

**CABINET
18 JANUARY 2022**

**COUNCILLOR PAUL TAYLOR
CORPORATE SERVICES PORTFOLIO HOLDER
REPORT NO. FIN2201**

KEY DECISION: YES/NO

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)

	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	5,315	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.

Corporate Services (£235k 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 £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.

Operational Services (£358k net adverse variation/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 (£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

	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)	(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 Market 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

	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)	(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)

	Balance 31/03/2021 (£'000)	Transfers To (£'000)	Transfers From (£'000)	Forecast Balance 31/03/2022 (£'000)
Transfers To (From) Reserves				
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

CONTACT DETAILS:

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