

REVENUE BUDGET MONITORING REPORT P1 2021/22

SUMMARY:

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

RECOMMENDATIONS:

CABINET is recommended to:

- i. note the latest revenue forecasts and financial impact on reserve balances
- ii. note the additional expenditure on IT salaries as set out in Section 2 of the report.
- iii. Approve the additional transfers from earmarked reserves as set out in Table 8 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 additional revenue items to service budgets and supplementary estimates agreed by Cabinet and Council. Therefore, the current budget is now £13.105m. 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: Southwood Visitor Centre (Council, 29/07/2021)	126
Latest Budget 2020/21	13,105

- 2.3 The reconciliation of the budget only includes items that have been approved. Members are advised that further changes to the budget are due to be considered at the Council Meeting on 07 October 2021 and will include the following items discussed by Cabinet:
- £250k further feasibility budget for Regeneration Programme – Potential Acquisitions in Farnborough Town Centre (Cabinet, 10 August 2021)
 - £75k feasibility budget for Aldershot Crematorium – Proposal to undertake feasibility study to inform future investment options (Cabinet, 21 September 2021)

- 2.5 The updated forecast for the General Fund is a net adverse variation of £0.314m (2.40% of the Net Revenue budget) as shown in Table 2.
- 2.6 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 (P1 2021/22)

	2021/22 Original Budget (£'000)	2021/22 Latest Budget (£'000)	2021/22 Outturn Forecast (£'000)	2021/22 Variation (£'000)
General Fund Revenue Budget				
Corporate Services	5,184	5,189	5,249	60
Customer Experience & Improvement	55	310	425	115
Major Projects & Property	(5,434)	(5,289)	(5,166)	123
Operational Services	9,869	10,069	10,307	238
Planning & Economy	2,303	2,303	2,303	0
ICE Programme	536	536	536	0
SUBTOTAL	12,513	13,118	13,654	536
Less: Reversal of Accounting entries	(2,901)	(2,901)	(2,901)	0
Net Service Revenue Expenditure	9,612	10,217	10,752	536
Corporate Income & Expenditure	3,616	3,247	3,247	0
C19 Expenditure Pressures	0	0	0	0
C19 Risk	0	0	0	0
Movement in Reserves	(103)	(103)	(225)	(123)
Savings Plan	(256)	(256)	(256)	0
Net General Fund Revenue Budget	12,869	13,105	13,518	413
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	200	99
Other Funding	(200)	(200)	(200)	0
TOTAL Funding	11,855	11,855	11,954	99
Core (Surplus) or Deficit	1,014	1,250	1,564	314
Balanced by:				
General Fund Balance				0
Service Improvement Fund				0
Workforce Reserve				0
Stability & Resilience Reserve	(1,014)	(1,250)	(1,564)	(314)
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.

2.7 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)
Legal Service	CDS	0
Land Charges	CDS	0
Finance Service	CDS	0
Housing Benefit/Rent Allowances	CDS	0
Audit Fees	CDS	60
Elections	CDS	0
Grants to Voluntary Organisations	CDS	0
Climate Change	CDS	0
Deprivation Strategy	CDS	0
IT	CE&I	125
Council Offices/Facilities	CE&I	(10)
Commercial Property	MP&P	0
Victoria Road	MP&P	73
Markets & Car Boot Sales	MP&P	0
Regeneraion Due Diligence	MP&P	50
Car Parks	OPS	95
On-Street Parking	OPS	0
Leisure (inc. Lido)	OPS	0
Crematorium	OPS	200
Princes Hall	OPS	0
Waste & Recycling	OPS	(57)
Housing/Homelessness	OPS	0
Building Control	P&E	0
Development Control	P&E	0
Economic Development	P&E	0
Subtotal Service Revenue Expenditure		536

2.8 The main variations on the revenue budget relate to reduced income expectations for the Crematorium (£200k) and Car Parks (£95k). Additional expenditure variations across the IT service (£125k), spend in relation to the Victoria Road site (£73k funded from the earmarked reserve), and an anticipated overspend on external audit fees of £60k.

Corporate Services (£60k additional expenditure)

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 £60k can be viewed as representative.

Customer Experience and Improvement (£115k net overspend)

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)

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.

Operational Services (£238k net income shortfall)

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 (£200k income shortfall): As highlighted to Cabinet in the Council Business Plan Quarterly Update April-June 2021/22 Report in August (ACE2105), Crematorium income is down 20% against the budget since the start of the year with a to date variation of £125k on income. Should this trend continue for the remainder of the financial year there would be an income shortfall of £300k. However, it is likely that 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 £200k 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 (No variation/on-budget): On-Street parking charges are currently running at around 80% of pre-Covid levels. Whilst income from fines is forecast to be £25k below the budgeted level, this income shortfall is expected to be covered from staff salary savings. Therefore, no budget variation is forecast at this stage.

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

	2021/22 Original Budget (£'000)	2021/22 Latest Budget (£'000)	2021/22 Outturn Forecast (£'000)	2021/22 Variation (£'000)
Corporate Income & Expenditure				
Minimum Revenue Provision (MRP)	2,457	2,457	2,457	0
Interest Receivable	(1,090)	(1,090)	(1,090)	0
Interest Payable	795	795	795	0
Other CI&E	349	349	349	0
Cabinet/Council decisions	0	236	236	0
Additional Items/Growth	1,105	500	500	0
TOTAL CI&E	3,616	3,247	3,247	0

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 September which may be a more challenging period given the unwinding of the Coronavirus Job Retention Scheme and fluctuating economic/trading conditions. 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 Market Funds (where balances are held for short periods until required) and Pooled Funds.
- 4.3 The Bank of England cut the base rate on 11 March 2020 from 0.75% to 0.25%, and again on 19 March 2020 from 0.25% to 0.10%. Whilst the base rate cut has reduced investment income from Money Market Funds, it is not considered to have a material impact on the Council's investment income.
- 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 unwind, and inflationary pressures remain. At this early stage of the financial year the forecast is for Investment income to be in-line with the budgeted level.
- 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 Members will recall that the Council, along with the other funding consortium partners (Barclays, Hampshire County Council, Enterprise M3 LEP) agreed to defer interest payments on loans to provide cashflow support to by Farnborough International Limited (FIL) following the cancellation of the 2020 Air show.
- 4.7 Legal documents have been drafted and reviewed that formalise the changes following a renegotiation of inter-creditor agreement between Barclays, FIL, and the public sector partners.

- 4.8 As reported to members in April 2021, the revised terms of the inter-creditor delays the repayment dates of the capital sums to 2026 and 2028 (subject to covenant tests).

Capital repayment	Repayment Date	Revised Repayment Date
£2,105,000	30 June 2024	30 June 2026
£2,500,000	30 June 2026	30 June 2028

- 4.9 Interest that was due in the current financial year on the FIL loans has been rolled-up and will be repaid in line with the revised agreement. The Treasury reserve was established last year to offset the impact on the Council's revenue budget in 2020/21 and 2021/22 in this interest being delayed. The reserve will allocate an equivalent amount in year to offset for the delayed investment income. At the point the rolled-up interest is received this will be allocated to the Stability and Resilience reserve.
- 4.10 The budget monitoring outturn forecast indicates that there is no variation expected on Treasury Management activities.

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 There is some risk around the level of interest the Council will receive on the service loans provided to Rushmoor Homes. Assumptions were made around the timing and value of the drawdowns in the current financial year based on the Business Plan.
- 5.3 Given the delay in the initial drawdown in 2020/21, officers will need to review the interest profile which will be reported to Cabinet in the Budget Strategy report in October.

Table 6: Savings Plan Forecast

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

5.4. Members will be aware that the Council has been developing 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 has 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. At the time of writing, the Government have yet to finalise the final design of the extended scheme, but guidance and the claim process is expected to be available in the coming weeks. For the purposes of this report, it has been assumed that the income loss claim will be higher than budgeted for given the adverse variation on Car Park income outlined in the report.

- 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 June was 95.38%, with the equivalent figure from 2020/21 being 94.29%. 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, changes to the level of additional business rates reliefs and the unwinding 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 £1.564m – an increase of £0.550m.
- 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 Budget Strategy and MTFs report to Cabinet in October 2021 will set out how reserves and 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.
- 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

Transfers To (From) Reserves	Balance 31/03/2021 (£'000)	Transfers To (£'000)	Transfers From (£'000)	Balance 31/03/2022 (£'000)
General Fund Balance	(2,000)	0	0	(2,000)
<u>Earmarked Reserves</u>				
Stability & Resilience	(4,577)	(121)	1,564	(3,134)
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	0	(239)
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	0	(200)
Treasury Reserve	(400)	0	180	(220)
CPE Rolling Fund	(281)	0	(98)	(379)
Budget Carry Forwards	0	0	0	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	0	(393)
Cyber Security	(100)	0	0	(100)
SANG/s106	(3,973)	0	0	(3,973)
Other Earmarked Reserves/Prior yr grants	(2,474)	0	273	(2,201)
TOTAL Reserves and Balances	(28,768)	(818)	2,608	(26,978)

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 the economic and social recovery from Covid-19. 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 are due to be 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 the near future.
- 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 coming months. 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.
 - 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
- 10.2 Any additional financial implications will be addressed through normal Council procedures and processes. The Budget Strategy report to Cabinet in October 2021 and will set out any further resource implications.
- 10.3 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 £0.314m and approved budget changes of £0.236m 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 Budget Strategy report will need to set 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

CONTACT DETAILS:

Report Author/Head of Service: David Stanley – Executive Head of Finance
david.stanley@rushmoor.gov.uk 01252 398440