

FINAL REVENUE AND CAPITAL OUTTURN 2021/22

SUMMARY:

This report provides an update to Cabinet on the progress that has been made since the Draft Outturn Update Report was presented in July 2022. Year-end processes have been completed with the final outturn position presented here for review and approval by Cabinet. It is worth noting that the final outturn position is subject to the audit of the Council's Annual Statement of Accounts by the external auditors.

RECOMMENDATIONS:

CABINET is recommended to:

- (i) Note the final outturn position for 2021/22 since the FIN2220 and FIN2221 reports to Cabinet in April 2022 and July 2022.
- (ii) Approve the final the carry forward balances (no changes since the draft outturn position) as detailed in Table 3 of the report.
- (iii) Approve the final transfer to and from the earmarked reserves and General Fund Balance as set out in Table 6 and paragraphs 3.19 to 3.23.
- (iv) Approve the final Capital Slippage from 2021/22 to 2022/23 as set out in Table 6a of the report.
- (v) Note the final Capital Programme outturn for 2021/22 as shown in Table 6b of the report.

1 INTRODUCTION

- 1.1 Cabinet have considered two reports on the draft outturn for the financial year 2021/22 at their meetings in April and July 2022. This report provides members with the final outturn position on Revenue and Capital budgets. It is worth noting

that the final outturn position is subject to the audit of the Council's Annual Statement of Accounts by the external auditors.

- 1.2 Section 2 below provides a high-level update on the revenue cost of services and Section 3 provides members with the outturn position on the Non-Service budgets, funding, etc. Section 4 provides members with an overview of the Capital Programme Outturn.

2 FINAL OUTTURN (SERVICE REVENUE EXPENDITURE)

- 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, and additional changes made to the budget by Council in February 2022, were reported on in the April 2022 Q3 anticipated draft outturn report. The final budget for the year was £13.386m.

Table 1: General Fund Revenue Budget Reconciliation

	2021/22
General Fund Revenue Budget	(£'000)
Original Budget, Council Feb 2021	12,869
Add: Food Waste (Council, 24/06/2021)	90
Add: FLC Demolition (Cabinet, 08/06/2021)	20
Add: Southwood Visitor Centre (Council, 29/07/2021)	0
Add: Crematorium Feasibility (Council, 07/10/2021)	75
Add: 2020/21 Budget carry forwards (*)	390
Add: Reserve Funded expenditure (**)	123
Add: Covid Grant carried forward (*)	156
Add: Supplementary Estimates <£20k	22
Less: Additional Transfers from Reserves (***)	(669)
Latest Budget 31/12/2021	13,076
Revised Budget Adjustments (Council, 24/02/2022)	
Revised Budget Changes (SRE)	1,925
Corporate Income & Expenditure	(729)
Net Change in Movement in Reserves	(774)
Savings Plan/CREP Items	(278)
Subtotal	13,220
Other budget amendments	166
Latest Budget 31/03/2022	13,386

- 2.3 Prior to consideration of revenue budget carry forwards the outturn position for the General Fund is a net favourable variation against the revised budget of £1.6m, or £1.2m including the impact of transferring the revenue budget carry forwards to earmarked reserves. Whilst this is a positive position at the end of the 2021/22 financial year, the 2021/22 of the Business Rates Collection Fund deficit will need to be financed in 2022/23 and subject to the performance of business rates in the current year may have a further impact over the MTFS period.
- 2.4 The final outturn position was meant there was no drawdown from the Stability & Resilience Reserve (now redesignated as the MTFS Equalisation Reserve) with the £0.353m net position being financed from the General Fund Balance. This will need to be reviewed as part of the 2023/24 Budget Setting process should the view be to maintain the General Fund Balance at the current level of £2.0m.
- 2.5 The draft outturn reports in April and July included commentary on the major service variances. This report sets out any material changes to the service revenue budgets with commentary limited to those changes. A detailed analysis of all the service revenue variations has been prepared but is not included in this report to ensure the focus is on the primary changes and the implications of the outturn on the 2022/23 budget and the wider prospects for the Council's finances across the Medium-Term Financial Strategy (MTFS) period.
- 2.6 At their meeting in August 2022, Cabinet considered the budget monitoring position for 2022/23 (FIN2227). The outturn position outlined in this report should be viewed in the context of the financial pressures outlined in the August report and the Recommended Actions.

Table 2: General Fund Revenue Budget Outturn

	2021/22 Original Budget (£'000)	2021/22 Latest Budget (£'000)	2021/22 Outturn (£'000)	2021/22 Variation (£'000)
General Fund Revenue Budget				
Corporate Services	5,184	5,953	5,525	(428)
Customer Experience & Improvement	55	217	127	(90)
Major Projects & Property	(5,434)	(4,126)	(4,281)	(155)
Operational Services	9,869	10,909	8,605	(2,304)
Planning & Economy	2,303	2,464	2,562	98
ICE Programme	536	579	628	49
SUBTOTAL	12,513	15,995	13,165	(2,830)
Less: Reversal of Accounting entries	(2,901)	(2,901)	(3,893)	(992)
Net Service Revenue Expenditure	9,612	13,094	9,272	(3,822)
Corporate Income & Expenditure	3,430	2,186	1,333	(853)
Movement in Reserves	(103)	(1,546)	(5,486)	(3,940)
Business Rates - 2020/21 Deficit (Transfer in)			10,427	10,427
Business Rates - 2021/22 Deficit (Transfer out)			(2,177)	(2,177)
Savings Plan (See Note)	(70)	(348)	0	348
Net General Fund Revenue Budget	12,869	13,386	13,370	(17)
Funded by:				
Council Tax	6,928	6,928	6,928	0
Business Rates	3,574	3,574	4,651	1,077
New Homes Bonus	863	863	863	0
Covid-19 Emergency Funding	489	489	489	(0)
Covid-19 Income Loss	100	100	117	17
New Burdens Funding and Other Grants	0	0	320	320
Lower Tier Services Grant	101	101	101	(0)
Other Funding, Council Tax Collection Fund	(200)	(200)	(21)	179
TOTAL Funding	11,855	11,855	13,448	1,593
Core (Surplus) or Deficit	1,014	1,531	(78)	(1,609)
2021/22 Carry Forwards - Transfer to Reserves			432	432
Balanced by:				
General Fund Balance			(353)	(353)
Stability & Resilience Reserve	(1,014)	(1,531)		1,531
Core Surplus or Deficit after Transfers	0	0	0	(0)

Note: Savings Plan – see paragraphs 3.2 and 3.3

2.5 Table 3 shows the final carry forward request balances and is reported to Cabinet for information purposes as there have not been any amendments to the provisional figures.

Table 3: Final Carry Forward balances

Reference	Budget Code	Request		Draft CF	Final	Change (£)
		Amount (£)	Reason	Approved (£)	Amount (£)	
CFR001	2551/30594	53,757	Crematorium Feasibility Study - further activity required to define and agree preferred build options with comprehensive financial data.	10,000	10,000	0
CFR002	2246/10114	75,000	CCTV decommissioning and mobilisation costs re transfer to Runnymede.	75,000	75,000	0
CFR003	3304/30582	78,800	ICT Cloud Telephony - Implementation and ongoing software licensing and maintenance (project was delayed in 21/22 in favour of other ICE Programme and CREP work).	78,800	78,800	0
CFR004	2508/30495	14,250	Military Covenant (External Funding) - to support and delivery a repair café in Aldershot.	14,250	14,250	0
CFR005	3304/30586	49,241	DLUHC Cyber Security Grant - can only be used on cybersecurity due to nature of the grant.	49,241	49,241	0
CFR006	2401/30061	38,000	Rushmoor Homes Project Cost - consultancy fees for temporary accommodation project.	38,000	38,000	0
CFR007	2513/30996	109,130	Control Outbreak Funding - to support the management control and restoration from the pandemic.	109,130	109,130	0
CFR008	2513/50959	25,700	LRC Covid Response Funding - residue from the allocated resources from HCC.	25,700	25,700	0
CFR009	2554/40228	112,500	Food Waste/Recycling - £87k for additional loaders, £8.5k additional caddies, £8.8k additional liners, £8.2k vehicle wraps.	112,500	112,500	0
CFR010	2508/50956	69,500	CIC/Covid 19 Food Partnership - ringfenced government resources for providing essential support to local communities (delay in formal setting up of partnership).	69,500	69,500	0
CFR011	2513/50012	32,340	Direct Grants to Community Organisations.	32,340	32,340	0
NEW01	1230/10026	20,000	168 High Street, Guildford (Highpoint Building) - refurbishment and repairs works were delayed due to COVID (C/F will be part funding outstanding commitments).	20,000	20,000	0
NEW02	1213/30581	13,100	Concerto Property Management System - Consultancy fees to support the implementation of the system (part of an overarching 3 years PO commitment).	13,100	13,100	0
NEW03	1100/30911	36,800	Aldershot Regen - Digital Games Hub - delay to the start-up of the project.	36,800	36,800	0
NEW04	2402/30416	25,000	Homelessness Software Upgrade.	25,000	25,000	0
NEW05	2543/30970	15,900	"The 5th Sector Ltd" project - delay in receipt and payment of final invoice.	15,900	15,900	0
NEW05	2543/30970	15,900	"The 5th Sector Ltd" project - delay in receipt and payment of final invoice.	15,900	15,900	0
TTR001	1303/30904	20,800	Additional Safety provision - Elections Costs - allocation from central government for health and safety arrangements at elections during and following the pandemic.	20,800	20,800	0
TTR005	1328/30578	88,440	Climate Change Reserves.	88,440	88,440	0
TTR006	2508/30578	6,111	Contribution towards a CCG Director Post - started later than expected.	6,111	6,111	0
Subtotal				856,512	856,512	0
Funded from General Fund Revenue Outturn				432,440	432,440	0
Funded from Reserves				424,072	424,072	0

Key Service variations – summary narrative on material changes for controllable costs since the April 2022 and July 2022 Draft Outturn reports

Corporate Services (£0.428m net underspend)

- Reduced expenditure on Broker fees for short-term borrowing against the previous forecast (£34k favourable movement)
- Previous forecast for external audit fees only considered the scale fee of £38k. Actual fees paid during 2021/22 included additional fees from the completion of the 2018/19 audit less an estimated accrual (£36k adverse) movement

- Outturn position on Rent Allowances shows an improved position although considered nominal in the context of the £25.8m income and expenditure (£175k favourable movement)
- Reduced level of expenditure against the Climate Change Project, Deprivation Strategy and Community Grants. As these budgets are predominantly reserve funded there is an equal and opposite variation in the Movement in Reserves.

Customer Experience and Improvement (£90k net underspend)

- Telephony costs of £51k incurred in 2021/22 reducing the level of underspend projected in the draft outturn report.
- Reduction in the level of internal printing has led to a reduced recovery of printing recharges (£35k adverse movement)

Major Projects and Property (£0.155m net underspend)

- Net £189k favourable movement between Draft and Final outturn across the wider Property Portfolio which has funded the write-back of prior years abortive acquisition costs that were not eligible for capitalisation (£119k).
- Additional revenue consultancy fees for the Civic Quarter Regeneration project (£23k adverse movement)
- £35k movement and favourable variation in capitalisation of salary costs associated with Highways projects.

Operational Services (£2.304m net underspend)

- The net variation on Operational Services is largely due to the treatment of income received in the financial year that will be required in future years. It is recorded against the service and then transferred to an earmarked reserve. This includes receipt of s106/SANG income (£0.595m), Flexible Homelessness Grants and Costs (£0.493m).
- Other major variations were across the Recycling service with a £0.272m favourable movement and variation in the level of MRF income forecast, a reduced cost of the Food Waste Service (£145k favourable movement and variance) as a result of a wider review and reapportionment of contract costs at year end.

Planning and Economy (£98k net overspend)

- £70k favourable movement on Town Centre Management, £120k adverse movement in s106 monitoring fees due to reversal of a sales ledger credit from prior year.

3. NON-SERVICE EXPENDITURE AND INCOME

3.1 The table below shows the breakdown on the Corporate Income and Expenditure with narrative provided on the material variations in paragraphs 3.x to 3.x below.

Table 4: Non-Service Revenue Expenditure and Income

	2021/22 Original Budget (£'000)	2021/22 Latest Budget (£'000)	2021/22 Outturn Forecast (£'000)	2021/22 Variation (£'000)
Corporate Income & Expenditure				
Minimum Revenue Provision (MRP)	2,457	2,457	2,457	0
Interest Receivable	(1,090)	(1,000)	(932)	68
Interest Payable	795	300	369	69
Service Loans to Housing Company	(186)	(20)	0	20
Other CI&E	349	349	208	(141)
Other Revenue Income	0	0	(768)	(768)
Cabinet/Council decisions	0	0	0	0
Additional Items/Growth	1,105	100	0	(100)
TOTAL CI&E	3,430	2,186	1,333	(853)

Savings Plan

3.2 The 2021/22 Revenue Budget included £0.348m of Savings Plan items savings across three broad categories:

- £0.278m of Cost Reduction and Efficiency Programme (CREP)/Savings and Transformation Programme (STP) items
- £0.050m of Salary-related savings
- £0.020m of Procurement savings

3.3 Whilst the Table 2 shows an outturn position for the General Fund, the £0.348m of Savings Plan items have been delivered in full and these are included within service budget variations and not been moved from Service Revenue Expenditure to the Savings Plan line.

Treasury Management

3.4 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.

- 3.5 The Council has two broad classes of investments – Money Market Funds (where balances are held for short periods until required) and Pooled Funds.
- 3.6 Despite the market volatility as a result of the recovery from Covid-19 and the position in the Ukraine, the Council treasury management investments performed broadly in-line with the revised budget expectations with £0.932m of investment income against the budgeted £1.0m. Performance in the current year may still be impacted by external economic factors – largely the impact of continued high inflation and the forecast for the Bank of England Base Rate to increase further (2.75% by the end of the calendar year).
- 3.7 Interest payable on external borrowing that supports the capital programme, was above the revised budget of £0.30m, with prior year interest adjustments and minor additional costs of borrowing giving rise to a £69k adverse variation. The Council maintained the level of external debt at £100m during the year.
- 3.8 When taken together, the net variation on the Council's Investment and Borrowing activity was a net overspend of £136k against the revised budget, although significantly below the original budget.
- 3.9 The level of MRP required in the year was charged at the budgeted level in line with lower capital expenditure in 2020/21 and 2021/22.

Funding – Council Tax, Business Rates

- 3.10 The Council Tax collection rate to the end of year was 97.9%, with the equivalent figure from 2020/21 being 96.8%. The collection rate improved significantly during the second half of the year as the Revenues team worked proactively with council taxpayers to ensure payments were made and reprofiled during the year to maintain affordability.
- 3.11 The impact of improved or reduced collection rates 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. If the level of Council Tax collected in the year is greater than budgeted, this gives rise to a surplus on the collection fund.
- 3.12 Any deficit or surplus is shared between Rushmoor and the precepting authorities (Hampshire County Council, Police and Crime Commissioner for Hampshire, and Hampshire Fire and Rescue Authority). An estimated deficit was included in the 2021/22 budget and MTFs approved by Council in February

2021. Therefore, the improved collection in 2021/22 will be accounted for in 2023/24.

- 3.13 The position on Business Rates is far more complex given changes that were made to reliefs and the way in which the Council is compensated for these reliefs through Section 31 Grants.
- 3.14 An extension to Covid-related business rates reliefs was announced by the Government in the Budget in March 2021. The Expanded Retail relief awarded to local businesses was £9.3m, with the Government fully funding the reduction in business rates income through section 31 grant. It has been more difficult to predict the likely impact on business rates income over the medium-term due to the uncertainty around relief changes, with the collection rate to the end of year being 98.5% (96.8% in 2020/21). The level of business rates forecast for 2021/22 already assumed a reduction in the business rates base in part due to the regeneration of Aldershot and Farnborough town centres.
- 3.15 The end of year position on business rates clearly illustrates the complexity and scale of the impact from Covid. When the level of business rates income was estimated in January 2021 (in the NNDR1 Return) it was assumed that around £49.7m of business rates income would be collected, with £3.6m of this retained locally under the Business Rates Retention Scheme.
- 3.16 The outturn position on business rates (in the NNDR3 return) showed that £44.2m of business rates income had been collected. Whilst the Council received Section 31 Grant to compensate for the reduced level of income (£6.0m), the accounting treatment for the different elements of business rates income means that the Council must account for a significant deficit on the business rates collection fund of £5.4m. Whilst 50% of this deficit is shared with Central Government, Rushmoor's share is £2.2m. This deficit is transferred to the balance sheet in accordance with proper accounting practice and guidance from CIPFA to fund Rushmoor's share of the deficit which will need to be budgeted for over the next 3 years.
- 3.17 The revenue outturn includes the accounting treatment required to unwind the impact of the significant deficit on the Collection Fund from 2020/21 (£26.027m with RBC's share being in excess of £10m) and the timing difference on Section 31 Grant. When taken together with the position for 2021/22, there are material transactions in relation to business rates that do need to be highlighted to ensure members are aware of the impact. These are detailed below:

- Transfer in from Collection Fund Adjustment Account: £10.4m deficit from 2020/21 into General Fund
- Transfer in from Earmarked Reserves: (£10.4m) from the COVID Business Rates Earmarked reserve to fund the deficit
- Transfer out to Collection Fund Adjustment Account: £2.2m deficit from 2021/22 Collection Fund to Balance Sheet
- Transfer out to Earmarked Reserves: £4.2m to COVID Business Rates Earmarked Reserve

Table 5: Business Rates Transactions

	2021/22 Budget (£'000)	2021/22 Outturn (£'000)
Breakdown of Business Rates Transactions		
Budgeted income as per NNDR1		
RBC Share of Business Rates	(19,875)	
Less: Tariff Payment to Government	16,332	
Retained Business Rates	(3,543)	
Calculation of Levy/Safety Net		
Actual RBC Share of Business Rates		(17,698)
Add: Share of Reliefs		(4,120)
Add: SBRR		(835)
Subtotal		(22,652)
Less: Tariff Payment		16,332
Total Retained Income		(6,321)
Funding Baseline		(2,381)
Growth over Baseline		(3,940)
Levy (50% of Growth over Baseline)		1,970
Credited to the General Fund		
RBC Share of Business Rates		(19,875)
Tariff Payment to Government		16,332
Levy payment to Government (inc PY adj)		1,981
RBC Share of 2021/22 CF Deficit		2,177
2021/22 Section 31 Grants		(5,267)
Subtotal		(4,651)
Memorandum Items		
Transfer of 2020/21 Deficit from CF Adjustment Account		10,411
Transfer from Reserve of 2020/21 BRR Income		(10,411)
Transfer of 2021/22 Deficit to CF Adjustment Account		(2,177)
Transfer to Reserve of 2021/22 BRR Income		4,162

3.18 It is likely that the remaining impact from Covid and the emerging external economic factors on business rates will exert further pressure on business rates income. At the time of writing this report, the relevant accounting treatment has been applied to ensure the General Fund revenue budget is protected in the current year. The impact of inflation and interest rates on business viability will need to be closely monitored. In the absence of a clear programme of support for businesses from Government, further work will be undertaken over the coming weeks to work through the implications on the Council's MTFS.

General Fund Balance and Earmarked Reserves

3.19 As highlighted in previous financial reports, the level of reserves and balances held by the Council was increased from 2019/20.

3.20 Earmarked reserve levels were increased further in 2020/21 largely due to the timing difference on income from the Business Rates Retention Scheme and Section 31 Grants provided by the Government to compensate for additional business rates reliefs.

3.21 However, the level of the MTFS Equalisation Reserve has reduced in 2021/22, although more/less than forecast. The MTFS, as approved by Council in February 2022, indicated that this reserve would continue to be utilised in 2022/23 and across the MTFS period with the reserve being fully depleted in 2023/24 if the additional savings and income target in Table 5 of the Revenue Budget, Capital Programme and Council Tax Level report (FIN2210) are not delivered.

3.22 With the additional pressure on the 2022/23 revenue budget and MTFS from the external economic environment, further action is needed to ensure the Council can maintain a balanced budget and to maintain adequate reserve levels.

3.23 The Table below shows the transfers to and from earmarked reserves in 2021/22. The Budget Strategy 2023/24 and MTFS Update report to Cabinet in October 2022 will provide an updated view of the forecast for reserves and balances across the MTFS period.

Table 6: General Fund Balance and Earmarked Reserves

	2021/22 Original Budget (£'000)	2021/22 Latest Budget (£'000)	2021/22 Outturn (£'000)	2021/22 Variation (£'000)
Transfers To (From) Reserves				
General Fund Balance	0	0	0	0
<u>Earmarked Reserves</u>				
Stability & Resilience				
Business Rates Equalisation Reserve				0
MTFS Equalisation Reserve				0
COVID BRR			(6,265)	(6,265)
Service Improvement Fund	(129)	(129)	(129)	0
Commercial Property Reserve	(250)	(267)	(267)	0
Regeneration Reserve	(100)	(290)	(100)	190
ICE Reserve				0
Climate Emergency Reserve		(119)	(31)	88
Deprivation Reserve		(61)	45	106
Pension Reserve	818	818	818	0
Regeneration Due Diligence Reserve				0
NEW - Lease Surrender				0
Workforce Reserve		(100)	(100)	0
Treasury Reserve	(180)	(180)	(180)	0
CPE Rolling Fund	98	0	47	47
Budget Carry Forwards 2021/22 (See Note)				0
Budget Carry Forwards 2020/21		(390)	(390)	(0)
Elections Reserve	(87)	(87)	(87)	0
Victoria Road		0		0
SANG/s106	0	0	558	558
Other Earmarked Reserves/Prior yr grants	(273)	(741)	595	1,336
TOTAL Transfers	(103)	(1,546)	(5,486)	2,325

Note: The Table shows a net transfer from reserves of £5.486m for presentational purposes. The actual transfer was £5.054m due to the way in which Table 2 shows the 2021/22 Carry Forwards after the Core (Surplus) / Deficit total.

4 CAPITAL PROGRAMME

- 4.1 As previously reported to members during the 2021/22 financial year, the level of capital expenditure was forecast to be significantly below the original and revised budget.
- 4.2 The capital outturn for 2021/22 was £9.039m representing a £22.312m (71.17%) underspend against the revised budget of £31.352m.
- 4.3 This is predominantly due to the rolling-forward budget provision for the Civic Quarter Regeneration scheme from previous financial years and is clearly weakening budgetary control and does not provide members with accurate and timely financial information on the Council's delivery against the Capital Programme.
- 4.4 Other key variances at year end are shown in Table 7b and are mainly related to timing differences in planned and committed expenditure for the major Regeneration schemes in Aldershot (Union Yard, The Galleries).
- 4.5 Capital schemes in relation to CCTV re-provision and the Crematorium have also been subject to further delay with the Crematorium subject to a wider feasibility study report before any expenditure is committed.
- 4.6 The original estimates for the Civic Quarter scheme were prepared a number of years ago (2018/19) to allow for land assembly and an initial estimate for a new Leisure Centre in Farnborough with the unspent allocation in each financial year was carried forward into the subsequent financial year. This does not promote strong and robust financial control or ensure that the Council's capital schemes are adequately costed.
- 4.7 Members will be aware of the work being undertaken on the wider Masterplan for the Civic Quarter site and the Levelling-Up Fund bid that was submitted earlier in the year, a revised capital scheme will need to be considered by Cabinet and Council once the outcomes from these are known. As such, it is not prudent to continue to carry forward the unspent capital budget given the impact this has on the Treasury Management Strategy and the Medium-Term Financial Strategy (as these assume capital allocations are spent and not continually rolled forward).
- 4.6 The tables below sets out the capital outturn for 2021/22 and shows the level of capital slippage and pre/spend into 2022/23. A total of £2.363m is required to

be carried forward from 2021/22 to 2020/223 to match capital expenditure already committed.

- 4.7 The table does show that in the case of Southwood Country Park and Refuse/Recycling schemes the total amount of slippage requested is greater than the level of underspend. This is largely due to other elements of the summarised capital scheme heading (e.g., Waste/Recycling includes capital schemes for the provision of Wheeled Bins, Food Waste Caddies, Food Waste Vehicles).

Table 7a: Capital Programme Slippage

Capital Scheme	Proposed slippage from 2021/22 (£'000)
The Meads - Pre-Acq Costs Contract Costs	231
Civic Quarter F'boro Dvlp (Bc) Flc Pre Dev, Demolition	74
Union St East A'shot Regen(Bc) Contract Costs	538
Union Yard Party Wall Contract Costs	262
Improvement Grants - Disabled Facilities Grants	854
Waste Vehicles Contract Costs	235
Southwood Country Park SANG - Contract Costs	58
Southwood Country Park SANG - Visitor Centre Set-Up Costs	47
Southwood Country Park SANG - Cafe Set-Up Costs	64
TOTAL	2,363

Table 7b: Capital Programme Outturn

Portfolio and Scheme	2021/22 Original Budget (£'000)	2021/22 Latest Budget (£'000)	2021/22 Outturn (£'000)	2021/22 Variation (£'000)	Slippage to 2022/23 (£'000)
Corporate Services					
Flexible Use of Capital Receipts	0	74	0	(74)	0
Subtotal	0	74	0	(74)	0
Customer Experience & Improvement					
Computer Systems	115	115	59	(56)	0
Council Offices	33	33	8	(25)	0
Subtotal	148	148	67	(81)	0
Major Projects & Property					
Union Yard Aldershot	7,658	6,500	5,808	(692)	801
Civic Quarter Farnborough	19,383	19,383	1,273	(18,110)	74
Farnborough Town Centre Regeneratio	0	250	19	(231)	231
Aldershot Town Centre Projects	3,951	400	21	(379)	0
Housing Matters	5,436	156	53	(103)	0
Property Enhancements	90	307	80	(227)	0
Property and Assets	0	320		(320)	
Subtotal	36,518	27,316	7,254	(20,062)	1,106
Operational Services					
CCTV	400	0	9	9	0
Crematorium	0	949	0	(949)	0
Depots	34	34	0	(34)	0
Manor Park	49	49	0	(49)	0
Parks & Open Spaces	20	115	55	(60)	0
Southwood SANG set-up		158	365	207	0
Southwood SANG Visitor Centre	0	276	107	(169)	169
Playground Works	0	104	113	9	0
Refuse/Recycling	231	466	298	(168)	235
Improvement Grants	1,111	1,663	771	(892)	854
Subtotal	1,844	3,813	1,718	(2,095)	1,258
Planning & Economy	0	0	0	0	0
ICE Programme	0	0	0	0	0
	38,510	31,352	9,039	(22,312)	2,363

5 IMPACT OF OUTTURN POSITION ON 2022/23 AND SUBSEQUENT YEARS

- 5.1 The overall impact of the outturn position on the Council's finances can be categorised as follows:
- 5.2 General Fund outturn means that the MTFS Equalisation Reserve has been deployed in 2021/22. The MTFS, as approved by Council in February 2022 indicated that the reserve would have a closing balance of £2.415m on 31/03/2022 reducing to £1.465m by 31/03/2023. This assumed that additional savings or income of £0.500m would be delivered during 2022/23 over and above the Savings and Transformation Programme items already identified.
- 5.3 The balance held on the reserve (subject to a reprioritisation of reserve balances) is £2.502m. Whilst this level is adequate for the current financial year, members will recall that the funding gap forecast over the MTFS period was significant. In the absence of further savings and cost reductions being identified in the February 2022 MTFS, the MTFS Equalisation reserve was forecast to be depleted during 2023/24.
- 5.4 The Council will need to consider the level of the MTFS Equalisation and other reserves as part of the budget setting process for 2023/24 and determine whether the current level is adequate to mitigate risks and the funding gap identified.
- 5.5 As set out in the Revenue and Capital Budget Monitoring Report – P1 2022/23 (FIN2227) to Cabinet in August 2022, the Council is facing significant budget pressures predominantly due to the current external economic environment. This will have an impact on the projections for the earmarked reserve balances and an update Balances and Reserves Strategy will need to be developed to ensure Balances and Reserves are adequate.
- 5.6 As set out in this report, several reserve balances have been utilised to support expenditure of reduced levels of income in the General Fund. These reserves will also need to be reviewed as part of the budget setting process to ensure they remain adequate and support the Council's priorities.
- 5.7 Finally, the impact on the Council core funding streams needs to be considered over the new MTFS period. Council Tax and Business Rates revenue is likely to be lower in 2022/23 due to the external economic environment. Whilst there

was an improved performance on Council Tax and Business Rates in 2021/22 there will be increased uncertainty remaining for future years.

- 5.8 Whilst the Government provided some support to Councils during the Covid pandemic through Section 31 Grants and the ability to spread collection fund deficits over a 3-year period, the longer-term impact on both the Council Tax and Business Rates rating lists should be reviewed over the coming months. Income from fees and charges will also need to be reviewed. The current assumptions in the MTFS is for income from fees and charges to robust over the MTFS period. It is likely there will be differential impacts across fees and charges and will need further consideration as part of the budget setting process.

6. LEGAL IMPLICATIONS

- 6.1 No additional legal implications arise from this report.

7. FINANCE AND RESOURCE IMPLICATIONS

- 7.1 The finance and resource implications are set out within this report. Any additional financial implications will be addressed through the normal Council procedures and processes, including the 2023/24 Budget Strategy and MTFS Update report in October 2022.
- 7.2 The Council needs to continue to carefully consider the financial impact of spending decisions, to ensure that unnecessary expenditure is avoided and that capital financing for the multi-year capital programme is affordable in the short, medium, and long term.

8. CONCLUSIONS

- 8.1 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.

- 8.2 It is important that the Council considers an appropriate range of options to ensure any shortfall is managed. Any utilisation of reserves in 2022/23 will need to be addressed in the budget strategy to ensure balances and reserves remain adequate.
- 8.3 The outturn variation has been funded from the General Fund balance 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 2022/23 will need to be addressed in the Budget Strategy for 2023/24 to ensure balances and reserves remain adequate.
- 8.4 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 and Transformation Programme and other savings initiatives will be integral to the MTFS forecast and will need to be reviewed in terms of savings profile and whether the savings can be delivered in the current economic climate. It is likely that further savings will be required over the MTFS period to balance the budget.

BACKGROUND DOCUMENTS:

None

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