

**P3 REVENUE BUDGET AND CAPITAL PROGRAMME MONITORING**  
**DRAFT OUTTURN REPORT 2021/22**

**SUMMARY:**

This report sets out the anticipated financial position for 2021/22, based on monitoring exercise carried out with budget officers during March 2022 and actual spend data from 01 April 2021 to 28 February 2022.

**RECOMMENDATIONS:**

CABINET is recommended to:

- i Note the draft outturn report and anticipated financial position for 2021/22 financial year with regard to the risks highlighted within the report, the latest revenue forecasts and impact on reserve balances;
- ii Note the update on in-year savings achieved in Section 5;
- iii Note the £250k assumed level carry forwards included in the draft outturn forecast for 2021/22. A detailed list of budget carry forwards will be presented to Cabinet approval along with the final outturn report for the year (subject to external audit).
- iv Approve that any unspent budgets from 2021/22 that contribute positively to the Council's General Fund are added to the MTFs Equalisation Reserve in order to contribute positively to the financial stability of RBC;
- v Note the latest Capital Programme position, as set out in Section 9.

**1 INTRODUCTION**

- 1.1 Covid-19 has continued to have a significant impact on local authority budgets nationally and considerably so for borough and district councils due to significant income loss from services in both 2020/21 and 2021/22.
- 1.2 This report updates members with the likely impact on the Council's finances and the anticipated draft outturn position for 2021/22. The purpose is to advise

members of known significant variations to budgets for the current financial year, highlight key risks and issues, and to inform members where action needs to be taken.

- 1.3 Due to the volume of information contained in the report, members are invited to refer questions on matters of detail to the report author and/or the appropriate Head of Service in advance of the meeting.

## 2 REVENUE BUDGET – FORECAST OUTTURN

- 2.1 The original net General Fund Revenue budget for 2021/22 was approved by Council at their meeting in February 2021 of £12.869m.
- 2.2 Additional changes to the budget were agreed by Council in February 2022, with a further change to correct the ICE Programme budget. Therefore, the latest budget is now £13.360m (an increase of £80k since February 2022). Table 1 below shows the reconciliation between the original budget and latest budget.

**Table 1: General Fund Revenue Budget reconciliation**

<b>General Fund Revenue Budget</b>	<b>2021/22 (£'000)</b>
Original Budget, Council Feb 2021	12,869
Add: Aldershot Lido (Cabinet 20/04/2021)	0
Add: Food Waste (Council, 24/06/2021)	90
Add: FLC Demolition (Cabinet, 08/06/2021)	20
Add: Crematorium Feasibility (Council, 07/10/2021)	75
Add: 2020/21 Budget carry forwards (*)	390
Add: Reserve Funded expenditure (**)	123
Add: Covid Grant carried forward (*)	156
Add: Supplementary Estimates <£20k	22
Less: Additional Transfers from Reserves (***)	(669)
<b>Latest Budget 31/12/2021</b>	<b>13,076</b>
<b>Revised Budget Adjustments (Council, 24/02/2022)</b>	
Revised Budget Changes (SRE)	2,500
Corporate Income & Expenditure	(1,244)
Net Change in Movement in Reserves	(774)
Savings Plan/CREP	(278)
<b>Subtotal</b>	<b>13,280</b>
ICE Budget Adjustment	80
<b>Latest Budget as at 31/03/2022</b>	<b>13,360</b>

- 2.3 Prior to consideration of provisional carry forwards the forecast for the General Fund is a net favourable variation of £0.642m (4.99% of the Net Revenue budget) as shown in Table 2. Assuming net carry forwards of £0.250m are approved the variation will be £0.392m (2.93%).

**Table 2: General Fund Revenue Budget Forecast (P3 2021/22)**

	2021/22 Original Budget (£'000)	2021/22 Latest Budget (£'000)	2021/22 Outturn Forecast (£'000)	2021/22 Variation (£'000)
<b>General Fund Revenue Budget</b>				
Corporate Services	5,184	5,927	5,700	(227)
Customer Experience & Improvement	55	217	26	(190)
Major Projects & Property	(5,434)	(4,156)	(4,150)	6
Operational Services	9,869	10,939	10,444	(495)
Planning & Economy	2,303	2,464	2,374	(90)
ICE Programme	536	579	567	(12)
<b>SUBTOTAL</b>	<b>12,513</b>	<b>15,969</b>	<b>14,961</b>	<b>(1,008)</b>
Less: Reversal of Accounting entries	(2,901)	(2,901)	(2,901)	0
<b>Net Service Revenue Expenditure</b>	<b>9,612</b>	<b>13,068</b>	<b>12,060</b>	<b>(1,008)</b>
Corporate Income & Expenditure	3,430	2,186	2,164	(22)
Expenditure Pressures	0	0	0	0
Forecast Risk/Adjustments	0	0	245	245
Movement in Reserves	(103)	(1,546)	(1,404)	142
Savings Plan/CREP	(70)	(348)	(348)	0
<b>Net General Fund Revenue Budget</b>	<b>12,869</b>	<b>13,360</b>	<b>12,717</b>	<b>(644)</b>
Funded by:				
Council Tax	6,928	6,928	6,928	0
Business Rates	3,574	3,574	3,574	0
New Homes Bonus	863	863	863	0
Covid-19 Emergency Funding	589	626	589	(37)
Lower Tier Services Grant	101	101	137	36
Other Funding	(200)	(200)	(200)	0
<b>TOTAL Funding</b>	<b>11,855</b>	<b>11,892</b>	<b>11,891</b>	<b>(1)</b>
<b>Core (Surplus) or Deficit</b>	<b>1,014</b>	<b>1,468</b>	<b>826</b>	<b>(642)</b>
Carry Forward (Provisional)			250	250
				0
<b>Balanced by:</b>				0
General Fund Balance				0
Service Improvement Fund				0
Workforce Reserve				0
MTFS Equalisation Reserve	(1,014)	(1,468)	(1,076)	392
<b>Core Surplus or Deficit after Transfers</b>	<b>0</b>	<b>0</b>	<b>(0)</b>	<b>(0)</b>

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

2.6 The main variations on the revenue budget are outlined below by portfolio in line with the Table 2 General Fund Revenue Fund variances above.

### **Corporate Services - £227k net underspend**

As a whole, Corporate Services are anticipating a final, year-end outturn underspend of 227k from the following services:

#### **117k underspend on Finance budgets** arising from:

- A **43k underspend on Internal Audit** function primarily due to 55k underspend on direct staffing due to maternity offset by 12k overspend on Agency costs on introduction fee for the Interim Head of Internal Audit.
- **Corporate Finance underspend of 30k** on direct staffing due to vacancies within the team, which are currently in the process of being recruited to.
- **64k net other underspends across** several cost centres predominantly:
  - A 14k underspend on Finance Support Services staffing due to staffing vacancies underspend of 72k, offset by additional recruitment/interim costs of 26k and Grant Thornton CREP support of 30k.
  - Council Tax and Business Rates Collection underspends of 27k on direct staffing and contract staff costs;
  - 12k underspend on Treasury Management brokers fees and net other minor underspends of 10k.
- The above underspends are forecast to be **offset by a 20k overspend on Rent Allowances** primarily due to 19k overspend on additional discretionary Test and Trace Payments, which will be covered by income from reserves.

#### **57k underspend on the Democracy, Strategy and Partnerships** comprises:

- A **28k underspend by Democratic Services** mainly due to 19k underspend on Local Election costs which the Head of Service has requested to be transferred to reserves as this was an allocation for the 2021 elections. The external accounts are yet to be agreed and this may be needed to fund the additional costs incurred in 2022/23.

- A **29k Strategy and Partnerships underspend** due to: 14k of additional LRC income for Covid response (which is likely to be transferred into reserves at year end); an 8k underspend on Lunch Club payments; and net other minor underspends of 7k.

**25k Strategy and Communications underspend** includes:

- A 16k underspend on Communications with an 8k underspend on Council Magazine and Website Support costs (4k each respectively); a 5k underspend on Public Relations and Citizen Engagement; and net other minor underspends of 3k.
- A 10k underspend on Corporate Policy because of a 10k underspend on direct salaries and includes a 10k carry forward request for Procurement costs into 2022/23 and is offset by net other minor overspend of 1k.

**22k Human Resources underspend** primarily due to: 16k underspend on staffing; an 8k underspend on Training due to additional budget added in 2021/22 per 2020/21 budget holder request that not required in the year; and offset by 2k net other minor overspends.

**Customer Experience and Improvement (CE&I) - £190k net underspend**

CE&I are anticipating an overall underspend of 190k before carry forward requests are proposed at year end for ELT review and Cabinet approval.

**145k IT Service underspend** because of:

- A **136k underspend on the IT Cloud Telephony** budget as the corporate Teams telephony project has just started. There is 87k in 2022/23 budget for this project and the Head of Service will be requesting a carry forward into 2022/23 from the underspend this year. Detailed workings for the project costings in 2022/23 have been requested by Finance to support the carry forward request and that will be spent in full in 2022/23. In the absence of this, the budgetary requirement to complete the work can be addressed through budget setting and the MTFS for 2022/23+.

The Cloud Telephony project will be delivered over the next 2 financial years with budget allocated in 2022/23 and 2023/24. A review of the total

project costs should be undertaken with a view to confirming whether a proportion of the underspend can be released.

- **49k favourable variance due to additional DLHUC Cyber Security grant** received in year. This will be transferred into reserves at year end, in line with the grant conditions which stipulate that: "Funds should be used to improve cyber resilience at councils. If there is any remaining balance, please ensure it is used for this purpose."
- **27k underspend on Security Testing** despite increase in security testing required to adhere to government requirements and move to cloud-based application delivery.
- **58k overspend on temporary staff** for Application Support and IT Service Desk as Consultant project resource engaged rather than additional temporary staff employed.
- Offset by **9k net other minor overspends** on IT budgets.

#### **34k underspend on Council Offices**

- Whilst there is no single variance on Council Offices greater than 20k, the main variances are: an Electricity underspend of 17k due to Covid and reduced office occupancy; a 12k underspend on temporary staff; and a 7k underspend on Trade refuse due to less skips being required. These underspends are offset by 2k net other overspends.

In addition to the above major variances, there are **11k net other underspend** across Customer Services, the Printing Unit and Facilities.

#### **Major Projects & Property (MP&P) - £6k net overspend**

Overall, MP&P budgets are showing a small overspend of 6k, however, within this there are significant variations on:

#### **Regeneration – net overspend of 48k due to:**

- **36k overspend on Aldershot Regeneration:** primarily due to 70k overspend on Consultancy fees to support the wider Regeneration

Programme including elements of Union Yard; a 21k overspend on direct staffing and offset by a 54k underspend on the Digital Hub; and 1k of income that was not budgeted for towards the Apprentice role within the Team.

- **25k overspend on Farnborough Town Centre Regeneration** cost centre consultancy fees for the Interim Head of Development.
- Offset by **net other nominal underspends of 13k**.

**Property – net underspend of 49k** due to several material overspends and underspends. The major Property variances are:

- **105k under-recovery of income on 35/39 High Street Aldershot** This variation relates to the under-recovery of prior year's rental income and service charges which has accrued from previous financial years but has not been invoiced. It is unlikely this will be recovered and therefore will not be accrued further – this will show as an adverse variation in-year.
- **Wellesley House 41k overspend** owing to: 47k overspend on service charges falling due to RBC during the year (the service charges are now the Landlord's responsibility due to tenant moving out and which were backdated and charged to the Council due to non-payment by the previous tenant); offset by 6k over-recovery of income from service charges and rents received.
- **26k Town Centres overspend** arising from: 13k overspend on additional Council Tax costs for several properties without tenants and where the Council Tax costs have come back to RBC to pay; 11k overspend on temporary staffing costs, which partially offset by 2k underspend on direct staffing budget; offset by minor other overspends totalling 4k.
- **20k overspend on Building Services Support** solely from the costs of contract staff who cost a higher daily rate than the permanent staff salary budget allows for.
- **47k net other overspends across Property budgets** (17 cost centres) that fall below the 20k materiality threshold set to report on for major variances.

- **68k underspend on Property & Major Works Programme costs** due to a 50k underspend on Consultancy Fees and 18k underspend on Feasibility costs as spend for feasibility studies and consultancy at Frimley and Hawley were not spent in year. The Head of Service will be submitting a carry forward request estimated to be 20k as part of year end, for review by ELT and Cabinet approval.
- **98k underspend/favourable variance on Ashbourne House, Voyager House, and Frimley Business Park** due to:
  - **50k underspend on Frimley Business Park General Repairs and Maintenance** budget with no spend incurred in year, including from 20k carried into 2021/22 from 2020/21.
  - A **39k favourable variance from Voyager House** electricity costs recharged to the CCG as other income.
  - **34k underspend on Ashbourne House Services charges** budget which includes an adjustment of estimated service charge costs from Avison Young that was shared with RBC on 23rd March.
  - **20k overspend on Frimley Business Park temporary staffing** costs due to contract staff working at a higher daily rate than permanent staff salary budget allows for.
  - Offset by 5k of net other minor overspends.
  - **For Ashbourne House and Frimley Business Park there remains a 150k risk due to late information from Avison Young in relation to service charges for the two properties** which the Head of Service and Accountant are meeting with AY and LSH to resolve in advance of year end.
- **47k underspend on 168 High Street Guildford** arising from: a 54k underspend on general repairs and maintenance which includes 30k of miscoded spend from Rushmoor Property Repairs and Maintenance codes, offset by net other overspend of 7k. The Head of Service will be requesting a £20k carry forward as part of year end for ELT review and Cabinet approval.



- **46k underspend on Rushmoor Properties** because of: 64k underspend on feasibility studies; 33k underspend on responsive repairs and maintenance; which are offset by a 33k overspend on contract staff and 23k on temporary staff; and net other nominal underspends of 5k.
- **29k favourable variance on 252 Ash Road** in Aldershot due to income recovery more than budget as when the budget was set a downward rent review was reasonably expected, however the time taken in resolving the legalities of this, and which are currently, ongoing the actual rent received was higher than budgeted for.

### **Other Highways overspend of 52k**

- This is primarily due to under-recovery of Engineering Fee income of 58k and offset by net other underspends of 6k.
  - Due to Covid, the usual income from work for HCC has reduced with under 5k income invoiced.
  - This has been managed in part by work completed by the Team on Southwood Country Park (SCP) work, which the Project Accountant and Accountant are reviewing with the Head of Service to confirm what can capitalised.
  - The forecast outturn includes an estimate of this subject to the validation and confirmation of the costs and time involved on works at SCP.

### **Maintenance Team underspend/favourable variance of 30k** because of:

- 24k additional income from Maintenance work completed internally for RBC and at a better value for money cost than external contractors; and 6k of net other favourable income variances/underspends.

MP&P major overspends, and underspends as detailed above, are **offset by 9k of net other nominal underspends**.

### **Operational Services - £495k net underspend**

Operational Services have underspend by £495k due to several service budget underspends:

- **242k underspend on Commercial Services** with major variances on:
  - 87k favourable variance on Princes Hall mainly because of: 70k of additional Lettings income from the Vaccination Centre contract being extended and more hirings business than anticipated post-Covid; and net other underspends of 17k.
  - 83k Parking Management underspend mainly as a result of: an error in the formula applied to set the budget for the amount due to HCC of 96k (which has been corrected for 2022/23); and offset by 25k under-recovery of Parking Fines income due to loss of CEO member of staff and 12k net other underspends and favourable income variances.
  - 55k underspend on the Crematorium primarily due to: 43k Crematorium feasibility study underspend against the 75k budget which was approved in February 2022; and 20k of additional income from Cremations on the revised income budget; and offset by net other minor adverse variances of 8k.
  
- **85k Place Protection underspend** is primarily due to:
  - **65k underspend on CCTV** cost centre from: a 75k CCTV underspend on the 75k Decommissioning budget which was approved in February 2022. This has led to a 75k carry forward request for the CCTV Decommissioning work into 2022/23 (subject to ELT review and Cabinet approval); an 18k overspend on IT strategy/project management in relation to the plan for decommissioning; and 8k net other underspends.
  - In addition to the above, there are **20k of net other minor underspends** across several Place Protection budgets.
  
- **65k underspend on Place** arising from:
  - **110k Parks and Receptions Grounds underspend** caused by:
    - A 28k underspend on Playground apparatus as vandalism levels were low in the year and there was insufficient staff resource to undertake any additional works other than necessary and urgent repairs.
    - 20k over-recovery of income, primarily 11.5k of additional Parks and recreation licences.

- 17k underspend on direct salaries due to sickness absence and vacancy.
  - 17k underspend on general repairs and maintenance owing to lack of staff resources to initiate and process proactive works.
  - and net other minor underspends on expenditure budgets of 28k.
- **45k underspend on Street Cleansing** due to a 14k underspend on fly tipping costs; 10k underspend on non-routine highways works; 8k underspend on Specialist cleaning as none was required in the year; and net other underspends of 13k.
- **32k Environmental Health and Housing overspend** – this is primarily on direct staffing which will be corrected when staffing journal has been completed to allocate the staffing costs to correct cost centres.
- **26k overspend on Recycling** due to a 35k overspend on direct staffing costs and offset by net other minor underspends of 9k,
- **33k net other minor overspend** on other Place budgets (13 cost centres).
- **48k Housing Services underspend** has arisen because of:
  - A 35k underspend on Housing Strategy project budget with carry forward requested into 2022/23 for multi-year project. 5k has been spent in 2021/22 of the approved 40k project budget, with original Head of Service expectations that the project would run for more than one financial year. Carry forward request will be subject to year-end closing of the accounts and ELT review and Cabinet approval.
  - Offset by 13k of net other minor underspends.
  - 44k underspend on Other Operational Services from: a 33k underspend on the Health Support Service underspend on direct staffing; and net other minor spends of 11k.
- **10k net other nominal underspends.**

## Planning and Economy - £90k net underspend

The 90k underspend is primarily due to:

- A **52.5k underspend on Town Centre Management** because of: 24k savings due to reconfiguration of Town Centre Management; a 12k underspend on the marketing and promotion; 9k vacancy saving on the direct staffing budget, and a 7k favourable variance on the high street re-opening after Covid.
- **32k underspend Economic Development due to:** 23k underspend on Economic Development Promotion as the carry forward was absorbed in the Local Plan due to delays in Government legislation; 13k underspend on grants paid out to Business Support; offset by 4k net other nominal overspends.

## ICE Programme - £12k net underspend

The initial ICE Programme outturn forecast was for a 12k underspend, however due to the latest update from the ICE Programme Manager, it is now expected that the 547k programme budget for 2021/22 will be fully spent for the year.

**Table 4: Corporate Income & Expenditure**

	2021/22 Original Budget (£'000)	2021/22 Latest Budget (£'000)	2021/22 Outturn Forecast (£'000)	2021/22 Variation (£'000)
<b>Corporate Income &amp; Expenditure</b>				
Minimum Revenue Provision (MRP)	2,457	2,457	2,457	0
Interest Receivable	(1,090)	(1,000)	(1,000)	0
Interest Payable	795	300	258	(42)
Service Loans to Housing Company	(186)	(20)	0	
Other CI&E	349	349	349	0
Cabinet/Council decisions	0	0	0	0
Additional Items/Growth	1,105	100	100	0
<b>TOTAL CI&amp;E</b>	<b>3,430</b>	<b>2,186</b>	<b>2,164</b>	<b>(42)</b>

Please see section 4 for Treasury management explanations in relation to the key variations in table 4 above.

### **3. COMMERCIAL PROPERTY PORTFOLIO**

- 3.1 The Council's asset management advisors, Lambert Smith Hampton Investment Management (LSHIM) have reported that property investment portfolio shows favourable rent collection rates under the current Covid rent collection restrictions that were in place until March 2022.
- 3.2 The risk to the portfolio, in terms vacancies, has been around the properties that are recommended for disposal or the office sector, where uncertainties around future levels of occupation have led tenants to serve notices to end or break tenancies. The mitigation work being carried out is to lower risk by actively managing and engaging with tenants and looking at the future options of assets to maintain or enhance income through site development.
- 3.3 Commercial Property income has remained robust, but challenges remain over the financial year. The next quarter day is in June 2022 given inflationary cost pressures, changes to disposable income, and fluctuating economic/trading conditions Covid remains a factor with high infection rates. Protections that have been in place around commercial tenants remained in place until March 2022.
- 3.4 The in-year impact on income from the Commercial Property portfolio will be met from the Commercial Property reserve, with the budget setting process for 2023/24 considering the impact across the medium-term.

#### **4. TREASURY MANAGEMENT – INVESTMENT INCOME AND BORROWING**

- 4.1 As reported to members throughout 2020/21 Treasury management income from the Council's investments was adversely impacted by the uncertainty in global financial markets. As outlined in the Treasury Management Strategy, the Council invests its surplus balances generating an income return of over £1m per annum. The Strategy sets out that the Council aims to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.
- 4.2 The Council has two broad classes of investments – Money Market Funds (where balances are held for short periods until required) and Pooled Funds.
- 4.3 The Bank of England have raised the base rate twice since the start of the calendar year from 0.25% to 0.75% in response to inflationary pressures in the economy. The base rate increases have not had a material impact on the Council's investment income from Money Market Funds.
- 4.4 The Council holds a more significant element of its surplus balances in Pooled Funds. At the time the budget was set in February 2021 the performance of the Council's Pooled Funds had recovered significantly from the initial downward assessment made in Q1 2020/21. Whilst the economic recovery from the coronavirus pandemic has continued, there remains some economic uncertainty as support schemes such as furlough ended, and inflationary pressures continue.
- 4.5 The Council has £100m of external borrowing that has been utilised to support the Capital Programme (a net reduction of £2m). Whilst borrowing costs have remained low, the Council will need to assess its borrowing position over the coming months with particular reference to the profile of borrowing required for the Union Yard scheme that Council approved at their meeting on 29 July 2021. With both short-term and longer-term PWLB rates significantly above where they were in the latter half of 2021, there will be a need plan carefully any borrowing need in the new financial year.
- 4.6 The budget monitoring outturn forecast indicates a reduced borrowing requirement and a reduced cost of borrowing during the year gives rise to a forecast underspend on Interest Payable of £42k. Investment income is expected to be in-line with the revised budget as a cautious view on Pooled Fund performance for the remainder of the year was forecast.

## 5. 2021/22 SAVINGS PLAN UPDATE

- 5.1 The P2 outturn forecast that was reported in January 2022 assumed that the savings included within the MTFS would be fully delivered in 2021/22. This is updated below for the anticipated actual delivery of savings as at P3.
- 5.2 Table 5 below shows the overall delivery anticipated for 2021/22 against the revised savings targets identified through CREP/Savings and Transformation Programme. (Note: Investment income received from Rushmoor Homes has now been included within the Corporate Income and Expenditure element of the budget.)

**Table 5: Savings Plan Forecast 2021/22**

	2021/22 Original Budget (£'000)	2021/22 Latest Budget (£'000)	2021/22 Outturn Forecast (£'000)	2021/22 Variation (£'000)
<b>Savings Plan</b>				
Procurement Savings	(20)	(20)	(20)	0
CREP Savings	0	(278)	(278)	0
Salaries monitoring	(50)	(50)	(50)	0
<b>TOTAL Savings Plan</b>	<b>(70)</b>	<b>(348)</b>	<b>(348)</b>	<b>0</b>

- 5.3 Members will be kept informed of CREP/STP savings delivery in 2022/23 in the regular financial reports.

## 6. GOVERNMENT FUNDING, COUNCIL TAX AND BUSINESS RATES

- 6.1 As part of the 2021/22 Local Government Finance Settlement the Government provided additional funding to support Councils with expenditure and income loss due to the coronavirus pandemic.
- 6.2 Rushmoor's allocation for 2021/22 is £0.489m of funding and this was included in the Revenue budget as approved by Council in February 2021.
- 6.3 In addition to the additional Covid expenditure funding the government extended the Sales, Fees and Charges income loss scheme into Q1 of 2021/22. Where losses are more than 5% of a Council's planned income from sales, fees and charges, the Government will cover 75% of these losses. The claim for the

period was for £137k and this is reflected in the General Fund revenue budget forecast. No further income loss scheme is anticipated.

6.4 Covid-19 has several implications for the Council's Council Tax and Business Rate income as detailed in sections 6.5 to 6.8 below:

6.5 At the time of writing this report, the draft Council Tax collection rate for 2021/22 was 97.89%, with the equivalent figure from 2020/21 being 96.80%. This reflects both an improved collection rate for the year, a greater cash collected amount, and an increase in the level of prior year Council Tax collected. Prospects for 2022/23 remain uncertain. Whilst the performance in 2021/22 is positive, inflationary pressures and cost of living concerns may present the Council with a challenging collection environment.

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

6.7 As highlighted in previous reports, it will take some time for the impact from Covid on business rates income to unwind. At the time of writing the outturn report, the relevant accounting treatment has been applied to ensure the General Fund revenue budget is protected in the current year. Further work will be undertaken over the coming months to work through the implications on the Council's MTFS.

6.8 At the time of writing this report, the draft Business Rates collection rate for 2021/22 was 98.5%, with the equivalent figure from 2020/21 being 96.80%. The Council has paid out 7,643 Business Rates grants over the last 2 years to support local businesses totalling £29.049m.

## **7. RESERVES AND BALANCES**

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



- 7.2 However, the level of the MTFS Equalisation Reserve reduced at the end of 2020/21 and is forecast to reduce further in the current financial year. To set a balanced budget for 2021/22, there is a planned transfer of £1.328m (Original Budget £1.014m) from the MTFS Equalisation Reserve. Subsequent changes increase the level of MTFS Equalisation reserve transferred to the General Fund Revenue Budget to £1.468m – an increase of £0.454m. The outturn forecast indicates that the level of transfer will be £1.076m.
- 7.3 This is not a sustainable position going forward and the Council will need to review the level of MTFS Equalisation Reserve forecast to be held over the MTFS period.
- 7.4 Table 8 below shows the forecast of the impact on the key reserves supporting the General Fund revenue budget. The forecast has been amended to reflect the updated outturn position only. It is likely that the level of specific earmarked reserves will change from those indicated in the table below as the final outturn position will inform the level of reserve-funded expenditure.

**Table 8: Reserves and Balances Forecast**

	<b>SOA Balance as at 31/03/2021 (£'000)</b>	<b>Estimated Balance 31/03/2022 (£'000)</b>
<b>Earmarked Reserve</b>		
COVID BRR Earmarked Reserve	10,812	265
Stability and Resilience Reserve	4,577	
Business Rates Equalisation Reserve	-	2,500
MTFS Equalisation Reserve	-	2,807
Negative Balance of MTFS Equalisation *		
Service Improvement Fund	129	-
Commercial Property Reserve	1,750	1,362
Regeneration, Property & Major Projects	357	536
ICE Reserve	-	-
Climate Emergency Reserve ***	239	120
Deprivation Strategy Reserve ****	94	133
Pension Reserve	669	1,487
Workforce Planning Reserve	200	100
Treasury Earmarked Reserve	400	220
Covid-19/Recovery Grant reserve	393	98
CPE Rolling Fund	281	281
Budget Carry Forwards	390	-
All Other Earmarked Reserves (excluding SANG/s106) **	2,796	1,997
Commuted Sums/Amenity Areas	3,973	3,935
TAG Environmental Fund	96	96
<b>Total of all Earmarked General Fund Reserves</b>	<b>27,156</b>	<b>15,937</b>
<b>Excluding SANG/S106/TAG &amp; BRR</b>	<b>12,275</b>	<b>11,641</b>

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

## 8. RISKS AND UNCERTAINTIES

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

- 8.2 The risks and uncertainties are highlighted in this section as the impact on the Council's financial position has not been included within the outturn forecast. Whilst the issues discussed below remain a risk or uncertainty, they could have a material impact on the Council's finances.
- 8.3 Changes to the Council's Waste and Recycling services were implemented in the second half of 2021. These were agreed by Council at their meeting in July 2021 but the forecast of the net change to the cost of the service will be based on estimates and assumptions. Close monitoring of the contract and cost changes from the new service will be required to inform members of the financial impact of the change. The outturn forecast has assumed that these changes are cost neutral in revenue terms, although a reconciliation of income and expenditure of the changes on the contract will need to be undertaken in April 2022.
- 8.4 The Council started a new contract with Places Leisure for a 3-year period covering the provision of leisure services at Aldershot Pools and the Lido. Under the terms of this contract, the Council is exposed to greater financial risk should the net cost of service provision exceed the estimates contained within the report to Cabinet and Council in February 2021 (Report No. OS2101)
- 8.6 The over-riding risk is that Rushmoor (as a Borough and/or as a Council) does not fully recover from the impact of Covid-19 and inflationary pressures on expenditure cannot be mitigated adequately. This would lead to a weakening of the local economy longer-term impact on the financial sustainability of the Council reduce the ability for the Council to meet the needs of residents and businesses, and to fulfil the Council's statutory obligations.

## **9. CAPITAL PROGRAMME MONITORING UPDATE P3 2021/22**

### **9.1 INTRODUCTION**

9.1.1 This section updates Members on the latest forecast regarding the Council's Capital Programme for 2021/22.

9.1.2 There are some projects of material financial significance included in the Council's approved Capital Programme for 2021/22. These projects are:

- Regeneration - Aldershot;
- Regeneration - Civic Quarter;
- Replacement cremators; and,
- Housing PRS.

### **9.2 BACKGROUND**

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

9.2.2 A summary of the overall position is shown in the tables below.

### 9.3 CURRENT POSITION

9.3.1 The Council approved the Capital Programme of £38.510m on 20 February 2021 and was revised to £31.102m at the Council Meeting on 24 February 2022. Based on the budget monitoring process Table C1 shows the reconciliation of budget changes together with the projected actual capital expenditure for the year 2021/22.

**Table C1: Analysis of capital expenditure and approved budget 2021/22**

	<b>£'000</b>
Total approved budget for the year 2021/22*	38,510
Plus: Additional budget approvals made for the year 2021/22 **	611
Slippage form 2020/21	2,176
<b>Revised Estimate changes (Council, 24/02/2022)</b>	<b>(10,195)</b>
<b>Total approved budget for 2021/22</b>	<b>31,102</b>
<b>Actual expenditure at 31/03/2022 ***</b>	<b>7,864</b>
<b>Forecast capital expenditure for the year ***</b>	<b>8,864</b>
<b>Net favourable variance (against approved budget)</b>	<b>tbc</b>
Projected Slippage/(Pre-spend) to 2022/23 ****	tbc

Table contains roundings

\* As reported to Cabinet in the Revenue Budget, Capital Programme and Council Tax report FIN2106 (20/02/2021)

\*\* Cabinet Reports RP21035 (08/06/2021)

\*\*\* Expenditure as at 31 March 2022 with an assumed accrual of £1m of expenditure recorded in 2022/23 for Union Yard but final figure will be subject to confirmation and review of accruals.

\*\*\*\* Projected slippage to be considered in context of capital programme for 2022/23.

9.3.2 Table 2 shows the actual expenditure and an estimated outturn forecast for each scheme with a Portfolio summary of all approved projects. A detailed review of capital expenditure and year-end adjustments will be undertaken by the finance team in consultation with Heads of Service and Service Managers. Narrative on the capital programme scheme variations has not been included in this report given the need to review capital expenditure and financing and will be included in the outturn report to Cabinet in July 2022.

**Table C2: Capital Programme Outturn Forecast**

Portfolio/Scheme	2021/22 Original Estimate (£'000)	2021/22 Revised Estimate (£'000)	2021/22 Actual Expenditure (£'000)	2021/22 Forecast Outturn (£'000)	2021/22 Forecast Variance (£'000)
<b>Corporate Services</b>					
Flexible Use of Capital Receipts	0	74	45	45	(29)
<b>Subtotal CS</b>	<b>0</b>	<b>74</b>	<b>45</b>	<b>45</b>	<b>(29)</b>
<b>Customer Experience &amp; Improvement</b>					
Computer Systems	115	115	(2)	(2)	(117)
Council Offices	33	33	9	9	(24)
<b>Subtotal CE&amp;I</b>	<b>148</b>	<b>148</b>	<b>7</b>	<b>7</b>	<b>(141)</b>
<b>Major Projects &amp; Property</b>					
Aldershot Town Centre Projects	3,951	400	313	313	(87)
Civic Quarter Farnborough	19,383	19,383	987	987	(18,396)
Housing Matters	5,436	156	54	54	(102)
Property and Assets	0	320	13	13	(308)
Property Enhancements	90	307	35	35	(272)
Union Yard Aldershot	7,658	6,500	4,779	5,779	(721)
<b>Subtotal MP&amp;P</b>	<b>36,518</b>	<b>27,066</b>	<b>6,181</b>	<b>7,181</b>	<b>(19,885)</b>
<b>Operational Services</b>					
CCTV	400	0	9	9	9
Crematorium	0	949	31	31	(917)
Depots	34	34	0	0	(34)
Manor Park	49	49	0	0	(49)
Parks & Open Spaces	20	115	48	48	(66)
Southwood SANG set-up	0	158	341	341	183
Playground Works	0	104	100	100	(4)
Refuse/Recycling inc Food Waste	231	466	299	299	(167)
Southwood SANG Visitor Centre	0	276	74	74	(202)
Improvement Grants	1,111	1,663	708	708	(955)
<b>Subtotal OPS</b>	<b>1,844</b>	<b>3,813</b>	<b>1,611</b>	<b>1,611</b>	<b>(2,203)</b>
<b>Planning &amp; Economy</b>					
No Capital Schemes					
ICE-related schemes	0	0	20	20	20
<b>TOTAL Capital Programme</b>	<b>38,510</b>	<b>31,102</b>	<b>7,864</b>	<b>8,864</b>	<b>(22,238)</b>

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

9.3.4 Up to the reporting period actual expenditure is £7.94m. A broad assumption has been made for the purposes of this report of a further £1m of capital expenditure in the year predominantly as part of Union Yard regeneration

scheme. Therefore, £8.94m is forecast as the outturn position – a potential underspend of £22.238m. This is significant and indicates a degree of over estimation or unrealistic expectations of scheme delivery.

9.3.5 Given the level of underspend projected for 2021/22, consideration will be given to the appropriate level of capital slippage. At the time of writing this report it is anticipated that capital slippage will be limited to those schemes under contract.

9.3.6 The Council's capital programme has been underspent in previous financial years and has been subject to significant amendment between original and revised budgets and the approach to capital scheme budgeting and estimation will be reviewed by the Executive Head of Finance given the wider revenue and treasury management implications.

#### **9.4 REVENUE EFFECT OF CAPITAL PROGRAMME AND CAPITAL CONCLUSIONS**

9.4.1 Movement in the capital programme between years will impact on interest costs and MRP cost in the year in which budget was allocated.

### **10 LEGAL IMPLICATIONS**

10.1 No additional legal implications arise from this report.

### **11. FINANCE AND RESOURCE IMPLICATIONS**

11.1 The finance and resource implications arising from the draft outturn position for 2021/22 are set out within this report, and any additional financial implications will be addressed through the normal Council procedures and processes.

11.2 The Council needs to continue to carefully consider the financial impact of spending decisions and to ensure that unnecessary expenditure is avoided.

## **12. CONCLUSIONS**

- 12.1 There will always be variances reported in-year against budgets due to the Council adapting its priorities to manage inevitable changes in demand pressures and having a flexible approach to changing circumstances. The Council will need to ensure budgets are monitored closely over the coming months and focus on high-risk income and expenditure service areas. Future updates to Cabinet must set out the management action that is available to address any adverse variation and any other action that can be taken to mitigate the impact on the Council's wider financial position.
- 12.2 It is important that the Council considers an appropriate range of options to ensure any shortfall is managed. Any utilisation of reserves in 2021/22 will need to be addressed in the budget strategy to ensure balances and reserves remain adequate.
- 12.3 The forecast variation of £0.392m will be funded from reserves in the short term. The Council is committed to several significant projects such as Union Yard Regeneration scheme and needs to ensure the financial and resource impacts are identified, monitored, and reported to members. It is important that the Council considers an appropriate range of options to ensure any shortfall is managed. Any utilisation of reserves in 2021/22 and 2022/23 will need to be addressed in the Budget Strategy for 2023/24 to ensure balances and reserves remain adequate.
- 12.4 Over the MTFS period, reduced levels of Council Tax and Business Rates income may put additional pressure on the Council's financial position. The achievement of the Savings Plan is integral to the MTFS forecast and will need to be reviewed in terms of savings profile and whether the savings can be delivered in the current economic climate. It is likely that further savings will be required over the MTFS period to balance the budget.

### **BACKGROUND DOCUMENTS:**

None

### **CONTACT DETAILS:**

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