

COUNCIL MEETING – 24TH FEBRUARY 2022

AGENDA ITEM NO. 4 (3)

REVENUE BUDGET, CAPITAL PROGRAMME, AND COUNCIL TAX LEVEL

A report from the meeting of Cabinet held on 08 February 2022

1. COUNCIL REPORT

- 1.1 On 08 February 2022, Cabinet considered report FIN2210 and agreed recommendations on the budget and Council Tax requirement for 2022/23, subject to any amendments in the final Local Government Finance Settlement, or the operation of the collection fund, particularly in respect of the Business Rates Retention Scheme. Any changes associated with the delegation arrangements (which were agreed at Council on the 20th January 2014), or the final settlement figures, would be made by the Executive Head of Finance, in consultation with the Leader of the Council and the portfolio holder for Corporate Services.
- 1.2 The Final Local Government Finance Settlement was published on 07 February 2022 and approved following a debate in Parliament on 09 February 2022. There was a minor change to the Lower Tier Services Grant allocation (£6,809 lower). There were no other changes to the settlement figures from those previously advised to Cabinet.
- 1.3 Final estimates for the level of retained business rates for 2022/23 have now been included in the 2022/23 budget and MTFs. Whilst there is an increase in the NNDR1-based estimates (£4.031m against the previous estimate of £3.500m) it is proposed to transfer the net increase of £0.513m to earmarked reserves to mitigate the continued uncertainty around business rates income.
- 1.4 An amendment has been made to the Council Tax precept for 2022/23 compared to the Cabinet recommendation to ensure the correct amount is stated and is reflected in the decision (iv) under paragraph 5.1
- 1.5 The estimated General Fund Balance at the close of 2022/23 of £2.0m. As indicated in Table 3 in the report to Cabinet, the Stability and Resilience reserve has been disaggregated to reflect the different financial risks around Business Rates (Business Rates Equalisation Reserve) and support to the MTFs (MTFS Equalisation Reserve). The impact of the changes outlined in paragraphs 1.2 and 1.3 above increases the projected balance on these reserves at the end of the financial year to £2.791m and £1.733m respectively (previously £2.500m and £1.465m).
- 1.6 Cabinet considered the report from the Council Tax Support Task and Finish Group at their meeting on 18 January 2022 ([FIN2206](#)). Following the review of Council Tax Support by the Task and Finish Group, the recommendation to full Council is that the current scheme for working age customers continues for

2022/23 with the usual alignment to Housing Benefit Rates. This would mean that the minimum contribution would remain at 12%.

- 1.7 Cabinet endorsed the approach set out in the report and the recommendation to 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.
- 1.8 At the meeting on 08 February Cabinet was informed that the Capital Programme as presented in the report did not include capital schemes in respect of IT and Council Office Improvements within the Customer Experience and Improvement portfolio. The amended figures were provided to the Cabinet and are reflected in Table C4 of this report.
- 1.9 Appendix 2 sets out the changes to the MTFS based on the changes above. The Cabinet report (with minor proof-read changes) is reproduced below in its entirety for completeness (Appendix 4).
- 1.10 Paragraph 4.9 of the Cabinet report included commentary around the increase in the SERCO contract. Further analysis has been undertaken with the table below providing a reconciliation of the changes to the contract cost (prior to any Savings and Transformation/CREP items):

	Budget Change (£'000)
Reconciliation of SERCO Contract cost changes	
2021/22 Original Budget for Serco Contract	4,284
2021/22 Variation in service addition item for food waste changes	200
2021/22 Cabinet Report in year for a £90k supplementary estimate for food waste changes	90
2021/22 Approved Budget	4,574
Contract uplift estimated at 5.18% for 2022/23	222
Additional property number growth estimate for 2022/23 that will require a Refuse & Recycling Service	15
Remove 2021/22 Additional Item(s) for Food Waste Changes	(290)
Replace with new calculation from the Service for the increase in contract costs following implementation of the Food Waste Service	94
Additional Bulky Waste Contractor charges (this is a demand led service so these additional costs will have a corresponding increase in an income budget which isn't shown as part of the contractor budget)	15
Additional Garden Waste Contractor charges (this is a demand led service so these additional costs will have a corresponding increase in an income budget which isn't shown as part of the contractor budget)	14
Reduction in Contractor costs as Rushmoor closed 2 public toilets in April 2021	(33)
Miscellaneous changes - (e.g. inventory changes)	(11)
2022/23 Original Budget for Serco Contract	4,601

2. BUDGET REPORT SUMMARY

- 2.1 The budget and MTFs have been prepared in the context of ongoing pressure on the Council's finances.
- 2.2 The first key risk is around the nature and scope of local government funding from central government from 2023/24. The implementation of the Fair Funding Review and Business Rates changes has already been delayed (originally due from April 2020) and is likely to be reviewed following comments from the Secretary of State in November 2021. The forecast impact on District and Borough Councils is likely to be significant as resources are moved around Local Government to recognise Social Care cost pressures.
- 2.3 It is very difficult to estimate the with certainty the impact on Rushmoor. Fundamental changes to the way in which each Council's needs are assessed and funded are difficult to model despite some engagement from Government with local authorities. Therefore, considerable risk and uncertainty remains in the estimates for 2023/24 and beyond. However, an initial estimate of a 30-40% reduction in the level of retained business rates income has been included in the MTFs assumptions. An estimate has been made around transitional arrangements, but these are not based on any indication or commitment from the Government. The impact from Covid-19 on service expenditure and income, and the continuation of constraints in government funding (both in terms of the level of funding and duration) means the budget and medium-term are subject to considerable uncertainty.
- 2.4 The continued impact on the Council from pressures within the wider economy including Covid-19 and inflation. This will have an impact on income and expenditure budgets during 2022/23 and will require timely and accurate financial reporting to Cabinet. These risks include:
- Income from Council Tax and Business Rates will continue to be under pressure in 2022/23 with an expectation that the taxbase for Council Tax and Business Rates may take time to recover.
 - Increased demand for certain services (e.g., Homelessness) may put additional financial pressure on the Council
 - Cost of services where the Council is exposed to risk sharing in contract costs
 - Energy cost pressures
 - Interest rate increases in recent months and the forecast of further base rate increases during 2022 – this will have an impact on prudential borrowing costs.
- 2.5 The Council's Medium Term Financial Forecast and budget proposals were the subject of a presentation to all members during January and February 2022. Whilst the Medium-Term Financial Forecast has been updated as part of the budget preparation, the broad assumptions contained within the budget remain the same and are consistent with the agreed Financial Strategy.

- 2.6 It is proposed that the Council increases Council Tax by the maximum permissible level (up to 2% or £5, whichever is higher) for a Band D property. This would increase Rushmoor Borough Council's Band D rate by £5 (just under 10p per week) from £214.42 to £219.42
- 2.7 Council approved to increase the amount of Council Tax Empty Property Premium charged for long-term empty properties at their meeting on 21 February 2019 (Report No: FIN1907). Members are reminded that from 01 April 2023 the following premium charges apply
- 100 per cent for properties which have been empty for up to five years
 - 200 per cent for properties which have been empty for between five and 10 years
 - 300 per cent for properties which have been empty for at least 10 years.
- 2.8 Given the impact from Covid-19 this is in effect a 'roll-over' settlement from 2021/22. It is worth stressing that the settlement only covers the forthcoming financial year. Significant changes to local government finance have been delayed for a further year but are expected to take effect from April 2023 with consultation expected in the Spring.
- 2.9 The provisional settlement largely confirmed the funding expectations for local government outlined in the Budget and Spending Review 2021
- Confirmation of the Council Tax referendum principle of 2% or £5 (whichever is higher) for shire districts and boroughs
 - New Homes Bonus scheme continues for a further year
 - Rural Services Delivery Grant maintained
 - Social Care Funding
 - Lower Tier Services Grant
 - New Services Grant allocations to provide additional funding for all tiers of local government
 - Continuation of the approach to eliminating negative RSG and an uprating of the Settlement Funding Assessment (SFA)

Balanced Budget Requirement and Savings Programme

- 2.10 The Council is legally required to set a balanced budget for the following financial year and remains balanced. As can be seen in the MTFs, the Council's core financial position is a balanced budget next year (after utilisation of the MTFs Equalisation reserve and other transfers to reserves). However, there is a significant and increasing projected funding gap (prior to any savings target) of £3.542m in 2023/24, rising to £4.349m in 2024/25 and is forecast to increase further to £4.863m in 2025/26.

An indicative Savings and Income Target has been included in the second table below which illustrates the scale of the financial challenge facing the Council in future years.

Table C1 – Medium Term Financial Forecast

MTFS	MTFS Period					
	2021/22 (£'000)	2021/22 Revised (£'000)	2022/23 (£'000)	2023/24 (£'000)	2024/25 (£'000)	2025/26 (£'000)
Net Service Revenue Expenditure	10,127	12,928	11,620	11,620	11,370	11,370
Corporate Items/Non Service Income & Expenditure	2,223	540	1,811	3,314	4,446	4,596
Provision for Inflation	0	0	100	661	1,221	1,782
Portfolio + Corporate Items	12,350	13,468	13,531	15,595	17,038	17,748
Additional Items & Budget Pressures	490	0	0	0	0	0
Budget Proposals	100	100	0	0	0	0
Risk items (Waste)	0	0	0	350	350	350
Savings and Transformation Plan items	(70)	(348)	(1,028)	(2,097)	(2,404)	(2,662)
Draft Net Revenue Budget	12,869	13,220	12,503	13,848	14,984	15,437
Funded by:						
Council Tax *	6,928	6,928	7,196	7,434	7,675	7,921
Business Rates *	3,574	3,574	4,031	2,550	2,601	2,653
New Homes Bonus	863	863	344	0	0	0
Covid Funding	589	626	0	0	0	0
Other Funding (inc Transitional Funding assumptions)	101	101	273	609	359	0
Council Tax/NNDR Surplus or (Deficit)	(200)	(200)	(314)	(286)	0	0
TOTAL Funding	11,855	11,892	11,530	10,306	10,635	10,574
Core (Surplus) / Deficit	1,014	1,328	973	3,542	4,349	4,863

	2021/22 (£'000)	2021/22 Revised (£'000)	2022/23 (£'000)	2023/24 (£'000)	2024/25 (£'000)	2025/26 (£'000)
Funding Gap forecast in MTFS						
Draft Revenue Budget (before Savings)	12,939	13,568	13,531	15,945	17,388	18,098
TOTAL Funding	11,855	11,892	11,530	10,306	10,635	10,574
Funding Gap	1,084	1,676	2,001	5,638	6,753	7,524
Savings identified	(70)	(348)	(1,028)	(2,097)	(2,404)	(2,662)
Additional Cost Reduction and Savings Target			(500)	(2,500)	(3,000)	(3,500)
Additional Income Target						
Residual Funding Gap After Savings	1,014	1,328	473	1,042	1,349	1,363
Use of MTFS Equalisation Reserve	(1,014)	(1,328)	(473)	(1,042)	(1,349)	(1,363)
MTFS Equalisation Reserve Y/E Balance		2,415	2,233	1,191	(157)	(1,520)

- 2.11 An important part of the strategy for financial sustainability will be to continue to deliver efficiencies and savings over the coming years. The Council Business Plan and services must be delivered within the overall resource envelope available to the Council thereby reducing reliance on earmarked reserves to support the budget.
- 2.12 The CIPFA Financial Management Code (FM Code) was published in 2019 and is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The FM Code applies to all local authorities with the first full year of compliance required in 2021/22.
- 2.13 The FM Code is based on a series of principles supported by specific standards which are considered necessary to provide the strong foundation to:
- financially manage the short, medium and long-term finances of a local authority
 - manage financial resilience to meet unforeseen demands on services
 - manage unexpected shocks in their financial circumstances

2.14 A key element of demonstrating financial sustainability and compliance with the FM Code is for the Council to ensure suitable mechanisms are in place around savings to that they are identified, agreed, planned, implemented and achieved. This will help to ensure the funding gap identified within the MTFS is addressed in a planned and managed way.

Savings and Transformation Programme (formerly CREP)

2.15 The Council adopted a revised approach to its Savings Programme to address the funding gap identified in the February 2021 MTFS. The programme set out a revised process for how savings are identified, evaluated, and approved, with clearer reporting and monitoring and governance arrangements. This approach was approved by Cabinet during March 2021, with significant work being undertaken by officers and members over the course of the current financial year.

2.16 The Savings and Transformation programme has developed a number of workstreams that help the Council achieve a robust, balanced, and proportionate reduction in cost/additional income. The programme has considered and reviewed service delivery options, organisational redesign programmes such as ICE, improved procurement outcomes, and how to embed a commercial approach to service delivery and improved utilisation of property and income-generating assets.

2.17 As can be seen from Table C1 in this report, the requirement to reduce costs and balance the budget are substantial. The Savings and Transformation Programme has been established to ensure sustained focus over the MTFS period. The programme is supported by a project team which reports to the Executive Leadership Team Board on a monthly basis to ensure identified opportunities are on target and can be delivered. Member oversight on the programme is through the Budget Strategy Working Group.

2.18 The aim of the programme is to achieve financial sustainability and enable service transformation within the MTFS period without significant impact on Council Plan priorities. There are 5 broad areas that the Savings and Transformation Programme will work through:

1. CREP

- Ensure delivery of 'live' savings projects
- Review remaining CREP lines of enquiry and feed into a 'savings project pipeline'
- Review un-scoped ideas generated from 2021/22 CREP workshops, assess and feed into 'savings project pipeline'

2. Efficiencies from New Ways of Working Projects (ICE)

3. Asset management and redevelopment (incl. increasing income from existing assets)

4. Fees and Charges – cost recovery principle

5. Corporate workstreams

- Procurement and spend analysis
- Insurance and risk management – approach to self-insurance to reduce cost

- Workforce planning
- Approach to in-year expenditure to promote strong financial management
- Review of joint working and shared service opportunities approach
- Stronger Financial Management – Forecasting, budget management and accountability, approach to capital financing

2.19 Table C2 below shows the outcomes to date that have been included in the MTFS. Interest income from the Housing Company (previously reported as a savings plan item from the February 2020 MTFS) is not included under CREP as this is now part of the Council's Treasury Management activities.

Table C2 – Savings and Transformation Programme

Workstream	2021/22 Forecast (£'000)	2022/23 Forecast (£'000)	2023/24 Forecast (£'000)	2024/25 Forecast (£'000)	2025/26 Forecast (£'000)
Workstream 1					
Live Savings Projects (1.1)	44	49	150	150	150
Live Savings Projects (1.2)	160	244	398	398	398
Live Savings Projects (1.3)	0	106	315	315	315
Live Savings Projects (1.4)	20	57	151	151	151
Subtotal Workstream 1	224	456	1,014	1,014	1,014
Workstream 2					
Live Savings Projects (2.1)	4	41	41	41	41
Live Savings Projects (2.2)	0	82	112	112	112
Subtotal Workstream 2	4	123	153	153	153
Regeneration	218	0	0	0	0
Property Assets	0	400	957	1,215	1,215
TOTAL Savings & Transformation Savings	446	978	2,124	2,382	2,382
As recognised in MTFS	278	578	1,567	2,124	2,382
Difference	(168)	(400)	(557)	(258)	0

Balances and Reserves

- 2.20 The Council's financial position is supported by its balances and reserves.
- 2.21 The Budget Strategy set a target for the General Fund balance to be maintained at a minimum of £2m, with the Stability and Resilience Reserve balance held at a level that would allow the Council to mitigate short-term fluctuations in income and expenditure (e.g., Business Rates, Government funding changes). Given the funding gap identified over the MTFS period, the Council must identify and deliver additional cost reductions and new income to ensure an adequate reserve balance is maintained.
- 2.22 However, these reserves should not be utilised to fund normal, on-going service provision. It is important to review the level of reserves regularly.
- 2.23 Members will recall that as part of the 2019/20 budget setting process a Commercial Reserve was established to provide a source of funding to mitigate potential fluctuations commercial property income. The level of the reserve will need to reflect the financial risks associated with the commercial property portfolio and the impact from Covid-19 on income. The MTFS forecast assumes that £0.267m of the reserve will be utilised in 2021/22 to mitigate the impact of reduced rental income expectations.
- 2.24 A more significant drawdown from the commercial property reserve is required in 2022/23 to mitigate the impact of expected tenancy changes at Ashbourne House Guildford and Frimley Business Park. The Council will be undertaking capital expenditure on these properties to ensure vacant units can be relet in the current market and will need to fund the reduced income and costs arising from business rates and service charges on the vacant units. It is estimated that the drawdown from the reserve will be £0.974m. The Council will need to give consideration to the adequacy of this reserve in future years to ensure it can mitigate further fluctuations in income and expenditure across the corporate property portfolio.
- 2.25 As reported to Cabinet in June 2020, a Treasury Management Reserve was established in recognition of the expected delay in interest receipts from Farnborough International (FIN2017). The level of reserve transfer required in 2021/22 is £0.180m with £0.220m in 2022/23.
- 2.26 Council approved the establishment of a number of earmarked reserves in February 2020 given the level of risk and uncertainty facing the Council over the medium-term and include reserves that have since been depleted or reviewed. Members are reminded of the key reserve held to mitigate future liabilities around the performance of the Pension Fund.
- Pensions (confirmed transfer amounts are £0.818m in 2021/22, and a revised amount of £0.513m in 2023/24) with the MTFS assuming further increases following the next triennial review in 2023.
- 2.27 It is expected that earmarked reserves supporting the Regeneration, Property & Major Works programmes are likely to fully be utilised over the medium-term. Given the funding gap that is evident over the MTFS period it is not proposed at this stage to allocate any further funding to these reserves and the ability to

progress capital projects through feasibility will need to be considered separately by the Council.

- 2.28 If approved, the impact of these proposed changes outlined in the report to the level of balances and reserves is set out in the table below.

Table C3 – Balances and Reserves forecast

	SOA Balance as at 31/03/2021 (£'000)	Estimated Balance 31/03/2022 (£'000)	Estimated Balance 31/03/2023 (£'000)	Estimated Balance 31/03/2024 (£'000)	Estimated Balance 31/03/2025 (£'000)
Earmarked Reserve					
COVID BRR Earmarked Reserve	10,812	265	265	265	265
Stability and Resilience Reserve	4,577				
Business Rates Equalisation Reserve	-	2,500	2,791	2,791	2,791
MTFS Equalisation Reserve	-	2,415	1,733	691	-
Negative Balance of MTFS Equalisation *					(657)
Service Improvement Fund	129	-	-	-	-
Commercial Property Reserve	1,750	1,362	388	388	388
Regeneration, Property & Major Projects	357	536	136	36	36
ICE Reserve	-	-	-	-	-
Climate Emergency Reserve ***	239	120	-	-	-
Deprivation Strategy Reserve ****	94	133	103	103	103
Pension Reserve	669	1,487	2,000	2,500	3,000
Workforce Planning Reserve	200	100	100	100	100
Treasury Earmarked Reserve	400	220	-	-	-
Covid-19/Recovery Grant reserve	393	98	98	98	98
CPE Rolling Fund	281	281	281	281	281
Budget Carry Forwards	390	-	-	-	-
All Other Earmarked Reserves (excluding SANG/s106) **	2,796	1,997	2,001	2,005	2,052
Commuted Sums/Amenity Areas	3,973	3,935	3,903	3,872	3,841
TAG Environmental Fund	96	96	96	96	96
Total of all Earmarked General Fund Reserves	27,156	15,545	13,895	13,226	12,394
Excluding SANG/S106/TAG & BRR	12,275	11,249	9,631	8,993	8,192

Capital Programme 2021/22 to 2025/26

- 2.29 The Council's Capital Strategy and Capital Programme are considered over a five-year period. The Strategy provides the framework for the Council's capital expenditure and financing plans to ensure they are affordable, prudent and sustainable over the longer-term.
- 2.30 The Council has set out its Capital Programme for the period 2021/22 to 2025/26 based on the principles of the current Capital Strategy. This is summarised in Table 7 below and in further detail in Appendix 3 of this report. A total capital expenditure budget of £37.008m in 2022/23 is proposed. Total expenditure decreases to £31.268m and £3.710m in 2023/24 and 2024/25 respectively, and in the final year of the current programme 2025/26 spend is estimated at £1.301m.

Table C4 – Summary Capital Programme

Portfolio/Scheme	2021/22 Original Estimate (£'000)	2021/22 Revised Estimate (£'000)	2022/23 Estimate (£'000)	2023/24 Estimate (£'000)	2024/25 Estimate (£'000)	2025/26 Estimate (£'000)
Corporate Services						
Flexible Use of Capital Receipts	0	74	0	0	0	0
Subtotal CS	0	74	0	0	0	0
Customer Experience & Improvement						
Computer Systems	115	115	265	160	325	85
Council Offices	33	33	40	40	40	0
Subtotal CE&I	148	148	305	200	365	85
Major Projects & Property						
Aldershot Town Centre Projects	3,951	400	3,551	0	0	0
Civic Quarter Farnborough	19,383	19,383	2,000	0	0	0
Housing Matters	5,436	156	6,751	2,878	0	0
Property and Assets	0	320	500	12,000	0	0
Property Enhancements	90	307	651	224	0	0
Union Yard Aldershot	7,658	6,500	20,950	14,750	2,129	0
Subtotal MP&P	36,518	27,066	34,403	29,852	2,129	0
Operational Services						
CCTV	400	0	400	0	0	0
Crematorium	0	949	0	0	0	0
Depots	34	34	0	0	0	0
Manor Park	49	49	0	0	0	0
Parks & Open Spaces	20	115	0	0	0	0
Southwood SANG set-up	0	158	0	0	0	0
Playground Works	0	104	0	0	0	0
Refuse/Recycling inc Food Waste	231	466	105	105	105	105
Southwood SANG Visitor Centre	0	276	685	0	0	0
Improvement Grants	1,111	1,663	1,111	1,111	1,111	1,111
Subtotal OPS	1,844	3,813	2,301	1,216	1,216	1,216
Planning & Economy						
No Capital Schemes						
TOTAL Capital Programme	38,510	31,102	37,008	31,268	3,710	1,301

- 2.31 The capital programme is focussed on delivering against the Council's key priority of Town Centre Regeneration, with further schemes focused on enhancing the delivery of core services through improvement and enhancement of assets. The programme also includes support for the provision of local housing and the Council's statutory duties in respect of Disabled Facilities Grants.
- 2.32 The Capital Programme, as set out in this report, includes the forecast contract expenditure estimates for the construction and development of the Union Yard scheme that Council approved in July 2021.

- 2.33 Expenditure estimates have also been included within the capital programme for the Civic Quarter, Farnborough scheme. This will allow site assembly and land remediation to continue, along with further detailed planning of the wider site.
- 2.34 Due to the scale and complexity of these schemes detailed proposals for each regeneration scheme will need to be considered by Cabinet and Council once the due diligence work has been completed. Each scheme will have significant legal and financial implications and will require the Council to consider the long-term financial commitments and risks. The Capital Strategy, Treasury Management Strategy and the Capital Programme will need to be updated to reflect decisions taken by Cabinet and Council.
- 2.35 There will be a continued review of capital spending requirements as the Council regeneration, new Property and Major Works programmes, and other schemes are brought forward in more detail, with affordability and deliverability will be a key consideration in this regard.
- 2.36 The Council's capital expenditure is predominantly financed from prudential borrowing. Other sources of finance support the capital programme, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts).
- 2.37 The level of prudential borrowing included reflects the financing available in the revenue budget, capital receipts align with forecasts and grant funding and other contributions are based on already notified allocations or best estimates at the time of preparation. If additional resources become available, projects that meet the Council's strategic capital objectives will be brought forward for approval.

Table C5 – Capital Financing

Capital Financing Statement	2021/22 Original Estimate (£'000)	2021/22 Revised Estimate (£'000)	2022/23 Estimate (£'000)	2023/24 Estimate (£'000)	2024/25 Estimate (£'000)	2025/26 Estimate (£'000)
Revenue Contribution to Capital		0	0	0	0	0
Grants & Contributions from Other Bodies	9,238	2,844	7,520	20	20	20
Grants & Contributions - Improvement Grants	1,061	1,613	1,061	1,061	1,061	1,061
Section 106 Developers Contributions	52	52	0	0	0	0
Prudential Borrowing	28,160	26,232	27,428	30,187	2,629	220
Capital Receipts	0	361	1,000	0	0	0
TOTAL Financing	38,510	31,102	37,008	31,268	3,710	1,301

3. CORPORATE GOVERNANCE

- 3.1 The Executive Head of Finance, as the Council's Section 151 Officer, has made a statement in compliance with Section 25 of the Local Government Act 2003 on the robustness of the estimates and the adequacy of the Council's reserves. This will be circulated as a separate paper.

4. CONCLUSIONS

- 4.1 Despite the uncertainties around future levels of Government Funding, the impact from Covid during 2021/22 and the general economic position, the Council has been able to prepare a sound budget whilst maintaining services to residents. The budget will also provide a platform for Rushmoor to address future challenges.
- 4.2 The budget proposals provide for the current Council Tax level to increase by £5 for a Band D property (from £214.42 per annum to £219.42) – an increase of around 10p per week) in line with government assumptions within its settlement funding formula.
- 4.3 In order to achieve this, the budget will require the implementation of cost reduction and efficiency savings of £0.778m and utilisation of £0.973m of the MTFS Equalisation reserve in 2022/23.
- 4.4 The Council will need to continue to take steps to manage and address the funding gap identified over the MTFS period
- 4.5 The Council will need to continue 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. As endorsed by Cabinet at their meeting on 18 January 2022, the Budget Strategy Working Group to act as consultee on the development of the programme.
- 4.6 Reserves continue to be held to support the implementation of key projects and to mitigate against the substantial increased risk the Council is facing. Reserves held to mitigate risk (Commercial Property reserve, MTFS Equalisation reserve) are forecast to be significantly depleted during 2022/23 and will require consideration during 2022/23 as to their adequacy for future financial years given the current risks identified in this report. All reserves will be monitored and reported to Cabinet throughout 2022/23.

5. RECOMMENDATIONS

5.1 The Council is recommended to approve the following, as detailed in report FIN2210.

- i) the Executive Head of Finance's report under Section 25 of the Local Government Act 2003 as set out in Appendix 1 (provided separately to this report)
- ii) the General Fund Revenue Budget Summary (as updated) set out in Appendix 2
- iii) the Savings and Transformation items for inclusion in the budget, set out in Appendix 2(CAB)
- iv) the Council Tax Requirement of £7,195,943 for this Council
- v) the Council Tax level for Rushmoor Borough Council's purposes of £219.42 for a Band D property in 2022/23 (an increase of £5)
- vi) the Capital Programme (as updated), set out in Appendix 3
- vii) the Strategy for the Flexible use of Capital Receipts set out in Appendix 4(CAB)
- viii) the proposed transfers to and from earmarked reserves in 2022/23 and the holding of reserves as set out in Table C2 of this report

5.2 The Council is recommended to approve the following, as detailed in report FIN2206

- i) Following the review of Council Tax Support by the Task and Finish Group, the recommendation to full Council is that the current scheme for working age customers continues for 2022/23 with the usual alignment to Housing Benefit Rates. This would mean that the minimum contribution would remain at 12%.
- ii) 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.

**Cr. D E Clifford
Leader of the Council**

STATEMENT OF THE CHIEF FINANCIAL OFFICER

To be provided separately

APPENDIX 2

	2021/22 (£'000)	2021/22 Revised (£'000)	2022/23 (£'000)	2023/24 (£'000)	2024/25 (£'000)	2025/26 (£'000)
Medium Term Financial Strategy						
Base Budget (Shown net of Accounting Adjs and SSCs)						
Corporate & Democratic Services	5,147	5,808	5,532	5,532	5,532	5,532
Customer Experience & Improvement	3,114	3,611	3,585	3,585	3,585	3,585
Major Projects & Property	(5,929)	(4,881)	(4,922)	(4,922)	(4,922)	(4,922)
Operational Services	6,069	6,626	5,785	5,785	5,785	5,785
Planning & Economy	1,228	1,265	1,390	1,390	1,390	1,390
ICE Modernisation Programme	499	499	250	250	0	0
Net Expenditure	10,127	12,928	11,620	11,620	11,370	11,370
Corporate Items						
Transfers To/From reserves	0	0	0	0	0	0
MTFS Equalisation	0	0	240	0	0	0
Treasury Reserve	(180)	(180)	(220)	0	0	0
Other Earmarked Reserves/Prior yr grants/CPE account	(273)	(741)	(28)	0	0	0
Service Improvement Fund (from)	(129)	(129)	0	0	0	0
Service Improvement Fund (to)	0	0	0	0	0	0
Commercial Property reserve	(250)	(267)	(274)	0	0	0
Commercial Property reserve (additional)	0	0	(700)	0	0	0
Regeneration, Property & Major Projects	(100)	(290)	(400)	(100)	0	0
CPE Rolling Fund	98	0	0	0	0	0
Budget Carry Forwards	0	(390)	0	0	0	0
Elections Reserve	(87)	(87)	0	0	0	0
BP: Climate Emergency	0	(119)	(120)	0	0	0
BP: Deprivation Strategy	0	(61)	(30)	0	0	0
Workforce Reserve	0	(100)	0	0	0	0
Business Rates Equalisation Reserve	0	0	291	0	0	0
Pension Reserve	818	818	513	500	500	500
Other Corporate Income & Expenditure	349	349	342	342	342	342
Minimum Revenue Provision (MRP)	2,457	2,457	2,657	2,857	3,000	3,000
Interest Payable	795	300	1,250	2,437	2,783	2,932
Investment Income	(1,090)	(1,000)	(1,250)	(1,600)	(1,600)	(1,600)
Investment Income (Interest on Service Loans to RHL)	(186)	(20)	(210)	(522)	(579)	(579)
Interest Payable (Capitalisation of Interest)	0	0	(250)	(600)	0	0
Subtotal	2,223	540	1,811	3,314	4,446	4,596
Adjusted Budget	12,350	13,468	13,431	14,934	15,816	15,966
Inflationary Provision, Pension costs						
Inflation (Pay) 2.00% Assumption	0	0	0	261	521	782
Inflation (Contracts/Non-Pay)	0	0	100	300	500	700
Salary Increments	0	0	0	100	200	300
Subtotal	0	0	100	661	1,221	1,782
Adjusted MTFP Position	12,350	13,468	13,531	15,595	17,038	17,748
Budget Proposals/Growth						
2020/21 Additional Items: Variations in Service	490	0	0	0	0	0
2021/22 Budget Proposal: Covid support and recovery	100	100	0	0	0	0
RISK: HCC Waste proposals (September 2019 notification)	0	0	0	350	350	350
Subtotal	590	100	0	350	350	350
Savings & Transformation Items						
Procurement Savings	(20)	(20)	0	0	0	0
Reversal of Deprivation/COMF Funded Activity	0	0	0	(80)	(80)	(80)
Savings and Transformation Team - UCR Funding	0	0	(250)	(250)	0	0
CREP - Non Asset Items	0	(278)	(578)	(1,167)	(1,167)	(1,167)
CREP - Property and Asset Items	0	0	0	(400)	(957)	(1,215)
Salaries monitoring	(50)	(50)	(200)	(200)	(200)	(200)
Subtotal	(70)	(348)	(1,028)	(2,097)	(2,404)	(2,662)
NET Savings or Growth	520	(248)	(1,028)	(1,747)	(2,054)	(2,312)
Proposed Net Revenue Budget	12,869	13,220	12,503	13,848	14,984	15,437

APPENDIX 2

Medium Term Financial Strategy	2021/22 (£'000)	2021/22 Revised (£'000)	2022/23 (£'000)	2023/24 (£'000)	2024/25 (£'000)	2025/26 (£'000)
Proposed Net Revenue Budget	12,869	13,220	12,503	13,848	14,984	15,437
Funded by:						
Council Tax	6,928	6,928	7,196	7,434	7,675	7,921
Business Rates Retention	3,574	3,574	4,031	2,550	2,601	2,653
Lower Tier Services Grant	101	101	109	0	0	0
Services Grant	0	0	164	0	0	0
Transitional Funding assumption (BRR + LTSG)	0	0	0	609	359	0
New Homes Bonus (Legacy)	550	550	211	0	0	0
New Homes Bonus (Year 11, Year 12)	313	313	133	0	0	0
Covid Funding (Expenditure Pressures)	489	489	0	0	0	0
Covid Funding (Sales, Fees & Charges compensation)	100	137	0	0	0	0
Business Rates Deficit 2020/21	0	(9,294)	0	0	0	0
Transfer from Business Rates Reserve	0	9,294	0	0	0	0
Collection Fund - CT	23	23	(75)	(63)	0	0
Collection Fund - NNDR	(223)	(223)	(239)	(223)	0	0
TOTAL Funding	11,855	11,892	11,530	10,306	10,635	10,574
Core (Surplus) / Deficit	1,014	1,328	973	3,542	4,349	4,863

APPENDIX 3

CAPITAL PROGRAMME SUMMARY 2021/22 TO 2025/26			All amounts are in £			
	Original Estimate 2021/22	Revised Estimate 2021/22	Anticipated Payments			
			Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
CAPITAL EXPENDITURE ON PORTFOLIOS						
Corporate and Democratic Services	-	74,498	-	-	-	-
Customer Experience and Improvement	148,000	148,000	305,000	200,000	365,000	85,000
Major Projects and Property	36,517,530	27,066,290	34,402,899	29,852,349	2,129,000	
Operational Services	1,844,450	3,813,404	2,300,510	1,215,510	1,215,510	1,215,510
Planning and Economy	-	-	-	-	-	-
Savings & Transformation/ICE Modernisation Programme	-		-	-	-	-
TOTAL CAPITAL EXPENDITURE	38,509,980	31,102,192	37,008,409	31,267,859	3,709,510	1,300,510
CAPITAL EXPENDITURE RESOURCES						
Revenue Contribution to Capital - General	-	-	-	-	-	-
Revenue Contribution to Capital - Improvement Grants	-	-	-	-	-	-
Total Revenue Contributions	-	-	-	-	-	-
Grants & Contributions from Other Bodies (see Grants & Conds Summary page)	9,237,500	2,844,260	7,520,000	20,000	20,000	20,000
Grants & Contributions - Improvement Grants	1,060,510	1,613,160	1,060,510	1,060,510	1,060,510	1,060,510
Section 106 Developers Contributions (see s106 Summary page)	51,670	51,670	0	-	-	-
	10,349,680	4,509,090	8,580,510	1,080,510	1,080,510	1,080,510
Capital Receipts & Borrowing - General Fund Schemes	28,160,300	26,593,102	28,427,899	30,187,349	2,629,000	220,000
Capital Receipts & Borrowing - Housing home improvement grant schemes	-	0	0	0	0	0
Total Capital Receipts & Borrowing	28,160,300	26,593,102	28,427,899	30,187,349	2,629,000	220,000
TOTAL CAPITAL FINANCING	38,509,980	31,102,192	37,008,409	31,267,859	3,709,510	1,300,510

APPENDIX 3

GRANTS & CONTRIBUTIONS SUMMARY 2021/22 TO 2025/26				All amounts are in £			
Project Number	PROJECT	Original Estimate 2021/22	Revised Estimate 2021/22	Anticipated Payments			
				Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
	<u>General Fund - Grants & Contributions</u>						
6518	- Wheeled Bin Contributions (Developers & Householders)	20,000	20,000	20,000	20,000	20,000	20,000
6567	- Replacement Cremator (CAMEO)		948,564				
	- Moor Road - Recreation Ground Development (Sport England, PEBL, Landfill Tax)						
6613	- Parks and Open Spaces - Southwood Golf Course SANG Initial Setup		158,196				
6619	- Parks and Open Spaces - Heritage Trails	17,500	17,500				
	<u>Regeneration Projects</u>						
5407	- Union Yard (LEP and Housing Infrastructure Fund)	5,300,000	1,300,000	4,000,000			
	- Games Hub (LEP)						
5409	- The Galleries (Housing Infrastructure Fund)	3,400,000	400,000	3,000,000			
	<u>Activation Aldershot Projects</u>						
5404	- Project 2 Phase 6 - Station Forecourt Improvements (Local Growth Fund, HCC, South Western Railway)	500,000		500,000			
	Total General Fund Grants & Contributions	9,237,500	2,844,260	7,520,000	20,000	20,000	20,000
	<u>Housing Schemes - Government Grants</u>						
640050013	- Improvement Grants - Disabled Facilities Grants (Better Care Fund)	1,060,510	1,613,160	1,060,510	1,060,510	1,060,510	1,060,510
	TOTAL GRANTS & CONTRIBUTIONS	10,298,010	4,457,420	8,580,510	1,080,510	1,080,510	1,080,510

SECTION 106 DEVELOPERS CONTRIBUTIONS SUMMARY 2021/22 TO 2025/26				All amounts are in £			
Project Number	PROJECT	Original Estimate 2021/22	Revised Estimate 2021/22	Anticipated Payments			
				Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
	<u>General Fund Schemes</u>						
6571	- Manor Park - Lake Improvements	49,170	49,170				
6619	- Park and Open Spaces - Heritage Trails	2,500	2,500				
	TOTAL SECTION 106 DEVELOPERS CONTRIBUTIONS	51,670	51,670	0	-	-	-

APPENDIX 3

CORPORATE & DEMOCRATIC SERVICES PORTFOLIO CAPITAL PROGRAMME 2021/22 TO 2025/26							All amounts are in £	
1 of 1				Anticipated Payments				
Project Number	Project	Original Estimate 2021/22	Revised Estimate 2021/22	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26	
	FLEXIBLE CAPITAL RECEIPTS							
5299	Schemes funded by unallocated Capital Receipts		74,498					
	TOTAL	-	74,498	-	-	-	-	-

CUSTOMER EXPERIENCE & IMPROVEMENT PORTFOLIO CAPITAL PROGRAMME 2021/2022 TO 2025/26							All amounts are in £	
1 of 1				Anticipated Payments				
Project Number	Project	Original Estimate 2021/22	Revised Estimate 2021/22	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26	
	COMPUTER SYSTEMS							
730540012	IT Equipment Replacement (inc. Endpoint and peripheral management)	70,000	70,000	115,000	30,000	195,000	85,000	
750040224	PCI Compliance (s)	10,000	10,000					
tba	Infrastructure investment/replacement			130,000	130,000	130,000		
tba	Service Desk System replacement			20,000				
730740012	Telephony Replacement Project	35,000	35,000					
	COUNCIL OFFICES							
5329	Office Accommodation (s)	10,000	10,000					
5318	Improvement Programme	13,000	13,000	40,000	40,000	40,000		
5340	Electrical Generator Switch (s)	10,000	10,000					
	TOTAL	148,000	148,000	305,000	200,000	365,000	85,000	

APPENDIX 3

MAJOR PROJECTS AND PROPERTY PORTFOLIO CAPITAL PROGRAMME 2021/22 TO 2025/26					All amounts are in £		
1 of 1				Anticipated Payments			
Project Number	Project	Original Estimate 2021/22	Revised Estimate 2021/22	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
	ALDERSHOT TOWN CENTRE PROJECTS						
5409	The Galleries Regeneration (bc) (s)	3,400,000	400,000	3,000,000			
5404	Adlershot Forecourt Improvement	550,760		550,760			
	CIVIC QUARTER FARNBOROUGH						
5405	Civic Quarter Farnborough Development (bc) (s)	19,383,000	17,980,000				
5405	REGENERATION - Farnborough Leisure Centre demolition		1,339,000				
5405	REGENERATION - Farnborough Leisure Centre Feasibility and design work		64,000	2,000,000			
	HOUSING MATTERS						
5406	Housing PRS Delivery (bc) (s)	5,436,000	156,290	6,751,139	2,878,349		
	PROPERTY AND ASSETS						
tba	Tices Meadow		45,000				
tba	The Meads		250,000				
tba	Hawley Lane		25,000	500,000	12,000,000		

APPENDIX 3

MAJOR PROJECTS AND PROPERTY PORTFOLIO CAPITAL PROGRAMME 2021/22 TO 2025/26				All amounts are in £			
2 of 2				Anticipated Payments			
Project Number	Project	Original Estimate 2021/22	Revised Estimate 2021/22	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
	PROPERTY ENHANCEMENTS						
tba	Property Services Capital R&M schemes (bc)			500,000			
tba	Voyager House Fit Out		100,000				
tba	Ashbourne House			51,000	74,000		
tba	Frimley 4 Business Park Unit 4.3 Enhancement Works		117,000				
tba	Frimley 4 Business Park Unit 4.4 Enhancement Works			100,000	150,000		
5316	Devereux House Albert Road Farnborough	90,000	90,000				
	UNION STREET ALDERSHOT						
tba	Union Yard - Party Wall		300,000				
5407	Union Yard Aldershot Regeneration	7,657,770	6,200,000	20,950,000	14,750,000	2,129,000	
	TOTAL	36,517,530	27,066,290	34,402,899	29,852,349	2,129,000	

APPENDIX 3

OPERATIONAL SERVICES PORTFOLIO CAPITAL PROGRAMME 2021/22 TO 2025/26				All amounts are in £			
1 of 2				Anticipated Payments			
Project Number	Project	Original Estimate 2021/22	Revised Estimate 2021/22	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
6507	CCTV Camera and Network	400,000		400,000			
6567	CREMATORIUM Replacement Cremators		948,564				
6517	DEPOTS Hawley Lane Development Works (s)	33,670	33,670				

APPENDIX 3

OPERATIONAL SERVICES PORTFOLIO CAPITAL PROGRAMME 2021/22 TO 2025/26				All amounts are in £			
2 of 2				Anticipated Payments			
Project Number	Project	Original Estimate 2021/22	Revised Estimate 2021/22	Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
	MANOR PARK						
6571	Lake Improvements (s)	49,170	49,170				
	PARKS & OPEN SPACES						
6612	Unspecified Park Improvements		44,544				
6613	Southwood Golf Course SANG Setup		128,196				
6617	Southwood Golf Course SANG Wetland		30,000				
6618	KGV café conversion within the pavilion		50,000				
6619	Heritage Trails	20,000	20,000				
	PLAYGROUND WORKS						
6610	Recreation Ground Playground Renewal (bc) (s)		104,000				
	REFUSE/RECYCLING						
6518	Domestic Refuse - Wheeled Bins	100,000	100,000	100,000	100,000	100,000	100,000
6620	Domestic Refuse - Waste Containers and Liners	131,100	131,100	5,000	5,000	5,000	5,000
	Food Waste Vehicles		235,000				
	SOUTHWOOD SANG VISITOR CENTRE						
tba	Southwood SANG Feasibility		75,000				
tba	Southwood SANG Visitor Centre and Café		201,000	685,000			
	IMPROVEMENT GRANTS						
640050013	Disabled Facilities Grants	1,060,510	1,613,160	1,060,510	1,060,510	1,060,510	1,060,510
640050022	Home Improvement Grants	50,000	50,000	50,000	50,000	50,000	50,000
	TOTAL	1,844,450	3,813,404	2,300,510	1,215,510	1,215,510	1,215,510

1. CABINET REPORT INTRODUCTION

- 1.1 This report sets out the key factors taken into account in preparing the budget plans for Rushmoor Borough Council for 2022/23.

2. BACKGROUND

- 2.1 Cabinet approved the budget framework set out in the Budget Strategy 2022/23 report on 19 October 2021 ([FIN2122](#)). Cabinet considered the prospects for the Medium-Term Financial Strategy at their meeting on 18 January 2022 ([FIN2203](#)).

- 2.2 The budget and MTFFS have been prepared in the context of ongoing pressure on the Council's finances. The impact from Covid-19 on service expenditure and income, and the continuation of constraints in government funding (both in terms of the level of funding and duration) means the budget and medium-term are subject to considerable uncertainty.

Local Government Finance Settlement 2022/23

- 2.3 The provisional settlement for 2022/23 was announced on 16 December 2021 and given the impact from Covid-19 and the Government's focus on stability it should be seen as a 'roll-over' settlement from 2021/22. It is worth stressing that the settlement only covers the forthcoming financial year. Significant changes to local government finance have been delayed for at least further year with the Government indicating consultation will take place on their proposed change in the spring.
- 2.4 The government's consultation on the settlement closed on 13 January 2022 with the final settlement due to be confirmed shortly. This report has been prepared based on figures contained within the provisional local government finance settlement and are not expected to change.
- 2.5 The provisional settlement largely confirmed the funding expectations for local government outlined in the Budget and Spending Review 2021
- Confirmation of the Council Tax referendum principle of 2% or £5 (whichever is higher) for shire districts and boroughs
 - New Homes Bonus scheme continues for a further year
 - Rural Services Delivery Grant maintained
 - Social Care Funding
 - Lower Tier Services Grant
 - New Services Grant allocations to provide additional funding for all tiers of local government
 - Continuation of the approach to eliminating negative RSG and an uprating of the Settlement Funding Assessment (SFA)
- 2.6 The MTFFS continues to provide a risk-based General Fund balance of £2m being the minimum expected level for total working balances.

3. 2021/22 BUDGET

- 3.1 The original net revenue budget for 2021/22 was £12.869m. Cabinet have considered the forecast outturn position during the year with the last forecast outturn position of £13.465m reported in the Revenue Budget Monitoring P2 2021/21 report (FIN2201) – an adverse variation of £0.353m against the revised budget of £13.076m as reported at the time.
- 3.2 The main variations across service budgets (£0.831m) are due to a shortfall in income from Sales, Fees & Charges with the level of Crematorium income being around 20% lower during the year. Covid-19 has had an ongoing impact on the Council's car parking income with both on-street and off-street car parking income under pressure.
- 3.3 Non-Service variations (£0.395m) include a net variation on Treasury Management activities (£0.495m underspend on interest payable mitigating a forecast £0.100m shortfall in investment income). An estimated shortfall in the level of savings that will be achieved in year (£0.176m) due to the delayed drawdown of funding by Rushmoor Homes. These variations are in part offset by changes to earmarked reserve transfers to mitigate the impact on the revenue budget (£0.223m).
- 3.4 The Council has received £0.137m of Covid funding in respect of the MHCLG Sales, Fees and Charges scheme (income loss) that provided support to Council in Q1 2021/22.
- 3.5 The estimates for the current year have been revised but only include minor changes from the original budget arising from the monitoring position outlined above and a revised position regarding the level of earmarked reserves required to support expenditure in relation to the impact of Covid-19 on the community and the Council's Climate Change Strategy. The revised net budget for 2021/22 is £13.220m – an increase of £0.351m over the original budget. Included within the revised estimates are impact of budgets carried forward from 2020/21 and reserve-funded changes. The change across each portfolio is summarised below, although the gross change will in many cases be matched by reserve funding. The net change in service budgets is £2.801m.
- **Corporate Services:** £0.662m increase from 2021/22 OB
 - **Customer Experience & Improvement:** £0.496m increase from 2021/22 OB
 - **Major Projects & Property:** £1.048m increase from 2021/22 OB
 - **Operational Services:** £0.557m increase from 2021/22 OB
 - **Planning & Economy:** £0.038m increase from 2021/22 OB
- 3.6 The summary above excludes the impact of changes in Support Service charges, Capital Charges and Pension Accounting charges. A detailed analysis of the budget changes will be shown in the Council's 2022/23 Budget Book which will be available in early March 2022 following the Council's approval of the revenue and capital budgets for 2022/23.

- 3.7 Corporate Income and Expenditure budgets, including transfers from reserves and Treasury Management activities have been revised with a net reduction in budget requirement of £2.450m.
- 3.8 Whilst the revised budget indicates a reduced requirement to utilise the MTFS Equalisation reserve (previously referred to as the Stability and Resilience reserve) a degree of caution should be exercised. As reported in the P2 Budget Monitoring report, it is worth noting that a number of other reserves are utilised to support the General Fund Revenue budget. Total reserve deployment of other reserves to support the General Fund Revenue Budget is forecast to be £1.546m and will need to be kept under review over the remainder of the financial year.

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

- 4.1 As stated earlier in the report, budget and MTFS have been prepared in the context of ongoing pressure on the Council's finances. The impact from Covid-19 on service expenditure and income, and the continuation of constraints in government funding (both in terms of the level of funding and duration) means the budget and medium-term are subject to considerable uncertainty.
- 4.2 Portfolio budgets have been updated for 2022/23, along with forecasts of Corporate Items. Inflationary provision has been included as a separate item and assumes:
- Pay inflation of 2% and an assumption of the impact of pay increments
 - Price inflation on major contracts, utilities, and IT costs (in-line with the approach set out in the Budget Strategy). Additional inflationary provision has been made in the budget and across the MTFS period recognising energy price rises.
- 4.3 Fees and Charges have been reviewed in accordance with the approved the methodology for the annual review of fees and charges made for Council services ([FIN1624](#)). An increase of 5.0% has been reflected in fees and charges that are increased in-line with the annual increase in the RPIX inflation rate. Budget holders are required to review the fees and charges as part of the budget setting process to ensure they are set at an appropriate level and that charges are transparent and show a clear methodology for their increase.
- 4.4 The estimates for 2022/23 includes changes to service income and expenditure budgets that are summarised below. Income and cost pressures have been reviewed given the financial pressures faced by the Council. In most cases, budget estimates have only been amended where the impact is unavoidable – either through inflationary pressure (pay and contractual) or where there is a projected income shortfall.
- 4.5 In addition there is an element of investment in support services to build capacity across the Council to deliver Regeneration schemes such as Union Yard. A summary of the key budget changes is set out below. The proposed net expenditure budget across the portfolios for 2022/23 is £11.620m, a net increase of £1.493m over the Original Budget (OB) for 2021/22 (£10.127m).

- **Corporate Services:** £0.385m increase from 2021/22 to 2022/23
- **Customer Experience & Improvement:** £0.470m increase from 2021/22 to 2022/23
- **Major Projects & Property:** Increase of £1.006m from 2021/22 to 2022/23
- **Operational Services:** Decrease of £0.283m from 2021/22 to 2022/23
- **Planning & Economy:** Increase of £0.163m from 2021/22 to 2022/23

4.6 As with the Revised Estimates for 2021/22, the summary above excludes the impact of changes in Support Service charges, Capital Charges and Pension Accounting charges. A detailed analysis of the budget changes will be shown in the Council's 2021/22 Budget Book which will be available in March 2022.

Budget Pressures

4.7 The table below provides an overview of the material service budget changes by portfolio and a brief outline of the reason for the budget change. For the purposes of this report, a material change is considered to be a change in the net budget of +/- £50,000. There are likely to be multiple factors behind a net change in each budget line – impact of inflation, changes in income projections, virements between different cost centres within a portfolio.

Table 1 – Material Service budget changes from 2021/22 to 2022/23

Budget Pressures by Portfolio	Original Budget (£'000)	2022/23 Original Budget (£'000)	Change from 2021/22 OB (£'000)	Reason for change
Corporate Services				
3106: DIR RES AUDIT SUPPORT SERVICE	104,510	157,290	52,780	Additional support from Interim Audit Manager to ensure handover to Audit Manager upon return from Maternity leave
2508: COMM COMMUNITY LEISURE	318,760	400,800	82,040	£61k of increase is funded from Deprivation Reserve with £20k being funded from COMF funds
3404: EXTERNAL AUDIT & INSPECTION	46,790	86,580	39,790	Expected increase in external audit fees due to additional work/delayed audit opinion
3402: FINANCE CORPORATE FINANCE	102,440	155,060	52,620	Additional staffing cost following restructure of finance team and finance improvement plan, increase in broker fees due to increased Treasury Management activity
3401: FINANCE SUPPORT SERVICES	517,260	615,180	97,920	
3403: FINANCE TREASURY MGT, CORP POL	159,780	119,920	(39,860)	
Customer Experience and Improvement				
1327: CUSTOMER SERVICES UNIT	608,840	690,660	81,820	Increase relates to staff moving from CSU/ICE to IT Digital Team
1328: DEM SERVS CLIMATE CHANGE	53,220	134,290	81,070	Activities associated with the Climate Emergency Action Plan - reserve funded
3302: IT APPLICATIONS SUPPORT	615,450	717,400	101,950	Overall increase in IT costs recognises the pressure on the service with a move away from short-term contracts to permanent appointments mitigating the overall cost impact. An element of the budget was previously shown on the MTFs as a growth item and has now been allocated to the service
3300: IT MANAGEMENT	15,160	48,850	33,690	
3303: IT SERVICE DESK	234,820	229,610	(5,210)	
3304: IT TECHNICAL SERVICES	744,650	808,080	63,430	
Major Projects and Property				
Commercial Property Portfolio (multiple CCtrs)	(7,460,572)	(6,668,330)	792,242	Impact of tenancy changes at Frimley Business Park and Ashbourne House leading to reduced income projection for 2022/23 and associated costs arising from vacant units (Business Rates, under recovery of service charges)
Regeneration (multiple CCtrs)	443,220	532,330	89,110	Increase due to revenue budgets associated with delivering Regeneration projects across Aldershot and Farnborough
Operational Services				
2518: COMM PRINCES HALL	245,900	93,540	(152,360)	Improved income expectations as impact of Covid unwinds
Planning and Economy				
1413: ECONOMIC DEVELOPMENT	299,250	375,480	76,230	Expected delay in payment of Economic Development grant from 2021/22 to 2022/23

4.8 Whilst the table below is not exhaustive, there are a couple of additional service budget changes worth highlighting.

4.9 Inflationary provision on the SERCO contract resulted in an overall cost increase on the contract of around 5.2% (£222k across all aspects of the contract). This is significantly higher than previous year's uplifts due to the higher inflation rate in

September 2021 which forms part of the calculation. However, with the reversal of one-off budgets in respect of the roll-out of Food Waste and other cost changes between Waste collection and Recycling the net budget change across budgets with exposure to SERCO contract costs was mitigated down.

- 4.10 Members made the decision in February 2021 to bring forward the closure of Farnborough Leisure Centre and concentrate resources on Aldershot Indoor Pools and Leisure Centre and the Lido. The contract cost for 2022/23 remains within the overall cost envelope agreed by members in February 2021 with an expectation that the net subsidy for operating the Lido will reduce given changes made to the operation of the service over last season.
- 4.11 No allowance has been made in service budgets for increased energy costs. Provision has been made centrally of an additional £100k recognising the 20% to 30% increase in Gas and Electricity prices between November 2020 and November 2021. Further price rises are expected during 2022/23 and members will be kept informed of any further cost pressures through the regular budget monitoring reports to Cabinet.
- 4.12 Other items of supplementary expenditure may be proposed during 2022/23 as the Council reacts to changing conditions or levels of demand, for example. Given the financial pressures facing the Council and the funding gap across the MTFS period, each item will be reviewed individually prior to any formal decision, in line with current financial regulations. Given the financial pressures it is anticipated that any such requests will be reviewed in the context of ongoing need for budgetary control and the need to deliver further cost reductions. Therefore, consideration will only be given to essential expenditure and agreed priority areas only.

Non-Service Expenditure and Income

- 4.13 Corporate Items covers the non-service revenue expenditure and income that is included in the Council's General Fund. Non-Service budgets for 2022/23 of £1.380m are proposed and increase to £3.975m, £5.667m and £6.378m over the MTFS period. Specific budgets covering the Council's Treasury Management activities, approach to the revenue implications of capital financing, and planned reserve transfers are set out below in more detail.

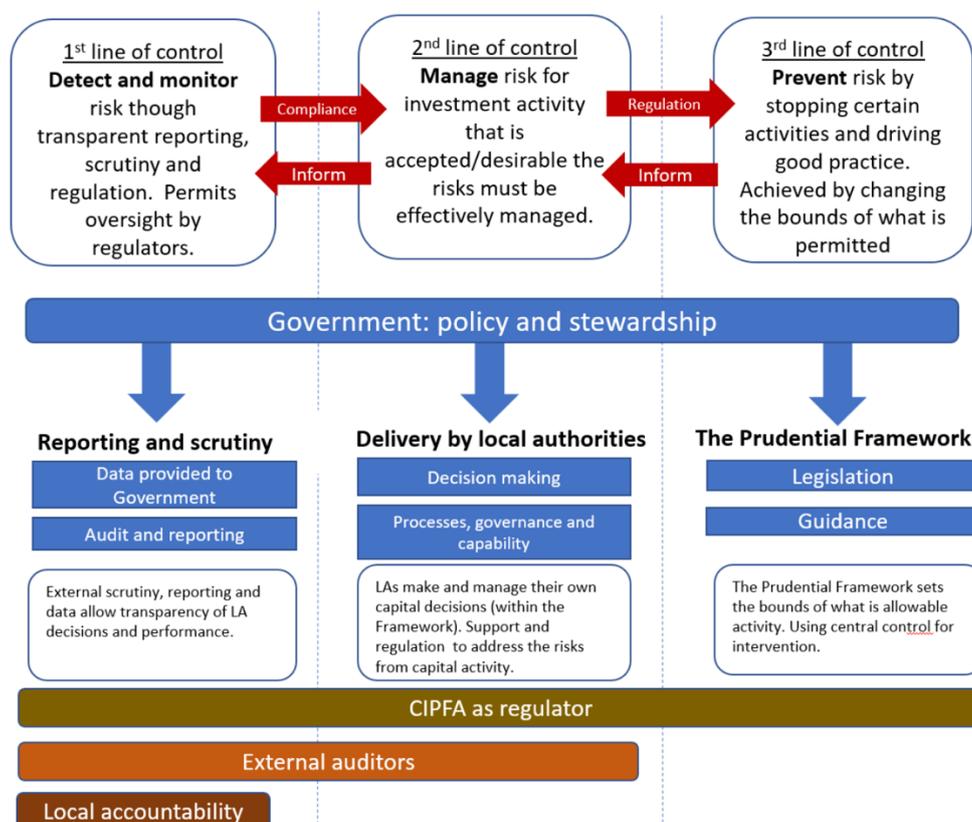
Treasury Management and PWLB Lending Terms

- 4.14 The MTFS includes an updated estimate of the additional cost of borrowing as interest rates increase. The Treasury Management Strategy for 2022/23 will be considered by Corporate Governance, Audit and Standards Committee at their meeting on 15 February 2022. This will indicate that external short-term borrowing has been taken to finance the capital programme to date. This takes advantage of current low interest rates, with a planned move to longer-term external borrowing as interest rate rises are expected over the medium term thereby providing a degree of mitigation against refinancing risk. Advice will be sought from the Council's Treasury Management advisors Arlingclose, in terms of timing, maturity profile and debt composition.
- 4.15 The Government provided further guidance and clarification on the revised PWLB Lending Terms in August 2021. The key points are set out below.

- Any investment asset acquired after 26th November 2020 would result in the authority not being able to access PWLB in that financial year or being able to use the PWLB to refinance the transaction at any point in the future
- authorities should provide details of capital plans, regardless of funding source, covering the whole current financial year and subsequent two financial years
- Individual projects and schemes may have characteristics of several different categories. In these cases, the section 151 officer or equivalent of the authority should use their professional judgment to assess the main objective of the investment and consider which category is the best fit.
- an asset that is held primarily to generate income which is used to support wider service spending, but serves no direct policy purpose, should not be categorised as service delivery
- authorities cannot use receipts from primarily for yield assets to buy further primarily for yield assets
- Capital expenditure to maintain existing properties or in order to increase their value where the local authority is planning to sell the property is permitted

4.16 The Government also set out their views on the local authority capital finance framework. Whilst the Government have recognised the importance of local government capital investment, they are concerned at the risks some local authorities have taken around investment in commercial property.

Figure 1: Three-lines of control model for strengthening the capital system



- 4.17 In December 2021 CIPFA confirmed changes to its Prudential Code on Capital Finance and Treasury Management Code of Practice following a consultation in the Autumn. The new codes will have a soft launch of its provisions for the 2022/23 financial year. Where possible, local authorities should make their best endeavours to adhere to their provisions and not undertake any new investments which would not be consistent with the changes. The codes will be fully implemented in the 2023/24 financial year. Authorities therefore do not have to amend or revise any treasury or capital strategies for 2022/23 to incorporate the additional disclosure requirements for investment categories and new indicators. The main changes to the Codes are summarised below.
- 4.18 **Prudential Code** – The updated 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.
- 4.19 **Treasury Management Code** – The main changes to the Treasury Management code 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
- 4.20 As set out in the Annual Treasury Management Strategy, the Council's borrowing strategy is *“to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required”*.
- 4.21 The MTFs includes estimates of the borrowing costs arising from the financing of the capital programme.
- 4.22 Arlingclose expect the Bank base rate to increase in the short-term above the current 0.25% (as set in December 2021) with the next increase likely in February 2022.

Their projection in December 2021 shortly after the MPC decision to raise interest rates is for Bank Rate is for the bank base rate to increase to around 0.50% in the short-term.

- 4.23 The Treasury Management Strategy sets out the Council's policy on Minimum Revenue Provision (MRP) and is the minimum amount which a Council must charge to its revenue budget each year, to set aside a provision for repaying external borrowing (loans).
- 4.24 The level of MRP to be charged to the revenue budget has been reviewed in light of the updated capital programme. MRP of £2.657m is to be charged in 2022/23 and is forecast to increase to £3.000m by 2025/26.
- 4.25 It is worth noting that the Government issued a consultation in November 2021 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.
- 4.26 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:
 - 4.27 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.
 - 4.28 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.
- 4.29 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).
- 4.30 The consultation closes on 08 February 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
- 4.31 Estimates of interest receivable on other investments remain positive but with some uncertainty around the continued impact from Covid-19 on the Council's longer-term investment returns. The Council continues to hold up to £25m in Pooled Funds, which are performing well. Investment income of £1.1250m has been forecast for 2022/23 recognising a recovery in performance over the last 12 months whilst

recognising that volatility remains a factor. The MTFS forecast assumes a return to pre-Covid income levels from 2023/24. This will be kept under review in terms of the overall cash position of the authority and the impact of forecast interest rate rises.

5. BALANCED BUDGET REQUIREMENT

- 5.1 The Council is legally required to set a balanced budget for the following financial year and remains balanced. As can be seen in the MTFS, the Council's core financial position is a balanced budget next year (after utilisation of the MTFS Equalisation reserve and other transfers to reserves). However, there is a significant and increasing projected funding gap (prior to any further savings target) of £3.134m in 2022/23, rising to £4.056m in 2023/24 and is forecast to increase further to £4.177m in 2024/25.
- 5.2 An important part of the strategy for financial sustainability will be to continue to deliver efficiencies and savings over the coming years. The Council Business Plan and services must be delivered within the overall resource envelope available to the Council thereby reducing reliance on earmarked reserves to support the budget.
- 5.3 The level of savings set out in the MTFS does not meet the funding gap identified. The MTFS Equalisation reserve is being used to balance the budget in the short-term and will be depleted over the MTFS period leading to a deficit position during 2023/24. As illustrated in Table 5 in this report, the Council will need to address the scale of the funding gap to ensure a balanced budget can be set for 2023/24 and beyond. The position set out in this report is by no means complete and the funding gap may change due to assumptions being updated.
- 5.4 The CIPFA Financial Management Code (FM Code) was published in 2019 and is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The FM Code applies to all local authorities with the first full year of compliance required in 2022/23.
- 5.5 The FM Code is based on a series of principles supported by specific standards which are considered necessary to provide the strong foundation to:
- financially manage the short, medium and long-term finances of a local authority
 - manage financial resilience to meet unforeseen demands on services
 - manage unexpected shocks in their financial circumstances
- 5.6 A key element of demonstrating financial sustainability and compliance with the FM Code is for the Council to ensure suitable mechanisms are in place around savings to that they are identified, agreed, planned, implemented and achieved. This will help to ensure the funding gap identified within the MTFS is addressed in a planned and managed way.
- Savings and Transformation Programme (formerly CREP)
- 5.7 The Council adopted a revised approach to its Savings Programme to address the funding gap identified in the February 2021 MTFS. The programme set out a revised process for how savings are identified, evaluated, and approved, with clearer

reporting and monitoring and governance arrangements. This approach was approved by Cabinet during March 2021, with significant work being undertaken by officers and members over the course of the current financial year.

- 5.8 The Savings and Transformation programme has developed a number of workstreams that help the Council achieve a robust, balanced, and proportionate reduction in cost/additional income. The programme has considered and reviewed service delivery options, organisational redesign programmes such as ICE, improved procurement outcomes, and how to embed a commercial approach to service delivery and improved utilisation of property and income-generating assets.
- 5.9 As can be seen from Tables 4 and 5 in this report, the requirement to reduce costs and balance the budget are substantial. The Savings and Transformation Programme has been established to ensure sustained focus over the MTFS period. The programme is supported by a project team which reports to the Executive Leadership Team Board on a monthly basis to ensure identified opportunities are on target and can be delivered. Member oversight on the programme is through the Budget Strategy Working Group.
- 5.10 The aim of the programme is to achieve financial sustainability and enable service transformation within the MTFS period without significant impact on Council Plan priorities. There are 5 broad areas that the Savings and Transformation Programme will work through:
6. CREP
 - Ensure delivery of 'live' savings projects
 - Review remaining CREP lines of enquiry and feed into a 'savings project pipeline'
 - Review un-scoped ideas generated from 2021/22 CREP workshops, assess and feed into 'savings project pipeline'
 7. Efficiencies from New Ways of Working Projects (ICE)
 8. Asset management and redevelopment (incl. increasing income from existing assets)
 9. Fees and Charges – cost recovery principle
 10. Corporate workstreams
 - Procurement and spend analysis
 - Insurance and risk management – approach to self-insurance to reduce cost
 - Workforce planning
 - Approach to in-year expenditure to promote strong financial management
 - Review of joint working and shared service opportunities approach
 - Stronger Financial Management – Forecasting, budget management and accountability, approach to capital financing
- 5.11 The table below shows the outcomes to date that have been included in the MTFS. Interest income from the Housing Company (previously reported as a savings plan item from the February 2020 MTFS) is not included under CREP as this is now part of the Council's Treasury Management activities. Appendix 2(CAB) of this report provides more details on each individual item.

Table 2 – Savings and Transformation summary

	2021/22 Forecast (£'000)	2022/23 Forecast (£'000)	2023/24 Forecast (£'000)	2024/25 Forecast (£'000)	2025/26 Forecast (£'000)
Workstream					
Workstream 1					
Live Savings Projects (1.1)	44	49	150	150	150
Live Savings Projects (1.2)	160	244	398	398	398
Live Savings Projects (1.3)	0	106	315	315	315
Live Savings Projects (1.4)	20	57	151	151	151
Subtotal Workstream 1	224	456	1,014	1,014	1,014
Workstream 2					
Live Savings Projects (2.1)	4	41	41	41	41
Live Savings Projects (2.2)	0	82	112	112	112
Subtotal Workstream 2	4	123	153	153	153
Regeneration	218	0	0	0	0
Property Assets	0	400	957	1,215	1,215
TOTAL Savings & Transformation Savings	446	978	2,124	2,382	2,382
As recognised in MTFS	278	578	1,567	2,124	2,382
Difference	(168)	(400)	(557)	(258)	0

Note

The difference between the Workstream savings and those recognised in the MTFS is due to the MTFS assuming a delay in the delivery of property asset savings by one year and 2021/22 savings subject to a further review as part of budget monitoring and year end processes.

Balances and Reserves

- 5.12 The Council's financial position is supported by its balances and reserves.
- 5.13 The Budget Strategy set a target for the General Fund balance to be maintained at a minimum of £2m, with the Stability and Resilience Reserve balance held at a level that would allow the Council to mitigate short-term fluctuations in income and expenditure (e.g., Business Rates, Government funding changes). Given the funding gap identified over the MTFS period, the Council must identify and deliver additional cost reductions and new income to ensure an adequate reserve balance is maintained.
- 5.14 However, these reserves should not be utilised to fund normal, on-going service provision. It is important to review the level of reserves regularly.
- 5.15 Members will recall that as part of the 2019/20 budget setting process a Commercial Property Reserve was established to provide a source of funding to mitigate potential fluctuations in commercial property income. The level of the reserve will need to reflect the financial risks associated with the commercial property portfolio and the impact from Covid-19 on income. The MTFS forecast assumes that £0.267m of the reserve will be utilised in 2021/22 to mitigate the impact of reduced rental income expectations.

- 5.16 A more significant drawdown from the commercial property reserve is required in 2022/23 to mitigate the impact of expected tenancy changes at Ashbourne House Guildford and Frimley Business Park. The Council will be undertaking capital expenditure on these properties to ensure vacant units can be relet in the current market and will need to fund the reduced income and costs arising from business rates and service charges on the vacant units. It is estimated that the drawdown from the reserve will be £0.974m. The Council will need to give consideration to the adequacy of this reserve in future years to ensure it can mitigate further fluctuations in income and expenditure across the corporate property portfolio.
- 5.17 As reported to Cabinet in June 2020, a Treasury Management Reserve was established in recognition of the expected delay in interest receipts from Farnborough International (FIN2017). The level of reserve transfer required in 2021/22 is £0.180m with £0.220m in 2022/23.
- 5.18 Council approved the establishment of a number of earmarked reserves in February 2020 given the level of risk and uncertainty facing the Council over the medium-term and include reserves that have since been depleted or reviewed. Members are reminded of the key reserve held to mitigate future liabilities around the performance of the Pension Fund.
- Pensions (confirmed transfer amounts are £0.818m in 2021/22, and a revised amount of £0.513m in 2022/23) with the MTFS assuming further increases following the next triennial review in 2023.
- 5.19 It is expected that earmarked reserves supporting the Regeneration, Property & Major Works programmes are likely to fully be utilised over the medium-term. Given the funding gap that is evident over the MTFS period it is not proposed at this stage to allocate any further funding to these reserves and the ability to progress capital projects through feasibility will need to be considered separately by the Council.
- 5.20 If approved, the impact of these proposed changes outlined in the report to the level of balances and reserves is set out in the table below:

Table 3 – Balances and Reserves forecast

	SOA Balance as at 31/03/2021 (£'000)	Estimated Balance 31/03/2022 (£'000)	Estimated Balance 31/03/2023 (£'000)	Estimated Balance 31/03/2024 (£'000)	Estimated Balance 31/03/2025 (£'000)
Earmarked Reserve					
COVID BRR Earmarked Reserve	10,812	265	265	265	265
Stability and Resilience Reserve	4,577				
Business Rates Equalisation Reserve	-	2,500	2,500	2,500	2,500
MTFS Equalisation Reserve	-	2,415	1,465	447	-
Negative Balance of MTFS Equalisation *					(878)
Service Improvement Fund	129	-	-	-	-
Commercial Property Reserve	1,750	1,362	388	388	388
Regeneration, Property & Major Projects	357	536	136	36	36
ICE Reserve	-	-	-	-	-
Climate Emergency Reserve ***	239	120	-	-	-
Deprivation Strategy Reserve ****	94	133	103	103	103
Pension Reserve	669	1,487	2,000	2,500	3,000
Workforce Planning Reserve	200	100	100	100	100
Treasury Earmarked Reserve	400	220	-	-	-
Covid-19/Recovery Grant reserve	393	98	98	98	98
CPE Rolling Fund	281	281	281	281	281
Budget Carry Forwards	390	-	-	-	-
All Other Earmarked Reserves (excluding SANG/s106) **	2,796	1,997	2,001	2,005	2,052
Commuted Sums/Amenity Areas	3,973	3,935	3,903	3,872	3,841
TAG Environmental Fund	96	96	96	96	96
Total of all Earmarked General Fund Reserves	27,156	15,545	13,336	12,691	11,882
Excluding SANG/S106/TAG & BRR	12,275	11,249	9,072	8,458	7,680

Notes:

* Negative Balance on MTFS Equalisation Reserve – this is shown as a negative balance should the Council not find sufficient savings or additional income to address the funding gap highlighted over the MTFS period. In practice, a negative reserve would not be created but is show for illustrative purpose to highlight the impact.

** The balance represents a number of specific earmarked reserves

*** Climate Emergency Reserve – For the purposes of the reserves forecast it is assumed the reserve will be utilised in full during 2022/23. Cabinet considered the Climate Change Action Plan (DCS2002) at their meeting in November 2020.

**** Deprivation Reserve – For the purposes of the reserves forecast it is assumed the initial allocation of £0.100m to the reserve will be utilised in full during 2021/22 and 2022/23. Cabinet considered the Supporting Communities Strategy and Action Plan 2021/23 (DCS2101) at their meeting in January 2021. No assumption has been made concerning the additional £0.100m allocated to the reserve in 2021/22.

Commuted Sums/Amenity Areas

This includes all other earmarked reserves including s106 and SANG (*Suitable Alternative Natural Green Space) balances. It is likely that the level of these reserves will increase over the next 2-3 years as the charge payable for the Southwood SANG is collected

5.21 Whilst the level of balances and reserves shown in the table indicates that the Council is in currently a good financial position, the cumulative funding gap of £11.639m over the MTFS period - £0.950m in 2022/23 rising to £4.846m by 2025/26 (as shown in Table 4 below), would reduce the MTFS Equalisation Reserve to a nil balance during 2023/24. This will need to be addressed over the coming months as the Council will need to make significant decisions on future mitigation options.

- 5.22 Table 5 shows the impact on the MTFS Equalisation reserve when a target for further cost reductions, income and savings is applied. Should the Council be able to deliver this level of cost reduction the cumulative funding gap would reduce to £4.139m over the MTFS period with the MTFS Equalisation reserve being depleted during 2024/25.
- 5.23 Clearly, the Council will need to ensure the Savings and Transformation Programme is robust, balanced, and proportionate, and mitigates the funding gap over the MTFS period.

Table 4 – Medium Term Financial Forecast

	MTFS Period					
	2021/22 (£'000)	2021/22 Revised (£'000)	2022/23 (£'000)	2023/24 (£'000)	2024/25 (£'000)	2025/26 (£'000)
Table 1A: MTFS						
Net Service Revenue Expenditure	10,127	12,928	11,620	11,620	11,370	11,370
Corporate Items/Non Service Income & Expenditure	2,223	540	1,280	3,314	4,446	4,596
Provision for Inflation	0	0	100	661	1,221	1,782
Portfolio + Corporate Items	12,350	13,468	13,000	15,595	17,038	17,748
Additional Items & Budget Pressures	490	0	0	0	0	0
Budget Proposals	100	100	0	0	0	0
Risk items (Waste)	0	0	0	350	350	350
Savings and Transformation Plan items	(70)	(348)	(1,028)	(2,097)	(2,404)	(2,662)
Draft Net Revenue Budget	12,869	13,220	11,972	13,848	14,984	15,437
Funded by:						
Council Tax *	6,928	6,928	7,212	7,450	7,692	7,938
Business Rates *	3,574	3,574	3,500	2,550	2,601	2,653
New Homes Bonus	863	863	344	0	0	0
Covid Funding	589	626	0	0	0	0
Other Funding (inc Transitional Funding assumptions)	101	101	280	616	366	0
Council Tax/NNDR Surplus or (Deficit)	(200)	(200)	(314)	(286)	0	0
TOTAL Funding	11,855	11,892	11,023	10,330	10,659	10,591
Core (Surplus) / Deficit	1,014	1,328	950	3,518	4,325	4,846

Note – Table may contain roundings when compared to Appendix 1

- 5.24 Table 5 below illustrates the Funding Gap clearly in terms of the need for the Council to identify and deliver new savings over the MTFS period. This shows the position prior any savings being delivered and shows a widening gap between planned expenditure and funding assumptions. This is an important distinction due to the risk around delivery of savings (e.g., Service Loans to Housing Company are based on forecast drawdown of funding).

Table 5 – Funding Gap forecast in MTFS

	2021/22 (£'000)	2021/22 Revised (£'000)	2022/23 (£'000)	2023/24 (£'000)	2024/25 (£'000)	2025/26 (£'000)
Table 1B: Funding Gap forecast in MTFS						
Draft Revenue Budget (before Savings)	12,939	13,568	13,000	15,945	17,388	18,098
TOTAL Funding	11,855	11,892	11,023	10,330	10,659	10,591
Funding Gap	1,084	1,676	1,978	5,615	6,729	7,507
Savings identified	(70)	(348)	(1,028)	(2,097)	(2,404)	(2,662)
Additional Cost Reduction and Savings Target			(500)	(2,500)	(3,000)	(3,500)
Additional Income Target						
Residual Funding Gap After Savings	1,014	1,328	450	1,018	1,325	1,346
Use of MTFS Equalisation Reserve	(1,014)	(1,328)	(450)	(1,018)	(1,325)	(1,346)
MTFS Equalisation Reserve Y/E Balance		2,415	1,965	947	(378)	(1,724)

6. FUNDING

6.1 The MTFS includes a forecast of the level of funding available to support the General Fund over the medium-term which are set out in detail below.

Business Rates

6.2 The Council was required to finalise its Business Rates estimates for 2022/23 and its initial estimate of any surplus or deficit for 2021/22 by 31 January 2022. The estimate of retained business rates income included in this report do not take into account the final forecasts for business rates that were submitted in the NNDR1 return.

6.3 Forecasting business rates income is complex with the impact from Covid-19 and additional reliefs announced in the Budget contributing to the level of uncertainty around forecasts for the medium-term. The estimate of business rates income has been prepared based on the rateable value of properties on the rating list on 31 December 2020. Forecasts have been made concerning the level of mandatory and discretionary reliefs that will be given, and an allowance made for bad debts and repayments.

6.4 Business rates are collected by the Council, and the proceeds are shared between Rushmoor and Hampshire County Council, and also with central Government to fund services. There is an element of risk and reward involved in the Business Rates scheme, which is designed to incentivise Councils to promote business growth within their areas. The Council expects its share of retained business rates to be £3.500m in 2022/23. The business rates retention scheme is volatile and estimating the outturn is complex due to factors such as appeals, demolitions, new builds, occupation, and reliefs. The draft forecast for business rates included in this report, although broadly similar to last year, has seen significant changes in terms of rateable values and reliefs.

6.5 The Business Rates Collection Fund is forecast to be in a deficit position by the end of the current year, largely due to the impact from Covid-19 and additional reliefs in the year. This is consistent with the outturn position on the collection fund for 2020/21. Owing to the way in which business rates are accounted for through the budget setting process and the year-end collection fund, any surplus or deficit from the previous year is dealt with in the following year's budget.

- 6.6 The collection fund estimate does not take into account the new relief COVID-19 Additional Relief Fund (CARF) announced by the Government in March 2021 with detailed guidance published in December 2021. This is an additional business rates support package, worth £1.5 billion, to support businesses in England affected by COVID-19 but not eligible for existing support linked to business rates. Rushmoor's allocation is £2.566m and the Council will need to adopt a local scheme and determine in each individual case whether, having regard to published guidance and their own local scheme, to grant relief under section 47. The relief is available to reduce chargeable amounts in respect of 2021/22.
- 6.7 The Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020 implemented the announcement made by the Secretary of State on 2 July 2020 that "the repayment of collection fund deficits arising in 2020-21 will be spread over the next three years rather than the usual period of a year, giving councils breathing space in setting budgets for next year". The Council has taken advantage of this change in the regulations and spread the Business Rates Collection Funds deficit with £0.223m included in the MTFs for the financial years 2021/22 to 2023/24. The final position on Business Rates income for 2021/22 will not be known until the NNDR3 return is completed in May 2022. It is expected that there will be a significant deficit on the NNDR Collection Fund as set out in paragraph 6.6. This will be mitigated through Section 31 Grant to compensate the Council for reduced income from business rate payers, although there is a timing difference in terms of how these are accounted for.
- 6.8 The 2021/22 revised budget includes provision for the financing of the material deficit on the collection fund from 2020/21. Owing to timing differences in the way in which the Collection Fund and Section 31 Grants are accounted for, £10.8m of funding was set aside in the Business Rates earmarked reserve to ensure the deficit was funded in future years as the accounting unwound. Therefore, a transfer from the earmarked reserve of £9.294m is included within the 2021/22 revised budget.
- 6.9 Final agreement of the Business Rates estimates will be made by the Council's Section 151 Officer in consultation with the Leader of the Council, under the delegation agreed by Council on 20th January 2014, and an update will be provided to Cabinet alongside this report.
- 6.10 Should the business rates estimates be materially different from those presented in this report, the General Fund Summary will be updated by the Council's Section 151 Officer in consultation with the Leader of the Council and the Portfolio holder for Corporate Services, prior to consideration of the budget by Council on 24 February 2022.
- New Homes Bonus
- 6.11 Planned consultation on a new reward scheme did not take place in 2021 and the Government confirmed in the Spending Review the current scheme would continue for a further year. The allocation of New Homes Bonus (NHB) for 2022/23 was included in the provisional settlement.
- 6.12 Whilst the total amount of NHB for 2022/23 is £0.344m, the 2022/23 element of £0.133m will not generate legacy payments in future years. No further legacy

payments are due beyond 2022/23. The MTFs does not include any projection on future allocations of NHB (or its replacement) as the funding stream is part of the fair funding review.

Other funding and grants

- 6.13 Alongside the finance settlement, the government has confirmed the following grants and other funding scheme contributions that the Council will receive in 2022/23.
- Lower Tier Services Grant (£0.116m)
 - Services Grant (£0.164m)
- 6.14 The Government have indicated that the Services Grant will not be included in any consultation around Transitional arrangements as and when the local government finance system is reformed and should therefore be seen as one-off in nature.
- 6.15 The table below provides an overview of the overall position in respect of Government funding and a forecast across the MTFs period. Given the single-year settlement and uncertainty around the timing and level of reform to the local government finance system there is significant risk in forecasting of funding beyond 2022/23. The timing of any change to the local government finance system is uncertain. Michael Gove, the new Secretary of State for the Department for Levelling Up, Housing and Communities (DLHUC) indicated in early November 2021 that the Fair Funding reforms were not consistent with the wider Levelling Up agenda.

Table 6 – Government Funding assumed in MTFs forecast

	2021/22	2022/23	2023/24	2024/25	2025/26
Government Funding	(£'000)	Forecast	Forecast	Forecast	Forecast
		(£'000)	(£'000)	(£'000)	(£'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					
Covid Grants/SFC	589	0	0	0	
Lower Tier Services Grant	101	116	0	0	0
Services Grant	0	164	0	0	0
Estimated Transitional Funding	0	0	616	366	0
TOTAL Government Funding	5,127	4,124	3,166	2,967	2,653
Council Tax	6,928	7,212	7,450	7,692	7,938
Collection Fund	(200)	(314)	(286)	0	0
Other Grants/Funding	0	0	0	0	0
ALL Funding	11,855	11,023	10,330	10,659	10,591

Note: Business Rates Retention figure includes Baseline funding, Section 31 Grants and calculation of the levy payable on growth above the baseline. The forecast for 2023/24

reduces due to the baseline reset, which for the purposes of budgeting is estimated to reduce by 30% to 40%.

Transitional Funding has been estimated for the purposes of the MTFS and is not based on any commitment from the Government. Consultation with local authorities will commence in the Spring concerning the scale and scope of any transitional protection arising from reforms to the local government finance system.

- 6.16 The forecast shown in the table is based on the assumption that local government finance reforms and Business Rates rest (required to fund the reforms) reduces the Council's business rates income to the baseline level (£2.381m in 2022/23). No assumption has been made on any replacement to the New Homes Bonus scheme and no assumption has been made on any further Covid-19 funding other than the amounts already announced and allocated.
- 6.17 Therefore, the level of Government funding reduces significantly over the MTFS period (based on the assumptions made above) and the Council will need to take appropriate actions to ensure the financial sustainability of the Council is maintained in light of reduced resources over the medium-term.

Council Tax

- 6.18 The referendum threshold for 2022/23 for Shire Districts such as Rushmoor is 2% or £5 (whichever is the greater). The Spending Power calculation published with the Local Government Finance Settlement assumed that all authorities would raise their Council Tax towards the maximum allowable amounts. Factoring such increases into the funding assessment, removes flexibility for local authorities to take local decisions about tax levels and to use increases in local taxation to offset local spending pressures. Councils now need to make these increases just to keep total funding levels at a standstill.
- 6.19 The revenue budget assumes a £5 increase in a Band D charge for Council Tax, which falls within the permissible level of increase before triggering a local referendum and equates to an increase of around 10 pence per week for a Band D property.
- 6.20 A council tax rise of £5 increases the Band D rate from £214.42 to £219.42 and will generate approximately £0.285m in additional council tax revenue annually (when taken with estimated changes to the taxbase). The MTFS assumes an increase of up to £5 per annum. This would generate a further £0.725m over the remaining years of the MTFS period.

Council Tax Support

- 6.21 Cabinet considered the report from the Council Tax Support Task and Finish Group at their meeting on 18 January 2022 ([FIN2206](#)). Following the review of Council Tax Support by the Task and Finish Group, the recommendation to full Council is that the current scheme for working age customers continues for 2022/23 with the usual alignment to Housing Benefit Rates. This would mean that the minimum contribution would remain at 12%.
- 6.22 Cabinet endorsed the approach set out in the report and the recommendation to 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.

- 6.23 Cabinet accepted the proposal from the Group, the impact of which is included within the estimates on the Council Taxbase for 2022/23.

Council Taxbase

- 6.24 The Taxbase for 2022/23 has been estimated at 32,795.29 and represents an increase of 486.02 (1.50%) over the 2021/22 position.

Council Tax Collection Fund

- 6.25 The Council Tax Collection Fund is estimated to be in deficit by the end of the current financial year by £0.100m and is included within the Council Tax Collection Fund deficit line within the MTFS in addition to the impact from 2020/21 which was spread over a 3-year period.
- 6.26 Collection rates for Council Tax have improved throughout 2021/22. At the time of writing, the Revenues team have been able to collect the majority of Council Tax due for the year and the collection rate has improved each month. The latest available collection data suggests that the Council is 0.15% above the collection rate for the same period in 2020/21 (£2.874m additional net cash), and the total collected is forecast to be broadly in-line with the level precepted against the Collection Fund.
- 6.27 Any surplus of deficit on the Collection Fund is shared across the major precepting authorities (Hampshire County Council, Hampshire Police and Crime Commissioner, Hampshire Fire and Rescue Authority).
- 6.28 The Council Tax base and surplus were agreed under delegated powers by the Council's Section 151 Officer, in consultation with the Leader of the Council, during February 2022.
- 6.29 The decision to set Council Tax remains an annual decision for Council to consider when setting the budget one year from the next.

7. CAPITAL PROGRAMME 2021/22 to 2025/26

- 7.1 The Council's Capital Strategy and Capital Programme are considered over a five-year period. The Strategy provides the framework for the Council's capital expenditure and financing plans to ensure they are affordable, prudent and sustainable over the longer-term.
- 7.2 The Council has set out its Capital Programme for the period 2021/22 to 2025/26 based on the principles of the current Capital Strategy. This is summarised in Table 7 below and in further detail in Appendix 3(CAB) of this report. A total capital expenditure budget of £36.703m in 2022/23 is proposed. Total expenditure decreases to £31.068m and £3.345m in 2023/24 and 2024/25 respectively, and in the final year of the current programme 2025/26 spend is estimated at £1.216m.

Table 7 – Summary Capital Programme

Portfolio/Scheme	2021/22 Original Estimate (£'000)	2021/22 Revised Estimate (£'000)	2022/23 Estimate (£'000)	2023/24 Estimate (£'000)	2024/25 Estimate (£'000)	2025/26 Estimate (£'000)
Corportate Services						
Flexible Use of Capital Receipts	0	74	0	0	0	0
Subtotal CS	0	74	0	0	0	0
Customer Experience & Improvement						
Computer Systems	115	115	0	0	0	0
Council Offices	33	33	0	0	0	0
Subtotal CE&I	148	148	0	0	0	0
Major Projects & Property						
Aldershot Town Centre Projects	3,951	400	3,551	0	0	0
Civic Quarter Farnborough	19,383	19,383	2,000	0	0	0
Housing Matters	5,436	156	6,751	2,878	0	0
Property and Assets	0	320	500	12,000	0	0
Property Enhancements	90	307	651	224	0	0
Union Yard Aldershot	7,658	6,500	20,950	14,750	2,129	0
Subtotal MP&P	36,518	27,066	34,403	29,852	2,129	0
Operational Services						
CCTV	400	0	400	0	0	0
Crematorium	0	949	0	0	0	0
Depots	34	34	0	0	0	0
Manor Park	49	49	0	0	0	0
Parks & Open Spaces	20	115	0	0	0	0
Southwood SANG set-up	0	158	0	0	0	0
Playground Works	0	104	0	0	0	0
Refuse/Recycling inc Food Waste	231	466	105	105	105	105
Southwood SANG Visitor Centre	0	276	685	0	0	0
Improvement Grants	1,111	1,663	1,111	1,111	1,111	1,111
Subtotal OPS	1,844	3,813	2,301	1,216	1,216	1,216
Planning & Economy						
No Capital Schemes						
TOTAL Capital Programme	38,510	31,102	36,703	31,068	3,345	1,216

- 7.3 The capital programme is focussed on delivering against the Council's key priority of Town Centre Regeneration, with further schemes focused on enhancing the delivery of core services through improvement and enhancement of assets. The programme also includes support for the provision of local housing and the Council's statutory duties in respect of Disabled Facilities Grants.
- 7.4 The Capital Programme, as set out in this report, includes the forecast contract expenditure estimates for the construction and development of the Union Yard scheme that Council approved in July 2021.
- 7.5 Expenditure estimates have also been included within the capital programme for the Civic Quarter, Farnborough scheme. This will allow site assembly and land remediation to continue, along with further detailed planning of the wider site.

- 7.6 Due to the scale and complexity of these schemes detailed proposals for each regeneration scheme will need to be considered by Cabinet and Council once the due diligence work has been completed. Each scheme will have significant legal and financial implications and will require the Council to consider the long-term financial commitments and risks. The Capital Strategy, Treasury Management Strategy and the Capital Programme will need to be updated to reflect decisions taken by Cabinet and Council.
- 7.7 There will be a continued review of capital spending requirements as the Council regeneration, new Property and Major Works programmes, and other schemes are brought forward in more detail, with affordability and deliverability will be a key consideration in this regard.
- 7.8 The Council's capital expenditure is predominantly financed from prudential borrowing. Other sources of finance support the capital programme, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts).
- 7.9 The level of prudential borrowing included reflects the financing available in the revenue budget, capital receipts align with forecasts and grant funding and other contributions are based on already notified allocations or best estimates at the time of preparation. If additional resources become available, projects that meet the Council's strategic capital objectives will be brought forward for approval.

Table 8 – Summary Capital Financing Statement

	2021/22 Original Estimate (£'000)	2021/22 Revised Estimate (£'000)	2022/23 Estimate (£'000)	2023/24 Estimate (£'000)	2024/25 Estimate (£'000)	2025/26 Estimate (£'000)
Capital Financing Statement						
Revenue Contribution to Capital		0	0	0	0	0
Grants & Contributions from Other Bodies	9,238	2,844	7,520	20	20	20
Grants & Contributions - Improvement Grants	1,061	1,613	1,061	1,061	1,061	1,061
Section 106 Developers Contributions	52	52	0	0	0	0
Prudential Borrowing	28,160	26,232	27,123	29,987	2,264	135
Capital Receipts	0	361	1,000	0	0	0
TOTAL Financing	38,510	31,102	36,703	31,068	3,345	1,216

8. RISKS AND UNCERTAINTIES

- 8.1 There are a number of financial risks that the Council will face over the medium-term. The 2022/23 Budget and the MTFs have been prepared with consideration of these risks, but as with any forecast, an inherent level of risk will remain.
- 8.2 For Local Government, there are 2 significant strategic risks.
- 8.3 The first key risk is around the nature and scope of local government funding from central government from 2023/24. The implementation of the Fair Funding Review and Business Rates changes has already been delayed (originally due from April 2020) and is likely to be reviewed following comments from the Secretary of State in November 2021. The forecast impact on District and Borough Councils is likely

to be significant as resources are moved around Local Government to recognise Social Care cost pressures.

- 8.4 It is very difficult to estimate the with certainty the impact on Rushmoor. Fundamental changes to the way in which each Council's needs are assessed and funded are difficult to model despite some engagement from Government with local authorities. Therefore, considerable risk and uncertainty remains in the estimates for 2023/24 and beyond. However, an initial estimate of a 30-40% reduction in the level of retained business rates income has been included in the MTFS assumptions. An estimate has been made around transitional arrangements, but these are not based on any indication or commitment from the Government.
- 8.5 The second key risk is around the continued impact on the Council from pressures within the wider economy including Covid-19 and inflation. This will have an impact on income and expenditure budgets during 2022/23 and will require timely and accurate financial reporting to Cabinet. These risks include:
- Income from Council Tax and Business Rates will continue to be under pressure in 2022/23 with an expectation that the taxbase for Council Tax and Business Rates may take time to recover.
 - Increased demand for certain services (e.g., Homelessness) may put additional financial pressure on the Council
 - Cost of services where the Council is exposed to risk sharing in contract costs
 - Energy cost pressures
- 8.6 The budget has been prepared in light of key financial risks facing the Council over the medium- term, principally:
- Business Rates Retention and changes to the Local Government Finance system/Levelling Up Agenda
 - Replacement of New Homes Bonus from 2023/24 at a time this Council will be continuing to delivering a significant number of new homes.
 - Treasury management issues including interest rates, level of capital expenditure, use of internal resources, borrowing costs.
 - Impact of the UK having left the European Union on the UK economy.
 - Financial impact of the Capital Programme on the revenue budget – the affordability of the capital programme and future schemes needs to be carefully considered.

9. CONSULTATION

- 9.1 All Members of the Council were invited to budget briefing seminars during January and February 2022 to discuss the budget proposals and the full budget report is available online.

10. CONCLUSIONS

- 10.1 Despite the uncertainties around future levels of Government Funding, the impact from Covid during 2021/22 and the general economic position, the Council has been

able to prepare a sound budget whilst maintaining services to residents. The budget will also provide a platform for Rushmoor to address future challenges.

- 10.2 The budget has been prepared in accordance with the approved budget strategy. This includes the principle of maintaining the Council's general fund revenue risk-based balance at £2m and maintaining other usable reserves to mitigate risk and support improvement.
- 10.3 The Council will need to continue to take steps to manage and address the funding gap identified over the MTFS period.
- 10.4 The Capital Programme includes planned expenditure £36.703m in 2022/23 with the Council needing to consider the outcome from feasibility studies and due diligence work on other potential schemes before any further capital expenditure is committed.
- 10.5 The budget proposals provide for the current Council Tax level to increase by £5 for a Band D property (from £214.42 per annum to £219.42) – an increase of around 10p per week) in line with government assumptions within its settlement funding formula.
- 10.6 In order to achieve this, the budget will require the implementation of cost reduction and efficiency savings of £0.778m and utilisation of £0.950m of the MTFS Equalisation reserve in 2022/23.
- 10.7 The Council will need to continue 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. As endorsed by Cabinet at their meeting on 18 January 2022, the Budget Strategy Working Group to act as consultee on the development of the programme.
- 10.8 Reserves continue to be held to support the implementation of key projects and to mitigate against the substantial increased risk the Council is facing. Reserves held to mitigate risk (Commercial Property reserve, MTFS Equalisation reserve) are forecast to be significantly depleted during 2022/23 and will require consideration during 2022/23 as to their adequacy for future financial years given the current risks identified in this report. All reserves will be monitored and reported to Cabinet throughout 2022/23.

Background documents:

Budget Strategy 2022/23 ([FIN2122](#))

Council Tax Support Scheme 2022/23 ([FIN2206](#))

Medium Term Financial Strategy 2022/23 to 2025/26 – Update ([FIN2203](#))

Recommendations from Budget Strategy Working Group ([FIN2204](#))

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MEDIUM TERM FINANCIAL STRATEGY 2021/22 TO 2025/26

	2021/22	2021/22	2022/23	2023/24	2024/25	2025/26
	(£'000)	Revised (£'000)	(£'000)	(£'000)	(£'000)	(£'000)
Medium Term Financial Strategy						
Base Budget (Shown net of Accounting Adjs and SSCs)						
Corporate & Democratic Services	5,147	5,808	5,532	5,532	5,532	5,532
Customer Experience & Improvement	3,114	3,611	3,585	3,585	3,585	3,585
Major Projects & Property	(5,929)	(4,881)	(4,922)	(4,922)	(4,922)	(4,922)
Operational Services	6,069	6,626	5,785	5,785	5,785	5,785
Planning & Economy	1,228	1,265	1,390	1,390	1,390	1,390
ICE Modernisation Programme	499	499	250	250	0	0
Net Expenditure	10,127	12,928	11,620	11,620	11,370	11,370
Corporate Items						
Transfers To/From reserves	0	0	0	0	0	0
MTFS Equalisation	0	0	0	0	0	0
Treasury Reserve	(180)	(180)	(220)	0	0	0
Other Earmarked Reserves/Prior yr grants/CPE account	(273)	(741)	(28)	0	0	0
Service Improvement Fund (from)	(129)	(129)	0	0	0	0
Service Improvement Fund (to)	0	0	0	0	0	0
Commercial Property reserve	(250)	(267)	(274)	0	0	0
Commercial Property reserve (additional)	0	0	(700)	0	0	0
Regeneration, Property & Major Projects	(100)	(290)	(400)	(100)	0	0
CPE Rolling Fund	98	0	0	0	0	0
Budget Carry Forwards	0	(390)	0	0	0	0
Elections Reserve	(87)	(87)	0	0	0	0
BP: Climate Emergency	0	(119)	(120)	0	0	0
BP: Deprivation Strategy	0	(61)	(30)	0	0	0
Workforce Reserve	0	(100)	0	0	0	0
Pension Reserve	818	818	513	500	500	500
Other Corporate Income & Expenditure	349	349	342	342	342	342
Minimum Revenue Provision (MRP)	2,457	2,457	2,657	2,857	3,000	3,000
Interest Payable	795	300	1,250	2,437	2,783	2,932
Investment Income	(1,090)	(1,000)	(1,250)	(1,600)	(1,600)	(1,600)
Investment Income (Interest on Service Loans to RHL)	(186)	(20)	(210)	(522)	(579)	(579)
Interest Payable (Capitalisation of Interest)	0	0	(250)	(600)	0	0
Subtotal	2,223	540	1,280	3,314	4,446	4,596
Adjusted Budget	12,350	13,468	12,900	14,934	15,816	15,966
Inflationary Provision, Pension costs						
Inflation (Pay) 2.00% Assumption	0	0	0	261	521	782
Inflation (Contracts/Non-Pay)	0	0	100	300	500	700
Salary Increments	0	0	0	100	200	300
Subtotal	0	0	100	661	1,221	1,782
Adjusted MTFP Position	12,350	13,468	13,000	15,595	17,038	17,748
Budget Proposals/Growth						
2020/21 Additional Items: Variations in Service	490	0	0	0	0	0
2021/22 Budget Proposal: Covid support and recovery	100	100	0	0	0	0
RISK: HCC Waste proposals (September 2019 notification)	0	0	0	350	350	350
Subtotal	590	100	0	350	350	350
Savings & Transformation Items						
Procurement Savings	(20)	(20)	0	0	0	0
Reversal of Deprivation/COMF Funded Activity	0	0	0	(80)	(80)	(80)
Savings and Transformation Team - UCR Funding	0	0	(250)	(250)	0	0
CREP - Non Asset Items	0	(278)	(578)	(1,167)	(1,167)	(1,167)
CREP - Property and Asset Items	0	0	0	(400)	(957)	(1,215)
Salaries monitoring	(50)	(50)	(200)	(200)	(200)	(200)
Subtotal	(70)	(348)	(1,028)	(2,097)	(2,404)	(2,662)
NET Savings or Growth	520	(248)	(1,028)	(1,747)	(2,054)	(2,312)
Proposed Net Revenue Budget	12,869	13,220	11,972	13,848	14,984	15,437

APPENDIX 1(CAB)

Medium Term Financial Strategy	2021/22 (£'000)	2021/22 Revised (£'000)	2022/23 (£'000)	2023/24 (£'000)	2024/25 (£'000)	2025/26 (£'000)
Proposed Net Revenue Budget	12,869	13,220	11,972	13,848	14,984	15,437
Funded by:						
Council Tax	6,928	6,928	7,212	7,450	7,692	7,938
Business Rates Retention	3,574	3,574	3,500	2,550	2,601	2,653
Lower Tier Services Grant	101	101	116	0	0	0
Services Grant	0	0	164	0	0	0
Transitional Funding assumption (BRR + LTSG)	0	0	0	616	366	0
New Homes Bonus (Legacy)	550	550	211	0	0	0
New Homes Bonus (Year 11, Year 12)	313	313	133	0	0	0
Covid Funding (Expenditure Pressures)	489	489	0	0	0	0
Covid Funding (Sales, Fees & Charges compensation)	100	137	0	0	0	0
Business Rates Deficit 2020/21	0	(9,294)	0	0	0	0
Transfer from Business Rates Reserve	0	9,294	0	0	0	0
Collection Fund - CT	23	23	(75)	(63)	0	0
Collection Fund - NNDR	(223)	(223)	(239)	(223)	0	0
TOTAL Funding	11,855	11,892	11,023	10,330	10,659	10,591
Core (Surplus) / Deficit	1,014	1,328	950	3,518	4,325	4,846

Table 1B: Funding Gap forecast in MTFS	2021/22 (£'000)	2021/22 Revised (£'000)	2022/23 (£'000)	2023/24 (£'000)	2024/25 (£'000)	2025/26 (£'000)
Draft Revenue Budget (before Savings)	12,939	13,568	13,000	15,945	17,388	18,098
TOTAL Funding	11,855	11,892	11,023	10,330	10,659	10,591
Funding Gap	1,084	1,676	1,978	5,615	6,729	7,507
Savings identified	(70)	(348)	(1,028)	(2,097)	(2,404)	(2,662)
Additional Cost Reduction and Savings Target			(500)	(2,500)	(3,000)	(3,500)
Additional Income Target						
Residual Funding Gap After Savings	1,014	1,328	450	1,018	1,325	1,346
Use of MTFS Equalisation Reserve	(1,014)	(1,328)	(450)	(1,018)	(1,325)	(1,346)
MTFS Equalisation Reserve Y/E Balance		2,415	1,965	947	(378)	(1,724)

CREP/Savings and Transformation Workstream detail

Cost Reduction or Savings Type	Detail	2021/22 Forecast (£'000)	2022/23 Forecast (£'000)	2023/24 Forecast (£'000)	2024/25 Forecast (£'000)	2025/26 Forecast (£'000)
Workstream 1						
Princes Hall	Commercial approach to Catering and Bar at Princes Hall, Charitable Funding	11	17	18	18	18
Leisure - Swimming Lessons	Transfer swimming lessons to new provider	60	60	120	120	120
Leisure - Lido	Review of Lido admission pricing	-	30	30	30	30
SERCO Contract Changes	Review of ornamental beds with potential to replace with shrubs/perennials, review of baskets/tubs	-	-	98	98	98
SERCO Contract Changes	Review of discretionary return collection for Waste & Recycling	-	7	14	14	14
SERCO Contract Changes	Review of weed control and grass cutting levels, shrubs and hedges	-	46	90	90	90
SERCO Contract Changes	Reduce grass cutting on roadside verges, fields and parks	-	65	100	100	100
SERCO Contract Changes	Stop or reduce cone-off cleaning of roads	-	-	19	19	19
Community Centre	Revised cleaning and booking arrangements for Blunden Hall	20	20	20	20	20
Fees and Charges	Introduction of Demolition Charges	3	3	3	3	3
Fees and Charges	Garden Waste fees increased in-line with contract costs	-	24	24	24	24
Fees and Charges	Bulky Waste charges increased in-line with contract costs	-	11	11	11	11
Fees and Charges	Charging for replacement waste receptables	-	6	23	23	23
Fees and Charges	Remote learning courses in Food Safety, Health and Safety	-	-	1	1	1
Funding	Utilise admin fee under Welcome Back Funding	4	-	-	-	-
Grant Funding *	Review of Grants to organisations	-	-	125	125	125
Regeneration	Capitalisation of Regeneration costs subject to eligibility criteria/evidence	100	100	100	100	100
Communications	Policy and Communication capacity across projects	5	8	10	10	10
ICT Efficiencies (1.3)	IT System savings	-	-	12	12	12
MARS/Workforce Planning	MARS and Workforce Planning review	20	57	151	151	151
Miscellaneous opportunities	Digital, Arena publication	-	1	44	44	44
Miscellaneous opportunities	Policy Budget - reduction in Supplies and Services	1	1	1	1	1
Subtotal Workstream 1		224	456	1,014	1,014	1,014

APPENDIX 2(CAB)

Cost Reduction or Savings Type	Detail	2021/22 Forecast (£'000)	2022/23 Forecast (£'000)	2023/24 Forecast (£'000)	2024/25 Forecast (£'000)	2025/26 Forecast (£'000)
Workstream 2						
Income Generation	Approach to Fixed Penalty Notices and Fly Tipping	4	5	5	5	5
Modernisation	Increase use of emails notification and automated notices for Revenues and Benefits service	-	36	36	36	36
Modernisation	Tree advice workflow	-	-	24	24	24
Modernisation	Review leasing arrangements of current vehicles - consideration of longer-term leasing contracts or purchase	-	20	20	20	20
Modernisation	Maintaining Tee information on a web-available database to improve work planning	-	18	24	24	24
Modernisation	Change of address – Integrated, tell us once service for people moving home	-	44	44	44	44
Subtotal Workstream 2		4	123	153	153	153
Regeneration	Additional Homes England Funding	218	-	-	-	-
Property Assets	Development of Vacant Sites - Frimley Business Park and Hawley Lane (subject to capital expenditure approval)	-	400	700	700	700
Property Assets	Development of assets to reduce risk of voids	-	-	257	515	515
TOTAL Savings & Transformation Savings		446	978	2,123	2,381	2,381
As recognised in MTFS		278	578	1,567	2,124	2,382
Difference		(168)	(400)	(557)	(258)	0

Note on Grant Funding

The position on Grant Funding for 2022/23 has not been finalised and members will be updated in due course.

CAPITAL PROGRAMME SUMMARY 2021/22 TO 2025/26

	Original Estimate 2021/22	Revised Estimate 2021/22	Anticipated Payments			
			Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
CAPITAL EXPENDITURE ON PORTFOLIOS						
Corporate and Democratic Services	-	74,498	-	-	-	-
Customer Experience and Improvement	148,000	148,000	0	0	0	0
Major Projects and Property	36,517,530	27,066,290	34,402,899	29,852,349	2,129,000	
Operational Services	1,844,450	3,813,404	2,300,510	1,215,510	1,215,510	1,215,510
Planning and Economy	-	-	-	-	-	-
Savings & Transformation/ICE Modernisation Programme	-	-	-	-	-	-
TOTAL CAPITAL EXPENDITURE	38,509,980	31,102,192	36,703,409	31,067,859	3,344,510	1,215,510
CAPITAL EXPENDITURE RESOURCES						
Revenue Contribution to Capital - General	-	-	-	-	-	-
Revenue Contribution to Capital - Improvement Grants	-	-	-	-	-	-
Total Revenue Contributions	-	-	-	-	-	-
Grants & Contributions from Other Bodies (see Grants & Conds Summary page)	9,237,500	2,844,260	7,520,000	20,000	20,000	20,000
Grants & Contributions - Improvement Grants	1,060,510	1,613,160	1,060,510	1,060,510	1,060,510	1,060,510
Section 106 Developers Contributions (see s106 Summary page)	51,670	51,670	0	-	-	-
	10,349,680	4,509,090	8,580,510	1,080,510	1,080,510	1,080,510
Capital Receipts & Borrowing - General Fund Schemes	28,160,300	26,593,102	28,122,899	29,987,349	2,264,000	135,000
Capital Receipts & Borrowing - Housing home improvement grant schemes	-	0	0	0	0	0
Total Capital Receipts & Borrowing	28,160,300	26,593,102	28,122,899	29,987,349	2,264,000	135,000
TOTAL CAPITAL FINANCING	38,509,980	31,102,192	36,703,409	31,067,859	3,344,510	1,215,510

GRANTS AND CONTRIBUTIONS SUMMARY 2021/22 TO 2025/26

Project Number	PROJECT	Original Estimate 2021/22	Revised Estimate 2021/22	Anticipated Payments			
				Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
	<u>General Fund - Grants & Contributions</u>						
6518	- Wheeled Bin Contributions (Developers & Householders)	20,000	20,000	20,000	20,000	20,000	20,000
6567	- Replacement Cremator (CAMEO)		948,564				
	- Moor Road - Recreation Ground Development (Sport England, PEBL, Landfill Tax)						
6613	- Parks and Open Spaces - Southwood Golf Course SANG Initial Setup		158,196				
6619	- Parks and Open Spaces - Heritage Trails	17,500	17,500				
	<u>Regeneration Projects</u>						
5407	- Union Yard (LEP and Housing Infrastructure Fund)	5,300,000	1,300,000	4,000,000			
	- Games Hub (LEP)						
5409	- The Galleries (Housing Infrastructure Fund)	3,400,000	400,000	3,000,000			
	<u>Activation Aldershot Projects</u>						
5404	- Project 2 Phase 6 - Station Forecourt Improvements (Local Growth Fund, HCC, South Western Railway)	500,000		500,000			
	Total General Fund Grants & Contributions	9,237,500	2,844,260	7,520,000	20,000	20,000	20,000
	<u>Housing Schemes - Government Grants</u>						
640050013	- Improvement Grants - Disabled Facilities Grants (Better Care Fund)	1,060,510	1,613,160	1,060,510	1,060,510	1,060,510	1,060,510
	TOTAL GRANTS & CONTRIBUTIONS	10,298,010	4,457,420	8,580,510	1,080,510	1,080,510	1,080,510

SECTION 106 DEVELOPERS CONTRIBUTIONS SUMMARY 2021/22 TO 2025/26

Project Number	PROJECT	Original Estimate 2021/22	Revised Estimate 2021/22	Anticipated Payments			
				Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
	<u>General Fund Schemes</u>						
6571	- Manor Park - Lake Improvements	49,170	49,170				
6619	- Park and Open Spaces - Heritage Trails	2,500	2,500				
	TOTAL SECTION 106 DEVELOPERS CONTRIBUTIONS	51,670	51,670	0	-	-	-

CORPORATE & DEMOCRATIC SERVICES PORTFOLIO SUMMARY 2021/22 TO 2025/26

1 of 1 Project Number	Project	Original Estimate 2021/22	Revised Estimate 2021/22	Anticipated Payments			
				Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
	FLEXIBLE CAPITAL RECEIPTS						
5299	Schemes funded by unallocated Capital Receipts		74,498				
	TOTAL	-	74,498	-	-	-	-

CUSTOMER EXPERIENCE & IMPROVEMENT PORTFOLIO SUMMARY 2021/22 TO 2025/26

1 of 1 Project Number	Project	Original Estimate 2021/22	Revised Estimate 2021/22	Anticipated Payments			
				Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
	COMPUTER SYSTEMS						
730540012	IT Equipment Replacement	70,000	70,000				
750040224	PCI Compliance (s)	10,000	10,000				
730740012	Telephony Replacement Project	35,000	35,000				
	COUNCIL OFFICES						
5329	Office Accommodation (s)	10,000	10,000				
5318	Improvement Programme	13,000	13,000				
5340	Electrical Generator Switch (s)	10,000	10,000				
	TOTAL	148,000	148,000				

MAJOR PROJECTS & PROPERTY PORTFOLIO SUMMARY 2021/22 TO 2025/26

1 of 1 Project Number	Project	Original Estimate 2021/22	Revised Estimate 2021/22	Anticipated Payments			
				Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
	ALDERSHOT TOWN CENTRE PROJECTS						
5409	The Galleries Regeneration (bc) (s)	3,400,000	400,000	3,000,000			
5404	Adlershot Forecourt Improvement	550,760		550,760			
	CIVIC QUARTER FARNBOROUGH						
5405	Civic Quarter Farnborough Development (bc) (s)	19,383,000	17,980,000				
5405	REGENERATION - Farnborough Leisure Centre demolition		1,339,000				
5405	REGENERATION - Farnborough Leisure Centre Feasibility and design work		64,000	2,000,000			
	HOUSING MATTERS						
5406	Housing PRS Delivery (bc) (s)	5,436,000	156,290	6,751,139	2,878,349		
	PROPERTY AND ASSETS						
tba	Tices Meadow		45,000				
tba	The Meads		250,000				
tba	Hawley Lane		25,000	500,000	12,000,000		

MAJOR PROJECTS & PROPERTY PORTFOLIO SUMMARY 2021/22 TO 2025/26

2 of 2 Project Number	Project	Original Estimate 2021/22	Revised Estimate 2021/22	Anticipated Payments			
				Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
	PROPERTY ENHANCEMENTS						
tba	Property Services Capital R&M schemes (bc)			500,000			
tba	Voyager House Fit Out		100,000				
tba	Ashbourne House			51,000	74,000		
tba	Frimley 4 Business Park Unit 4.3 Enhancement Works		117,000				
tba	Frimley 4 Business Park Unit 4.4 Enhancement Works			100,000	150,000		
5316	Devereux House Albert Road Farnborough	90,000	90,000				
	UNION STREET ALDERSHOT						
tba	Union Yard - Party Wall		300,000				
5407	Union Yard Aldershot Regeneration	7,657,770	6,200,000	20,950,000	14,750,000	2,129,000	
	TOTAL	36,517,530	27,066,290	34,402,899	29,852,349	2,129,000	

OPERATIONAL SERVICES PORTFOLIO SUMMARY 2021/22 TO 2025/26

1 of 2 Project Number	Project	Original Estimate 2021/22	Revised Estimate 2021/22	Anticipated Payments			
				Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
6507	CCTV Camera and Network	400,000		400,000			
6567	CREMATORIUM Replacement Cremators		948,564				
6517	DEPOTS Hawley Lane Development Works (s)	33,670	33,670				

OPERATIONAL SERVICES PORTFOLIO SUMMARY 2021/22 TO 2025/26

2 of 2 Project Number	Project	Original Estimate 2021/22	Revised Estimate 2021/22	Anticipated Payments			
				Estimate 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
6571	MANOR PARK Lake Improvements (s)	49,170	49,170				
	PARKS & OPEN SPACES						
6612	Unspecified Park Improvements		44,544				
6613	Southwood Golf Course SANG Setup		128,196				
6617	Southwood Golf Course SANG Wetland		30,000				
6618	KGV café conversion within the pavilion		50,000				
6619	Heritage Trails	20,000	20,000				
	PLAYGROUND WORKS						
6610	Recreation Ground Playground Renewal (bc) (s)		104,000				
	REFUSE/RECYCLING						
6518	Domestic Refuse - Wheeled Bins	100,000	100,000	100,000	100,000	100,000	100,000
6620	Domestic Refuse - Waste Containers and Liners Food Waste Vehicles	131,100	131,100 235,000	5,000	5,000	5,000	5,000
	SOUTHWOOD SANG VISITOR CENTRE						
tba	Southwood SANG Feasibility		75,000				
tba	Southwood SANG Visitor Centre and Café		201,000	685,000			
	IMPROVEMENT GRANTS						
640050013	Disabled Facilities Grants	1,060,510	1,613,160	1,060,510	1,060,510	1,060,510	1,060,510
640050022	Home Improvement Grants	50,000	50,000	50,000	50,000	50,000	50,000
	TOTAL	1,844,450	3,813,404	2,300,510	1,215,510	1,215,510	1,215,510

PLANNING & ECONOMY PORTFOLIO SUMMARY 2021/22 TO 2025/26

No Capital Schemes

STRATEGY FOR THE FLEXIBLE USE OF CAPITAL RECEIPTS 2022/23

The strategy has regard to the Guidance on the Flexible Use of Capital Receipts issued by the Secretary of State under section 15 (1)(a) of the Local Government Act 2003 during March 2016, including only those projects which are designed to generate ongoing revenue savings in the delivery of services and/or transform service delivery in a way that reduces costs or demand for services.

Projects included in the strategy support the Council's ICE Modernisation Programme and progress will be monitored regularly as part of the Council's review of performance against top line priorities and budget monitoring.

The Guidance on the Flexible Use of Capital Receipts allows set-up and implementation costs to be counted as qualifying costs, however the on-going revenue costs of new processes or arrangements cannot.

Only receipts from the disposal of capital assets received between 1 April 2016 and 31 March 2020 are eligible for use to fund qualifying costs of service reform. During 2016/17, a receipt of £500,000 was received to be fully utilised by the Flexible Use of Capital Receipts. A further capital receipt of £480,000 was received in 2017/18. There have been no capital receipts received between 2018/19 and 2020/21. A balance of £85,610 was held within Flexible Use of Capital Receipts at 31 March 2021. Capital Receipts of £750,000 have been received to date during 2021/22 although no decision has been taken as to the level of allocation to the Flexible Use of Capital Receipts.

As part of the Local Government Settlement, the Communities Secretary for Ministry of Housing, Communities and Local Government announced on 13 December 2018 that there would be a continuation of the capital receipts flexibility programme. Should future projects be identified alongside suitable asset sales, this will be presented in a revised strategy.

Service reform projects can still be financed in whole or in part from other sources e.g., the Service Improvement Fund. The Council is not obliged to fund these projects from capital receipts, however, on the adoption of this strategy, will have the option to do so.