus commitments at P2 * **	3,936
Forecast capital expenditure for the year	14,580
Net favourable variance (against approved budget)	**26,716**
Projected Slippage/(Pre-spend) to 2022/23 ****	26,893

Table contains roundings

* As reported to Cabinet in the Revenue Budget, Capital Programme and Council Tax report FIN2106 (20/02/2021)
** Cabinet Reports RP21035 (08/06/2021)
*** Expenditure and commitments as at 30 September. An additional £3.6m of expenditure is recorded between October and December 2021
**** Projected slippage based on the forecast at Period 2.

3.2 Table 2 shows the outturn forecast for each scheme with a Portfolio summary of all approved projects.

3.3 The Capital Programme is a significant undertaking for the Council in terms of magnitude and complexity. The scale of the projected slippage into 2021/22 and variation in programme highlights the need for close monitoring and clear project management across the whole Council.

3.4 Up to the reporting period actual expenditure including commitments is £3.9m. £15m is due to be spent by the year-end, predominantly as part of programmed regeneration. This does not include expenditure under contract for the Union Yard scheme

3.5 Members have been kept updated on the progress of the major regeneration schemes during the year with specific reports on Union Yard Aldershot and the Civic Quarter Farnborough schemes.

3.6 Council approved the Union Yard regeneration scheme at their meeting on 29 July 2021 which committed the Council to around £42m of further expenditure over a 3-year period. The profile of expenditure for the current year has been agreed following the formal contract agreement and will be included in the revised capital programme in February 2022.

3.7 **Appendix A** provides commentary on the material variations on the capital programme

Table 2: Capital Programme Outturn Forecast

Portfolio and Scheme	2021/22 Original Budget (£'000)	2021/22 Latest Budget (£'000)	2021/22 Outturn Forecast (£'000)	2021/22 Variation (£'000)
Corporate Services				
Flexible Use of Capital Receipts	0	74	74	0
Subtotal	**0**	**74**	**74**	**0**
Customer Experience & Improvement				
Computer Systems	115	115	110	(5)
Council Offices	33	33	33	0
Subtotal	**148**	**148**	**143**	**(5)**
Major Projects & Property				
Aldershot Town Centre Projects	3,951	3,951	500	(3,451)
Civic Quarter Farnborough	19,383	19,383	1,340	(18,043)
Housing Matters	5,436	5,409	1,682	(3,727)
Property Enhancements	90	414	414	0
Union Yard Aldershot	7,658	7,527	6,949	(578)
Farnborough Town Centre Regeneration	0	250	250	0
Other	0			0
Subtotal	**36,518**	**36,934**	**11,135**	**(25,799)**
Operational Services				
CCTV	400	400	8	(392)
Crematorium	0	949	949	0
Depots	34	34	0	(34)
Manor Park	49	49	0	(49)
Parks & Open Spaces	20	115	69	(46)
Southwood Country Park	0	282	508	226
Playground Works	0	104	98	(6)
Refuse/Recycling	231	466	519	53
Improvement Grants	1,111	1,663	1,050	(613)
Subtotal	**1,844**	**4,061**	**3,201**	**(861)**
Planning & Economy	0	0	0	0
ICE Programme	0	78	27	(51)
	38,510	**41,295**	**14,580**	**(26,715)**

4 REVENUE EFFECT OF CAPITAL PROGRAMME

4.1 Movement in the capital programme between years will have an effect on interest costs and MRP cost in the year in which budget was allocated.

5 CONCLUSIONS

5.1 The Council's 2021/22 Capital Programme is currently forecast to spend £14.6m, £26.7m below the approved capital budget of £41.3m. Indicative slippage is shown in Table 1 of £26.893m

5.2 The capital programme contains large and complex project that require proactive monitoring to ensure and delays or variation in cost are clearly understood and communicated to assess the implications on the Council.

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APPENDIX A

Over/Underspends, slippage and material variances

Corporate Services – No variation anticipated

Customer Experience and Improvement – £5k underspend with slippage of £5k to 2022/23

Major Projects and Property - £25.8m variation with slippage of £25.8m into future financial years

Aldershot Town Centre Projects
There are two projects that are unlikely to be completed this financial year giving rise to the projected underspend and slippage of £3.451m.

- Aldershot Railway Station forecourt scheme (£0.577m) is delayed and presently sat with Hampshire County Council as the client
- The Galleries scheme is forecast to utilise £0.5m of the £3.4m of HiF funding in the current financial year. The balance of £2.9m will be slippage into 2022/23. Expenditure is forecast against cost plan provided by Shaviram which indicates £0.5m of cost incurred against demolition works associated with the scheme which are eligible for the HIF funding of £3.4m.

Civic Quarter Farnborough
Members will recall that £1.339m of the wider Civic Quarter capital budget has been allocated towards the demolition costs of the Leisure Centre. It is anticipated that around £7k of the demolition budget will be required in 2022/23.

The balance of the wider Civic Quarter budget (£18.044m) will not be required in the current financial year and will be reprofiled in due course.

Housing Matters
The transfer of sites from the Council to Rushmoor Homes has been slower than anticipated by the Business Plan. Therefore, the capital expenditure in the form of third-party loans to the RHL has not been incurred. Therefore, the capital budget will be required in 2022/23 and will be subject to a revision of forecast drawdown. In total, slippage of £3.727m is anticipated.

Union Yard, Aldershot
Direct costs associated with main build contract (Oct-Mar) total £5.485m. Further indirect costs of £164k are forecast for the financial year with demolition costs associated with the site already incurred. Therefore, the forecast for the year is for an underspend and slippage of £0.

Operational Services - £0.862m variation with slippage of £1.082m into future financial years

CCTV
The planned replacement of the CCTV cameras has been delayed due to continuing negotiations with Runnymede Borough Council around the service and procurement of the camera equipment. No further spending estimated for 2021/22 with project now likely to incur expenditure in 2022/23. Therefore, an underspend and slippage of £0.392m is forecast.

Parks and Open Spaces
There is a forecast net underspend of £46k on Parks and Open Spaces with the £50k budget for the King George V Playing Fields Café (bc) not forecast to be utilised in this financial year.

Southwood Country Park
Additional expenditure of £0.448m is forecast on the Southwood Country Park (SANG) set up which includes the initial set-up costs and Wetland leading to a forecast overspend of £0.290m. These costs are recoverable from SANG contributions, but expenditure has been incurred prior to any developer contributions being received. These costs will be transferred to the balance sheet at the end of the financial year and funded from the wider SANG once funding is received.

Expenditure on the Visitor Centre and Café is forecast to be £60k (an underspend and slippage of £66k)

Improvement Grants
Expenditure funded from Disabled Facilities Grants is forecast to be around £1m by the end of the financial year leading to an underspend against the revised DFG allocation of £0.613m. It is anticipated that this funding will be rolled over into 2022/23 from the Better Care Fund held by Hampshire County Council.

Planning & Economy – No Capital Schemes

ICE Programme – £51k underspend with slippage of £5k to 2022/23
No significant capital expenditure is forecast against the CRM System, Flexible and Mobile Working and Modernisation of support service. The £51k underspend will be reviewed as part of the wider ICE and Savings and Transformation Programme.

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CABINET
18 JANUARY 2022

BUDGET STRATGEY WORKING GROUP
COUNCILLOR PAUL TAYLOR (CHAIRMAN)
REPORT NO: FIN2204

KEY DECISION: ~~YES~~/NO

RECOMMENDATIONS FROM BUDGET STRATEGY WORKING GROUP 2021/22

SUMMARY AND RECOMMENDATIONS:

SUMMARY:

This report sets out the strategic financial issues considered by the Budget Strategy Working Group and recommends a number of actions to Cabinet. Any further deliberations of the group will be given verbally by the Chair of the committee to Cabinet.

RECOMMENDATIONS:

Cabinet is requested to note the recommendations from the Group:

i) Continuation of the Savings and Transformation Programme to ensure a balanced portfolio of cost management and income generation opportunities to ensure the Council is able to achieve financial sustainability over the medium-term strategy period. Budget Strategy Working Group to act as consultee on the development of the programme in line with the Terms of Reference set out in Appendix A.

ii) The Group, whilst mindful of the impact on Rushmoor residents, were supportive of increasing Council Tax by the maximum permissible level (£5) given the inflationary and financial pressures facing the Council.

1 BACKGROUND

1.1 As part of the annual budget setting process, the Council must review its expenditure and income plans to take into account priorities, the expected level of resources available, and the wider strategic financial landscape. The Council's Medium-Term Financial Strategy (MTFS), published in February 2021, provided members with an estimate of income and expenditure over a 4-year period. This indicated that the Council would face significant funding gap over the medium-term strategy period.

1.2 The budget setting process updates the MTFS and considers the budget for the forthcoming financial year. It is worth noting that the Council is legally required to set a balanced budget for the forthcoming financial year.

1.3 Covid-19 continues to have a widespread impact on local authority budgets nationally and has been particularly significant for district and borough councils with a significant loss of income from services being a particular pressure. Whilst the Government provided funding through the Sales, Fees and Charge (SFC) income loss compensation scheme in 2020/21 and Q1 of

2021/22 there is no indication this support will be provided in the near-term.

1.4 In common with many local authorities, Rushmoor Borough Council continues to face significant financial challenges over the medium term. The Council will need to continue to take difficult decisions around resource allocation

2 WORK OF THE BUDGET STRATEGY WORKING GROUP

2.1 The Budget Strategy Working Group was established to give support to the Cabinet on the process for setting priorities and preparing the budget and Medium-Term Financial Strategy (MTFS).

2.2 The group's Terms of Reference were updated in July 2020 and are included in Appendix 1 for information.

2.3 The Group has met throughout the year (July, September, November and January) to consider the strategic options around the Council's revenue and capital budget setting for the forthcoming financial year.

2.4 The Group have considered the on-going impact on the Council's financial position from Covid-19 and have received briefings from officers on a number of specific matters:

- Updates on developments in Local Government Finance
- Updates on the impact from Covid-19 on the Council's financial position and consideration of recovery and strategic direction
- Regular briefings and updates of the Cost Reduction and Efficiency Programme (CREP) in response to the recommendations made by the group in January 2021

3 BUDGET STRATEGY – LGFS AND RECOMMENDATIONS TO CABINET

3.1 The Government announced the provisional Local Government Finance Settlement (LGFS) on 16 December 2021 which sets out the level of Government funding and support the Council will receive in 2022/23.

3.2 The Group were provided with an overview of the settlement and the impact this has on the 2022/23 budget which is shown below for context and reference.

- Council Tax limit: £2% or £5 (whichever is the greater)
- New Homes Bonus: Year 12 amount of £133k
- Lower Tier Grant: £116k
- Services Grant: £164k
- No change to the Business Rates Retention system
- Single-year settlement with emphasis on stability in the immediate term with further consultation due in 2022 on changes to the local government finance system

3.3 The Government published a consultation on Minimum Revenue Provision (MRP) at the end of November 2021 as part of its ongoing review of the Capital Finance system for local government. This follows changes made to the Public Works Loan Board (PWLB) lending terms in November 2020 and an updated Capital Finance Code published by CIPFA in December 2021.

3.4 The MRP consultation seeks views on proposed changes to regulations to better enforce the duty of local authorities to make prudent Minimum Revenue Provision each year. Where authorities borrow to finance capital spend, they are required under regulations to set aside money each year from their revenue account. This is referred to as Minimum Revenue Provision (MRP) and is to make sure they can afford to repay the principal of their debt. Local authorities have flexibility in how they calculate MRP, providing it is 'prudent'. The Government is aware that some authorities may not be fully compliant with the duty to make prudent provision and are seeking to strengthen the rules and guidance around this issue.

3.5 At their meetings in November 2021 and January 2022 the group considered the recommendations they would make to Cabinet. A number of themes emerged from the discussions and these are set out below and form the recommendations to Cabinet.

- Continuation of the Savings and Transformation Programme to ensure a balanced portfolio of cost management and income generation opportunities to ensure the Council is able to achieve financial sustainability over the medium-term strategy period. Budget Strategy Working Group to act as consultee on the development of the programme in line with the Terms of Reference set out in Appendix A
- The Group, whilst mindful of the impact on Rushmoor residents, were supportive of increasing Council Tax by the maximum permissible level (£5), as set out in the Council Tax Referendum Limits guidance given the inflationary and wider financial pressures facing the Council. It is worth noting that the increased income from the maximum Council Tax rise is not sufficient to cover the financial pressures across the Council's services, so it is essential to follow this course.

3.7 The group acknowledged the financial uncertainty facing Rushmoor Borough Council, it's residents and businesses due to the differential impact of Covid-19 and the discussion on the budget and recommendations to Cabinet reflects this view.

4 LEGAL IMPLICATIONS

4.1 There are no specific legal implications resulting from this report.

5 FINANCIAL IMPLICATIONS

5.1 There are no financial implications arising directly from this report. The budget reports to Cabinet and Council in February 2022 will set out the finance and resource implications from the proposed revenue and capital budgets for 2022/23.

6 CONCLUSIONS

6.1 Cabinet are asked to consider the issues and recommendations raised in this report and to take into account the Group's recommendations.

Councillor Paul Taylor
Chairman of Budget Strategy Working Group

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APPENDIX A

BUDGET STRATEGY WORKING GROUP

TERMS OF REFERENCE (updated July 2020)

A. FUNCTIONS

- To review the process for setting priorities and preparing the budget, including Member engagement in the process
- To monitor the Council's Medium Term Financial Strategy and progress towards achieving financial sustainability
- To monitor the delivery against the Savings Plan and consider strategic options for Cabinet to review
- To examine and provide input into the Council's response to any proposed changes to Government funding of Local Government (e.g., New Homes Bonus, Fair Funding Review, Business Rates Retention)

B. REPORTING

The Group will report and make recommendations to the Cabinet on the outcomes of its work.

C. MEMBERSHIP

A cross-party group of councillors appointed by the Cabinet, including:

- Corporate Services Portfolio Holder (Chairman)
- Chairman of Corporate Governance, Audit and Standards Committee
- Chairman or Vice-Chairman of Policy and Project Advisory Board
- Two Conservative Group Members
- Two Labour Group Members
- One Liberal Democrat Group Member

Other Members may be invited to join meetings for discussion on issues relating to specific projects.

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CABINET

COUNCILLOR PAUL TAYLOR
CORPORATE SERVICES
PORTFOLIO HOLDER

18 JANUARY 2021

REPORT NO. FIN2203

KEY DECISION? ~~YES~~/NO

MEDIUM-TERM FINANCIAL STRATEGY (MTFS) 2022/23 to 2025/26 (UPDATE)

SUMMARY:
This report sets out and update on the key factors influencing the preparation of the 2022/23 budget.

The report also provides an update on Provisional Local Government Finance Settlement. Final decisions on the overall budget and Council Tax level will be made by Council in February 2022.

RECOMMENDATIONS:
That Cabinet notes the report, including the Provisional Local Government Finance Settlement, and the financial planning process and associated risks and uncertainties as outlined in section 7 of the report.

1. INTRODUCTION/BACKGROUND

1.1. This report informs members of the current financial position and provides an update on the financial planning process and budget prospects for 2022/23 following the Budget and Spending Review announcement on 27 October 2021, and the Provisional Local Government Finance Settlement announced on 16 December 2021.

2. STRATEGIC CONTEXT

2.1. In common with many local authorities, Rushmoor Borough Council continues to face significant financial challenges over the medium term. The Council will need to continue to take difficult decisions around resource allocation.

2.2. There are a number of key drivers of change that affect the way in which the Council's financial plans are developed – Population, Economy, Policy Decisions, ICE Programme. Whilst these drivers are still relevant and can assist members in decision making, the level of uncertainty around national policy issues (Covid-19 and Brexit in particular) and the global economy makes it more difficult to predict the impact on the Council.

3. BUDGET AND SPENDING REVIEW, CAPITAL FINANCING

3.1. The Chancellor announced the Budget and outcome of the Spending Review on 27 October 2021. The provisional Local Government Finance Settlement was announced on 16 December 2021 and is covered in section 5 of this report.

3.2. Whilst the Spending Review did not give specific details in terms of Council Funding, it did include a number of announcements that will influence the amount of funding and Government support the Council can expect over the next 3 years (2022/23 to 2024/25). The main points of the spending review are set out below.

- Local government will receive an additional £4.8bn in “core” grant funding over the next 3 years (roughly an additional £1.6bn in each year although there is an element of front-loading).
- Separately, local government will receive £3.6bn in grant funding through the settlement for social care reforms. The sector will receive £200m in 2022-23, £1.4bn in 2023-24 and £2.0bn in 2024-25.
- Council Tax increases – 2% ‘core’ plus a further 1% increase in the Adult Social Care Precept
- Further funding to tackle homelessness and rough sleeping (£639m was made available but may include already announced grant funding)
- Small business rates multiplier will be frozen in 2022-23 (instead of increasing by 3.1%) – but local authorities will be fully compensated
- The Government is consulting on a number of technical aspects of the business rates system following the publication of the final report on the review.

3.3. There are changes to the capital finance landscape that members should be aware of as these are likely to have an impact on the Council’s Regeneration Programme and wider Capital Programme in future years.

3.4. CIPFA published the new Prudential Code for Capital Finance in Local Authorities (Prudential Code) and Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (the Treasury Management Code) following a consultation period. These two statutory and professional codes are important regulatory elements of the capital finance framework within which local authorities operate. Local authorities are required by regulation to 'have regard to' their provisions.

The updated Prudential Code includes the following as the focus of the substantive changes:

- The provisions in the code, which present the approach to borrowing in advance of need in order to profit from additional sums borrowed, have been strengthened. The relevant parts of the code have augmented to be clear that borrowing for debt-for-yield investment is not permissible under the Prudential Code. This recognises that commercial activity is part of regeneration but underlines that such transactions do not include debt-for yield as the primary purpose of the investment or represent an unnecessary risk to public funds.

- Proportionality has been included as an objective in the Prudential Code. New provisions have been added so that an authority incorporates an assessment of risk to levels of resources used for capital purposes.
- A new requirement has been added so that capital strategies are required to report investments under the following headings: service, treasury management and commercial investments.

The main changes to the updated Treasury Management Code and the accompanying guidance for local authorities are as follows:

- Investment management practices and other recommendations relating to non-treasury investments are included within the Treasury Management Practices (TMPs) alongside existing TMPs.
- The guidance will recommend the introduction of the Liability Benchmark as a treasury management indicator for local government bodies (note that CIPFA has issued a toolkit to assist local authorities with the production of this indicator).
- Environmental, Social and Governance (ESG) risks are incorporated into TMP1 (Risk Management) rather than a separate TMP 13.
- The purpose and objective of each category of investments should be described within the Treasury Management Strategy.

3.5. The Government have issued a consultation on changes to regulations to better enforce the duty of local authorities to make prudent Minimum Revenue Provision (MRP) each year. Where authorities borrow to finance capital spend, they are required under regulations to set aside money each year from their revenue account. This is referred to as MRP and is to make sure they can afford to repay the principal of their debt.

3.6. The consultation is seeking to address concerns the Government have around compliance by some local authorities with the duty to make prudent provision, resulting in an underpayment of MRP. Specifically, the Government have highlighted two particular concerns:

- Local authorities using sales from assets (capital receipts) in place of a charge to revenue. Authorities may use capital receipts to reduce overall debt and thereby reduce MRP through the calculation. Capital receipts may not, however, be used in lieu of a prudent charge to revenue.
- Local authorities are not charging MRP on debt related to certain assets. The evidence is that while some authorities are making MRP for commercial investments funded by borrowing, some are still not paying MRP in relation to borrowing associated with investment assets or capital loans. The statutory guidance is clear that financing for investment assets and capital loans requires provision to be made.

3.7. Whilst Rushmoor complies with the current guidance and makes prudent provision for the repayment of debt, the proposed changes may require the Council to consider the level of MRP in relation to capital loans made to Rushmoor Homes (the wholly-owned housing company).

3.8. The consultation closes on 08 Febraury 2022 and the Council will be submitting a response given the implications the current proposals would have to the Housing Company and the wider Regeneration programme.

4. ECONOMIC OUTLOOK AND COVID-19 IMPACT

4.1. There is considerable uncertainty in the national and global economic outlook. The commentary below reflects the position at the time of writing (late December 2021), and will, of course, be subject to change.

4.2. It is expected that the continued financial impact from Covid-19 and inflationary pressures will have a significant impact on the Council's budgets over the short to medium-term.

4.3. The P2 Budget Monitoring report to Cabinet at this meeting (January 2021) provides a forecast of the financial impact from Covid-19 on the Council's 2021/22 Revenue budget and provides the context to the budget setting process for the coming financial year. This is shown in Table 1 below.

Table 1: P2 Budget Monitoring position (Cabinet, January 2021)

General Fund Revenue Budget	2021/22 Original Budget (£'000)	2021/22 Latest Budget (£'000)	2021/22 Outturn Forecast (£'000)	2021/22 Variation (£'000)
Corporate Services	5,184	5,315	5,550	235
Customer Experience & Improvement	55	446	561	115
Major Projects & Property	(5,434)	(5,184)	(5,061)	123
Operational Services	9,869	10,309	10,667	358
Planning & Economy	2,303	2,487	2,487	0
ICE Programme	536	546	546	0
SUBTOTAL	**12,513**	**13,919**	**14,750**	**831**
Less: Reversal of Accounting entries	(2,901)	(2,901)	(2,901)	0
Net Service Revenue Expenditure	**9,612**	**11,018**	**11,848**	**831**
Corporate Income & Expenditure	3,616	3,086	2,691	(395)
C19 Expenditure Pressures	0	0	0	0
C19 Risk	0	0	0	0
Movement in Reserves	(103)	(772)	(994)	(223)
Savings Plan	(256)	(256)	(80)	176
Net General Fund Revenue Budget	**12,869**	**13,076**	**13,465**	**389**
Funded by:				
Council Tax	6,928	6,928	6,928	0
Business Rates	3,574	3,574	3,574	0
New Homes Bonus	863	863	863	0
Covid-19 Emergency Funding	589	589	589	0
Covid-19 Income Loss	101	101	137	36
Other Funding	(200)	(200)	(200)	0
TOTAL Funding	**11,855**	**11,855**	**11,891**	**36**
Core (Surplus) or Deficit	**1,014**	**1,221**	**1,574**	**353**

4.4. The main variations on the revenue budget in the current year is due to a shortfall in income from Sales, Fees & Charges with Crematorium income and Car Parking income showing material variations. However, service expenditure variations have been offset by lower capital financing costs in-year.

4.5. It is likely that the revenue budget will remain under pressure for the remainder of the financial year as the impact from the Omicron variant works through the national and local economy. There may be further national restrictions which will impact on a number of services such as Leisure facilities, and income pressures around Car Parks and Princes Hall.

4.6. Given the scale of the financial impact on the revenue budget in the current financial year, near-term inflationary pressures and the continued impact from the pandemic, it can be expected that income and expenditure budgets will remain under pressure over the short to medium-term. Careful consideration will also need to be given to the impact on Council Tax and Business Rates in terms of both collection rates and forecast of growth or decline in the tax bases.

Economic Outlook commentary

4.7. The Budget Strategy report to Cabinet in November 2021 provided a detailed overview of the Economic Outlook. Whilst this outlook is broadly similar, it is worth highlighting recent decisions and economic data.

- MPC increased the Bank Rate to 0.25% at their December meeting
- November inflation rates: CPI 5.1% (up from 4.2% in October), RPI 7.1% (up from 6.0% in September)
- UK GDP increased by 1.1% between July and September 2021, with the rate of increase slowing to 0.1% in October 2021.

4.8. Economic commentary from Arlingclose (the Council's Treasury Management advisors) from December 2021 is summarised below. This commentary was drafted prior to the release of the latest economic data referred to earlier.

4.9. The global recovery from the pandemic has entered a more challenging phase. The resurgence in demand has led to the expected rise in inflationary pressure, but disrupted factors of supply are amplifying the effects, increasing the likelihood of lower growth rates ahead. The advent of the Omicron variant of coronavirus is affecting activity and is also a reminder of the potential downside risks.

4.10. Despite relatively buoyant activity survey data, official GDP data indicates that growth was weakening into Q4 2021. Other data, however, suggested continued momentum, particularly for November. Retail sales volumes rose 1.4%, PMIs increased, and the labour market continued to strengthen. The end of furlough did not appear to have had a significant impact on unemployment. Wage growth is elevated.

4.11. The CPI inflation rate rose to 5.1% for November and will rise higher in the near term. While the transitory factors affecting inflation are expected to unwind over time, policymakers' concern is persistent medium term price pressure.

4.12. These factors prompted the MPC to raise Bank Rate to 0.25% at the December meeting. Short term interest rate expectations remain elevated..

4.13. The outlook, however, appears weaker. Household spending faces pressures from a combination of higher prices and tax rises. In the immediate term, the Omicron variant has already affected growth – Q4 and Q1 activity could be weak at best.

4.14. The rise in Bank Rate despite the Omicron variant signals that the MPC will act to bring inflation down whatever the environment. It has also made clear its intentions to tighten policy further. While the economic outlook will be challenging, the signals from policymakers suggest their preference is to tighten policy unless data indicates a more severe slowdown

4.15. The impact on the Council is likely to be through the level of Inflation and Interest Rates. This will affect the cost of service delivery and decisions around treasury management and the affordability of the Capital Programme supported by debt financing. In addition, weaker global economic growth may have a direct impact on the local economy.

4.16. The Council will also need to consider the impact on the housing market. The Council's regeneration programme and other significant housing schemes may be at risk if there is a downturn in the housing market given the increase in interest rates and the economic commentary above.

5. LOCAL GOVERNMENT FUNDING – PROVISIONAL SETTLEMENT FOR 2022/23

5.1. The Government published the provisional local government finance settlement for 2022/23 on 16 December 2021.

5.2. This is a one-year settlement for 2022-23. There are no projected or indicative numbers for the remainder of the spending review period (2023/24 and 2024/25). More fundamental changes in local government funding have been clearly signalled for 2023/24. Therefore, this should be viewed as a rollover settlement from 2021/22, with the focus very much on "stability".

5.3. The key elements from the provisional settlement are summarised below (as set out in the briefing note from Pixel).

- Revenue Support Grant (RSG). Inflation has been applied to RSG (£72m, 0.5%). This uplift is not received by authorities with "negative RSG".
- Baseline Funding Level (BFL). BFL will be frozen in 2022-23 because the business rate multiplier will be frozen.
- Compensation for under-indexing the multiplier. Compensation has been calculated based on the Consumer Price Index (CPI), which was

3.1% in September 2021. We understand that the final settlement will use Retail Price Index (RPI) – which in September 2021 was much higher, at 4.9%.

- Negative RSG. There will continue to be no adjustment for "negative RSG" (i.e. "negative RSG" continues to be funded for those authorities whose BFL is higher than their underlying SFA).
- Council tax. DLUHC assumes every authority will increase Band D council tax by the maximum allowed (see limits in a later section). In its CSP figures, DLUHC has assumed that the taxbase will increase in 2022-23 for each authority in line with their average taxbase increase between 2017-18 and 2021-22. This is a reasonable approach because it reflects actual recent changes in taxbase, which has rebounded more quickly from the pandemic than expected.
- Improved Better Care Fund (IBCF). Inflation will be added to existing IBCF (£63m to £2.077bn).
- Social care support grant. £636m will be added to the existing £1.710bn grants.
- New Homes Bonus. A further year has been added, in addition to the legacy payment for Year 8. Overall cost of New Homes Bonus will be £554m, £68m less than in 2021-22. There will be no returned surplus in 2022-23, with the £346m surplus used to fund other grants within CSP.
- Rural Services Deliver Grant. No change in funding.
- Lower Tier Services Grant. This grant was introduced in 2021-22 and is continued into 2022-23. The minimum cash guarantee element has been recalculated (cost reduces from £25m to £20m). Overall grant quantum remains the same (£111m).
- Supporting Families (£40m) and Cyber Security (£12m). These are new grants announced in SR21 but no allocations have been announced in the settlement.

5.4. For Rushmoor, the settlement was broadly in-line with expectations as it was expected that the Fair Funding Review changes would be delayed. Additional funding from New Homes Bonus, Lower Tier Services Grant and Services Grant can be seen as positive although only provide one-off additional support.

5.5. Members will be kept informed of any further local government funding streams over the coming weeks, although it is unlikely there will be any substantial change to the level of funding outlined in the provisional settlement.

<u>Government Funding & Council Tax</u>

5.6. As discussed, there is very little certainty around the level of Government Funding that the Council will receive beyond 2022/23.

5.7. The table below sets out the current assumptions made on Government funding over the medium-term strategy period and are informed by the provisional local government finance settlement. However, these assumptions will be updated over the coming weeks with particular emphasis on the level of Business Rates Retention income.

Table 2: Government Funding assumptions (Draft based on Provisional LGFS December 2021)

Government Funding	2021/22 (£'000)	2022/23 Forecast (£'000)	2023/24 Forecast (£'000)	2024/25 Forecast (£'000)	2025/26 Forecast (£'000)
Business Rates Retention	3,574	3,500	2,550	2,601	2,653
Revenue Support Grant	0	0	0	0	0
Subtotal	**3,574**	**3,500**	**2,550**	**2,601**	**2,653**
New Homes Bonus	863	344	0	0	0
Other Grants/Funding					
Lower Tier Services Grant	101	116	0	0	0
Services Grant	0	164	0	0	0
TOTAL Government Funding	**4,538**	**4,124**	**2,550**	**2,601**	**2,653**

5.8. The MTFS funding forecast above assumes the current New Homes Bonus scheme ends with no projection of any further income. The Government have indicated a new scheme will be designed with consultation with local government but at the time of writing there is no indication of what scheme will be in place beyond 2022/23.

5.9. In terms of Council Tax assumptions, these will be finalised in January to take into account the latest taxbase forecast the impact from Covid-19 on collection rates in the current year. The MTFS assumed that there would be growth in the Council Taxbase of around 1% per annum, and that Council Tax would be increased (subject to Government guidance around referendum limits).

5.10. Therefore, whilst there may be some improvement in the funding position when compared to the February 2021 forecast, there remains significant uncertainty around the longer-term funding position.

6. MEDIUM TERM FINANCIAL STRATEGY 2022/23 TO 2025/26

6.1. This report does not update the MTFS or the Savings Plan. These will be considered by Cabinet in February 2022

6.2. As outlined to members in the Budget Strategy report to Cabinet (November 2021), the Council (in common with most local authorities) is facing a significant financial pressure from Covid-19 and near-term inflationary pressures. The February 2021 MTFS indicated a significant funding gap over the medium-term strategy period.

6.3. Whilst the Council will benefit from an improved Government Funding position for 2022/23, it is expected that fundamental review of local government finance and the levelling-up agenda will frame the Council's revenue budget in future years.

6.4. It was recommended that the Council continues to review not only the costs of services but considers the nature and scope of services being delivered. The Council will need to identify additional savings to mitigate the impact of any savings that cannot be achieved in full or in the timeframe required, as this would put additional financial pressure on the Council.

Balances & Reserves

6.5. The Council holds balances and reserves to provide financing for future expenditure plans. Members will be aware from the 2020/21 Revenue Budget Outturn report that the Council has increased the level of Reserves and Balances it holds, largely due to the timing difference around Business Rates income but also in part to mitigate the financial impact from Covid-19. The Council held £29.156m in balances and reserves at the end of the last financial year.

6.6. The Council holds these sums for three main purposes:

- a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing [Stability and Resilience Reserve, Commercial Reserve];
- a risk-assessed contingency to cushion the impact of unexpected events or emergencies [General Fund Balance];
- a means of building up funds to meet known or predicted requirements

6.7. Consideration will need to be given to the level of the Stability and Resilience reserve over the medium-term strategy period to ensure an adequate balance is available to enable the Council to demonstrate financial resilience.

6.8. A review of the balances and reserves will be completed and presented to Cabinet and Council in February alongside the revenue and capital budgets for 2022/23. This will need to assess the adequacy of the reserves in ensuring the Council remains financially sustainable over the short to medium-term.

7. IMPLICATIONS

Risks

7.1. This report has identified some specific risk around the financial impact from Covid-19 and the Council's funding from Government. There is significant uncertainty beyond 2022/23 around likely levels of Government funding and support, and the longer-term changes from the review of Local Government Finance/Levelling-Up.

7.2. Covid-19 risks

- Impact from the Omicron variant and whether any additional restrictions are announced in the coming weeks
- Council Tax & Business Rates collection shortfalls contained within the collection fund but will need to be incorporated into the 2022/23 budget

- Cost of additional council tax support cases in 2021/22 and impact of scheme going forward.
- Income from fees and charges – particularly around the assumption on Car Park income and the performance if the Crematorium and Princes Hall in 2022/23.

7.3. Other risks to the Council were set out in the Budget Strategy report and are largely unchanged:
- Economy – the Council has a number of income streams that are linked to economic performance including fees and charges, treasury management activities, and commercial investment. A slower economic recover or downturn could reduce the amount of disposable income available to residents, erode investment fund performance, and reduce the value of commercial property and rental income.
- Interest rates – the recent increase in the base rate to tackle inflationary pressures in the economy may require the Council to review treasury management investment income and the longer-term considerations of managing the Council's external debt.
- Commercial property performance – the Council is increasingly reliant on income from commercial investment properties. Any shortfall in income or additional costs associated with managing the property portfolio will have an adverse effect on service delivery. To mitigate future variable income flows, a Commercial Property Reserve was established and will be reviewed as part of the Council Balances and Reserves Strategy.
- Housing market – uncertainty given the interest rate position. It is likely that there will be an impact on the Council's wider regeneration plans and a number of key strategic housing sites across the Borough. For the Council, where regeneration schemes include housing development, there may be a requirement to continually assess the financial viability of schemes to ensure they are able to deliver the required outcomes.

Legal Implications

7.4. The Council through its Members has a legal obligation to set a balanced budget and the MTFS provides the information that will inform the approach to be taken in the budget setting process for early 2022 when reports will be taken to Cabinet and Council for approval.

Financial and Resource Implications

7.5. There are not considered to be any financial implications arising directly from this report. An updated position will be included in the reports to Cabinet and Council in February 2022.

Equalities Impact Implications

7.6. None

8. CONCLUSIONS

8.1. Whilst this report does not provide members with a material update on the Medium-Term Financial Strategy or Cost Reduction and Efficiencies Plan (CREP), the provisional settlement announcement provides some clarity on the level of Government Funding and support for 2022/23.

8.2. The MTFS will be updated over the coming weeks to ensure it provides the framework for managing the Council's financial position and helps to ensure that resources are available to deliver against the Council Plan.

8.3. Whilst the Council has delivered a number of budget and efficiency savings, the Council will need to continually review adequacy and composition of the any savings. It is likely that the Council will need to identify further budget and efficiency savings over and above those already contained within the MTFS.

8.4. The Council will need to ensure the adequate reserves are maintained over the medium term to mitigate the risks identified in this report. However, the use of reserves to deal with changes in the financial standing of the Council on an ongoing basis is not a long-term or sustainable plan. It does, however, enable the Council to mitigate against short-term changes, whilst allowing the Council to plan and implement effectively over the medium-term.

BACKGROUND DOCUMENTS:

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