CABINET
6 February 2024

COUNCILLOR PAUL TAYLOR
FINANCE PORTFOLIO HOLDER
REPORT NO. FIN2406

KEY DECISION: YES

GENERAL FUND BUDGET 2024-25 AND MEDIUM TERM FINANCIAL STRATEGY 2024-25 TO 2027-28

SUMMARY:

This report sets out the draft General Fund Budget for 2024/25 and Medium-Term Financial Strategy (MTFS) ending 2027/28. The MTFS sets out the key work streams for the Council to focus on over this period which, collectively, aim to address the projected significant shortfall in the General Fund budget. This report includes:

Appendix 1: Financial resilience plan
Appendix 2: Detailed MTFS 2024-25:2027-28
Appendix 3a: Income analysis
Appendix 3b: Base budget growth analysis
Appendix 4: draft General Fund Revenue Budget Summary 2024-25
Appendix 5: Budgeted Earmarked Reserve movement
Appendix 6: schedule of UKSPF projects

Cabinet is requested to consider and approve for recommendation to Council:

1. the Medium-Term Financial Strategy & the strategy set out in this report to resolve the MTFS deficit;
2. draft General Fund Revenue Budget Estimates Summary 2024-25 Appendix 4
3. the Council Tax Requirement of £7,683,131 for this Council
4. the Council Tax level for Rushmoor Borough Council's purposes of £232.74 for a Band D property in 2024-25 (an increase of £6.76)
5. the Capital Programme 8.5 below
6. The Strategy for the Flexible use of Capital Receipts 9.2 below
7. The UKSPF project list at Appendix 6

Cabinet is recommended to approve:

1. To earmark £250,000 of the Stability and Resilience Reserve during 2024-25 to provide capacity to address and deliver the financial recovery plan to enable the Chief Finance Officer to continue to engage with expert external assistance and advice as per paragraph 5.8 of this report.

1 INTRODUCTION

1.1 The Budget is a major decision for Rushmoor Borough Council (The Council) and setting a balanced budget is a statutory requirement. Scrutiny of these budget proposals demonstrate transparency and good governance. This report provides a summary of the revenue and capital budget proposals for 2024-25 and a medium-term financial forecast.

2 MEDIUM-TERM FINANCIAL STRATEGY (MTFS)

2.1 The role of the Council's financial planning process, underpinning the MTFS, is to support the achievement of the Council Plan. The adopted Council Plan is the medium-term strategic policy document which sets out the general direction, key priorities and activities for the Council and informs the use of its resources.

2.2 The MTFS also supports all other Council strategies, such as the Capital Strategy and the Treasury Management Strategy. It acts as the framework linking the Council's more detailed service plans, asset management plans and capital plans with the longer term, to help ensure that the Council's plans are financially achievable.

2.3 The MTFS is set within the context of the national economy, and the public expenditure plans detailed in the government's Spending Review and national legislation. The Council needs to plan over the medium term for an increase in financial risk and year on year volatility. The economic outlook remains unclear, and it remains important that the Council has a level of reserves that allows it to withstand unanticipated financial impacts of future developments at a local and national level.

2.4 The Council's MTFS ending 2027-28 has been updated to include the latest General Fund assumptions and projections, including for the reserves earmarked for specific purposes that may have to be drawn upon to meet the MTFS budget shortfall. This report sets out the ongoing material financial pressures, risks and uncertainty which remain on a significant scale. As described below, the latest MTFS projections show an estimated total cumulative gross budget shortfall, before compensating measures, over the four-year period of £19.152million. The report discusses the strategies for addressing the financial challenges to protect vital services and to put the Council in a sustainable financial position. The MTFS is set out below.

2.5 The key financial issues for the Council are:

- The Council has £167million of short-term external borrowing (repayment within one year) and current interest rates are more than double the MFTS 2023-24 budgeted assumption of 1.67%, resulting in a significant overspend, if not mitigated.
- A significant proportion of the borrowing has supported regeneration and operational asset provision, with limited and long-term payback, resulting in direct pressure on the revenue budget as interest payments are treated as revenue expenditure.
- There are limited reserves to mitigate the impact of the additional interest rate costs. Without significant mitigation in 2024-25 the Council will not be able to set a balanced budget in 2025-26.
- The Council has limited assets that can be disposed of to generate capital receipts to reduce borrowing without a detrimental impact on the revenue account.
- The Council has limited ability to increase its revenue income. Inflation of the service cost base outstrips the ability to raise income from fees, charges, and rental income. Council tax increases are limited to below inflationary rises by the Council tax referendum principles.
- Income that the Council can directly influence is subject to wider economic factors e.g., where cost of living pressures leads to reduced demand neutralising the effect of inflationary level fee increases.
- The Council underwent a comprehensive outcome-based budget savings exercise last year. This reduces the opportunity to find significant additional savings without fundamental changes such as defining a new operating model and reprioritisation of services.
- The Council tax base growth is low due to a slowdown in housing development, impacting on New Homes Bonus.
- Government funding is likely to further reduce after 2024-25.

2.6 The table below shows the MTFS - Summary

Medium Term Financial Strategy - Summary	2023-24 Original Budget £'000	2024-25 Draft Budget £'000	2025-26 Projected £'000	2026-27 Projected £'000	2027-28 Projected £'000
	Feb 2023 Gross	Changes from 2023/24 base	Changes from 2024/25 base	Changes from 2025/26 base	Changes from 2026/27 base
Base Budget:	**11,076**	**7,448**	**13,085**	**11,920**	**11,567**
Anticipated Budget Variations:		**Incremental changes**			
Portfolio Budget Changes:					
Pay award 5%,4%,3%,3%	-	699	560	420	420
Salary Increment drift - vacancies set mid scale	-	143	100	100	100
Establishment net other adjustment	-	116	-	-	-
Increase in Fees, Charges and other income	-	(293)	(860)	(284)	(290)
Net other changes in base cost:	-	(79)	(589)	(124)	(44)
Contractual inflation	-	780	400	300	300
Earmarked Reserves	(1,124)	1,243	(185)	-	-
Total: Portfolio changes	**(1,124)**	**2,610**	**(574)**	**412**	**486**
Corporate Income & Expenditure changes:					
Interest receivable from treasury investment	(1,600)	(750)	220	490	-
RHL interest	(522)	(523)	(241)	143	-
Minimum Revenue Provision (MRP)	2,170	(412)	428	6	40
Interest payable on borrowing	3,002	5,673	(2,229)	(1,269)	-
Capitalised interest	(600)	219	381	-	-
Total: Corporate Income & Expenditure	**2,450**	**4,207**	**(1,441)**	**(630)**	**40**
Central Government Funding changes:					
Retained Business Rates	(4,087)	(1,013)	(174)	(135)	(139)
New Homes Bonus	(658)	274	384	-	-
Services Grant	(96)	81	15	-	-
Funding guarantee	-	(514)	514	-	-
Revenue Support Grant	(104)	(7)	111	-	-
Total: Central Government Funding	**(4,945)**	**(1,179)**	**850**	**(135)**	**(139)**
Total: Budget requirement	**7,458**	**13,085**	**11,920**	**11,567**	**11,954**
Less Collection Fund (Surplus)/Deficit	(10)	(23)	23	-	-
Less Council Tax	(7,448)	(7,683)	(7,816)	(8,063)	(8,313)
Net (Surplus)/Deficit	**0**	**5,379**	**4,127**	**3,504**	**3,641**
Note - figures showing in () indicate a favourable change from budget					
Cumulative reserve requirement if zero mitigation:	**2,500**	**7,879**	**12,007**	**15,511**	**19,152**
Estimated reserve balance:					
Opening balance	(13,060)	(10,560)	(5,300)	(1,106)	2,398
Budgets service movement	1,124	(119)	66		
Forecast deficit	1,376	5,379	4,127	3,504	3,641
Closing balance	**(10,560)**	**(5,300)**	**(1,106)**	**2,398**	**6,039**
Working Balance: minimum required £2m:	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)

2.7 The assumptions included in the MTFS are discussed below.

Establishment – Cost of employing staff

2.8 The Council's cost of employing staff (Salary, National Insurance and Pension contribution) is budgeted at £14.9million in 2024-25. Pay award was budgeted at 5% in 2023-24, negotiations were concluded in November and whilst the actual increases were not a uniform 5%, the overall average increase equated to the budget. The assumption is that whilst inflation is forecast to decrease in the MTFS term, it is likely to result in a similar budget requirement as 2023-24. The MTFS has allowed pay award at 5% for 2024-25, decreasing to 3% in 2026-27 in line with the reduction in the inflation forecast. A 1% increase in pay award equates to £149,000. An allowance has also been made for contractual pay scale incremental increases. Other changes in staffing costs will be found from within existing budgets unless externally funded and not permanent in the base budget.

Fees and Charges and Other Income

2.9 Fees and Charges have been reviewed in accordance with the approved methodology for the annual review of fees and charges made for Council services (FIN1624) and agreed in the 2023-24 budget setting report. Budget holders reviewed 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. The MTFS shows a net increase of £239,000. This is net of the estimated £454,000 reduction in cremation fees whilst the Crematorium is undergoing redevelopment. Therefore, excluding the cremation reduction from the schedule, the gross increase in fees and charges is £693,000. The Council has approximately £6.5million of fees and charges of which only £3.4million as shown in the table below is not directly subject to cost recovery or other statutory control. There is also £13million of other income that is not directly available to the Council's discretionary annual inflationary increases due to being limited by lease/licence, statutory or cost recovery limitations. Therefore, the Council has a limited ability for its income to maintain pace with inflation. A schedule of changes in income is provided in **Appendix 3a** – Income analysis.

Discretionary fees and charges	**£**	**1%**
Green Waste collection	(566,720)	(5,667)
Cemeteries	(212,350)	(2,124)
Car Parks	(1,249,000)	(12,490)
Crematorium	(1,246,700)	(12,467)
Markets And Car Boot Sales	(113,875)	(1,139)
	(3,388,645)	(33,886)

Other changes to base cost

2.10 Net other changes in base cost are the contractual or unavoidable changes that cannot be found from within existing service budgets and is therefore growth in the base budget. A detailed schedule with explanations is included in **Appendix 3b** – Growth analysis.

Inflation

2.11 Contractual Inflation: budget estimates have only been amended where the impact is unavoidable such as contractual inflation. Budgets for utilities have been aligned to usage along with price inflation expectations. All other expenditure budgets are cash limited and not subject to inflationary increase. Contractual inflation affects approximately £9million of the Council's cost base equating to £90,000 increase per 1% inflation, although this is a broad average.

Expenditure subject to inflation	Budget 24/25	Inflation 24/25
Business Rates	896,030	23,750
Council tax and NNDR billing	9,900	4,100
Council Tax Collection postage	18,000	4,500
Domestic Refuse	1,034,680	105,570
Gas	124,520	19,650
Grounds Maint Contracts	979,410	61,770
Insurance contracts	333,153	120,923
IT systems support	926,463	106,893
Member Allowance	371,650	30,000
Pension strain	281,400	16,400
Recycling	1,845,040	168,610
Street Cleansing	1,304,880	67,880
Tree maintenance contract	98,120	8,020
Vehicle costs	24,800	22,050
Water rates	41,840	(840)
Car Park contract	121,190	6,320
Public Conveniences contract	92,350	4,660
Electricity	522,260	3,500
CCTV contract inflation	103,100	6,395
Grand Total	**9,128,786**	**780,151**

General Fund Reserves within the scope of the MTFS

2.12 A summary of the budgeted movement in earmarked reserves is provided in Appendix 5. This table builds on the latest monitoring position and takes account of the Council approvals in the 2023-24 budget. The schedule shows that there are forecasted £10.56million of earmarked reserves available to support the MTFS and forthcoming Financial Resilience plan, in addition to the minimum General Fund working balance of £2million. This is not sufficient to cover the MTFS unmitigated deficit of £19.152million, although it is sufficient to set a balanced budget for 2024-25. A comprehensive reserves review will be completed as part of the 2023-24 outturn. Reserves will be aligned to the updated Financial Resilience plan, with reserve transfer proposals put forward to Full Council in July 2024.

The future financial resilience of the Council is dependent upon the availability of reserves to manage financial shocks such as the pandemic and current global economic crisis. Ideally, the use of reserves should be limited, as far as possible, to mitigating the temporary impact of these one-off shocks. Therefore, it is important to ensure sustainable solutions are found wherever possible and, if necessary or appropriate, temporary measures are considered (such as a vacancy freeze to limit the need to call upon reserves, which should always be a last resort).

Interest receivable

2.13 Interest receivable from treasury investments consists of three distinctly different elements as shown in the table below. Money Market Funds are the investment of surplus short term cashflow from service delivery, representing the timing differences between money coming into the Council and payment for services and staff etc. Interest receivable is directly affected by changes in the projected trajectory of interest rates and available surplus cash. Pooled funds are a long-term investment of cash representing the Councils reserves. More detail on these funds is provided in the Treasury Management Strategy. The loan to Farnborough International is due to be fully repaid in 2025-26.

Interest Receivable from Treasury Investment:	Original Budget £'000	2024-25 Draft Budget £'000	2025-26 Draft Budget £'000	2026-27 Draft Budget £'000
Money Market Funds	(31)	(820)	(600)	(400)
Pooled Funds	(1,279)	(1,240)	(1,240)	(1,240)
Farnborough International Loan	(290)	(290)	(290)	0
	(1,600)	(2,350)	(2,130)	(1,640)

Interest receivable from RHL

2.14 The Council has a wholly owned subsidiary, Rushmoor Homes Limited (RHL). The Council lends RHL money to fund development and receives interest as income on the loans. The Council makes two kinds of loans to RHL for which interest is due, consisting of the value of land transferred to the company, called loan notes, and cash (borrowing) to fund property development. RHL borrowing is funded by the Council from the Council's own borrowing(debt) and is subject to HM Treasury Capital rules. This budget assumes that the 82 private rental units in the Council's Union Yard development will transfer to RHL as a loan note as per Cabinet Report (REG2201 Cabinet 08/02/2022) and that RHL borrowing is at 3% premium on the Council's cost of borrowing. RHL does not have sufficient cash to settle the interest due each year and therefore the council has agreed hold the interest due as a debtor balance on the Council's balance sheet until RHL is generating sufficient cashflow to settle the debtor position. This will have a small impact on the Council's cashflow position.

RHL Interest	Original Budget £'000	2024-25 Draft Budget £'000	2025-26 Draft Budget £'000	2026-27 Draft Budget £'000	2027-28 Draft Budget £'000
Interest on loan notes	(56)	(968)	(1,220)	(1,085)	(1,085)
Interest on borrowing	(64)	(78)	(67)	(59)	(59)
Total Interest:	(120)	(1,045)	(1,287)	(1,144)	(1,144)
Loans notes	780	17,780	17,780	17,780	17,780
Borrowing	970	970	970	970	970
Interest rate (TM+3%)	6.10%	7.22%	7.99%	6.86%	6.10%

Minimum Revenue Provision

2.15 The Council borrows to fund its significant regeneration programme. When the Council borrows, it has a statutory duty to put aside an amount of money each year to enable the eventual repayment of the borrowed sums. This is known as Minimum Revenue Provision (MRP) and is charged to the General Fund revenue account. The calculation of MRP is in accordance with the MRP policy set out in the Capital and Investment Strategy. The amount included in the MTFS is determined by the Capital Financing Requirement, forecast for the MTFS term. Increase in MRP is a cost pressure on the revenue account when the underlying capital expenditure funded from borrowing does not generate a new income stream sufficient to cover all ongoing revenue costs, such as MRP.

2.16 The table below provides a breakdown by scheme of the MRP charged to the revenue account. A full review of MRP has been completed by Arlingclose, the Councils treasury management consultants to ensure that the MRP charge is prudent and not overstated. The calculation of a prudent MRP charge is based upon the adopted MRP policy within the Capital Strategy, this basis has been changed from straight line to annuity from 2024-25 onwards, resulting is a significant reduction in MRP. The £2.17million MRP charge in the 2023-24 original budget as shown in the table below will be £1,572million, a saving of £0.6million. The £0.428million increase in 2025-26 is the effect of Union Yard becoming operational in 2024-25, MRP is chargeable one year after. This increase is split between Union Yard and RHL, reflecting the transfer of the private rented units from Union Yard to RHL.

		Minimum Revenue provision				
Minimum Revenue Provision by Scheme	**Expenditure funded by borrowing £'000**	**2023-24 Original Budget £'000**	**2024-25 Draft Budget £'000**	**2025-26 Projected £'000**	**2026-27 Projected £'000**	**2027-28 Projected £'000**
1. Investment Properties	91,908	1,911	1,299	1,101	1,093	1,113
2. The Meads	10,561	0	142	120	119	121
3. Union Yard	33,246	0	0	380	377	384
4. RHL Ltd	17,970	25	19	211	209	213
5. Crematorium	5,324	12	18	98	103	105
6. Civic Quarter	7,637	68	6	7	7	7
7. Operational Assets	16,827	154	273	271	284	289
Grand Total	**183,474**	**2,170**	**1,758**	**2,186**	**2,192**	**2,232**
Year on year chang in MRP			**(412)**	**428**	**6**	**40**
Funded by:						
External borrowing	167,000					
Internal Borrowing	16,474					
Total borrowing	**183,474**					

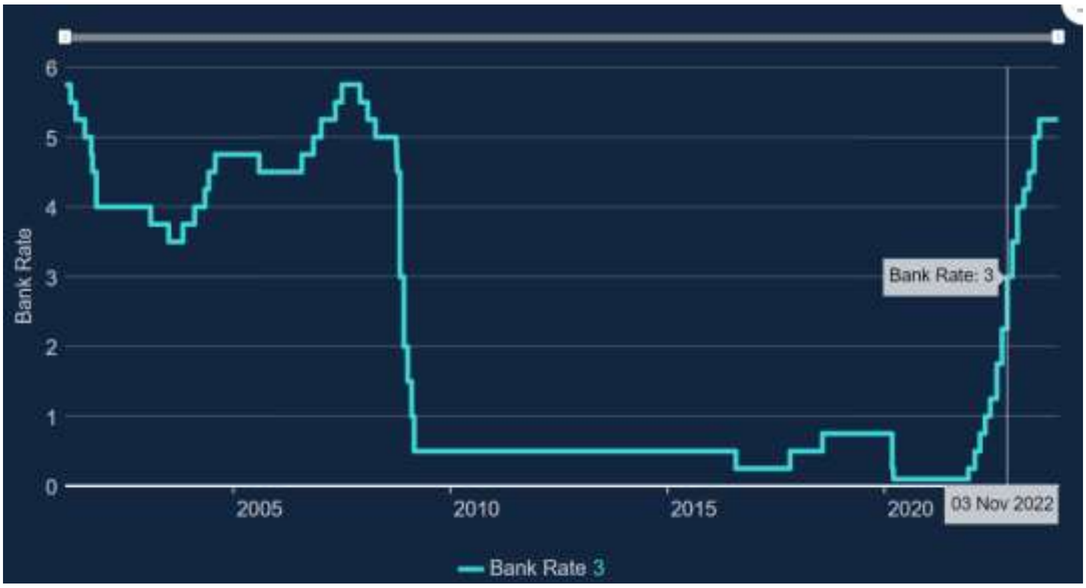
Interest payable on the Council's borrowing (Debt)

2.17 The MTFS includes estimated borrowing costs determined by the level of external borrowing (i.e. from other local authorities) incurred to fund the capital financing requirement over the term of the MTFS. In addition to external borrowing the Council utilises some of the cash surpluses flowing through its bank (this is called internal borrowing). Using surplus cash usually saves loan interest on external borrowing. The Council must carefully manage its surplus cash available to minimise interest costs whilst not running out of cash.

2.18 The 2023-24 budget included £3million of interest payable on an assumed £165million borrowing capped at that level for the period of the MTFS in line with the capital receipts first policy. The interest assumption was based on short-term borrowing of £45million at 0.75% and £120million of long-term Public Works Loan Board (PWLB) borrowing at 2%, plus an additional annual interest charge of £372,000 for the Meads, acquired in March 2023. The Meads borrowing was due to be repaid over several years from ringfencing its net rental income, due to the significant cost of borrowing this has not been possible.

2.19 The planned long-term borrowing in the 2023-24 budget assumptions was delayed due to the rapid increase in interest rates and market predictions of this being a short-term spike, with the intention to borrow long-term when the rate reduced closer to the assumed rate in the 2023-24 budget. The Council cannot afford to borrow at rates beyond 2% at its current level of borrowing, without finding compensating budget adjustments and/or a reduction in the level of external borrowing (technically, applying capital receipts from the sale of assets to reduce the Capital financing requirement) by using capital receipts to pay back borrowing as it falls due.

2.20 Since the drafting of the 2023-24 MTFS for approval at Budget Council in February 2023, the Bank of England has raised the Base Rate from 3% in November 2022 to currently 5.25%. There have been 14 consecutive interest rate rises between December 2021 and August 2023 with the rate being held since. This can be seen in the graph below from the BoE website.



2.21 All borrowing has remained short term (one year or less) inter-authority. The advice received in September 2023 from Arlingclose was to transfer 60% of the short-term debt to longer-term PWLB. However, although the advice to lock in long term borrowing would mitigate further interest rate rises, at this time PWLB rates are unaffordable at more than double the 2023-24 budget assumption and an alternative mitigation is now needed. The table below demonstrates the borrowing assumptions and interest rates included in the 2024-25 MTFS update.

Interest on External Borrowing	2023-24 Original Budget £'000	2023-24 Forecast £'000	2024-25 Draft Budget £'000	2025-26 Draft Budget £'000	2026-27 Draft Budget £'000
1. Investment Properties	1,562	3,391	4,371	3,229	2,591
2. The Meads	363	789	502	371	298
3. Union Yard	669	1,452	1,552	1,168	937
4. RHL Ltd	15	33	855	631	507
5. Crematorium	6	14	239	187	150
6. Civic Quarter	128	278	363	268	215
7. Other Operational Assets	258	560	793	591	479
Total interest on external borrowing	**3,002**	**6,516**	**8,675**	**6,446**	**5,117**
Weighted average interest rate	**1.67%**	**3.90%**	**5.17%**	**3.86%**	**3.10%**
Short term borrowing	45,000	167,000	167,000	167,000	167,000
Long Term borrowing	120,000	-	-	-	-
Total external borrowing	**165,000**	**167,000**	**167,000**	**167,000**	**167,000**
Internal borrowing	-	7,746	15,409	16,474	16474
Total borrowing	**165,000**	**174,746**	**182,409**	**183,474**	**183,474**

Central Government Funding

2.22 Central Government Funding represents the income from government through the Finance Settlement. Key components are retained business rates, New Homes Bonus and other smaller grants.

2.23 The key headlines announced in the settlement on the 18th December 2023 by DLUHC were:

- No new additional support for the sector was announced outside of already stated commitments
- The Council Tax Referendum limit was confirmed at 2.99% or £5 on a Band D property for district councils with an additional 2% Adult Social Care levy for Upper Tier authorities
- All councils to receive a minimum 3% increase in their overall core spending power, taking into account all government funding sources but before taking into account any Council Tax increases
- The New Homes Bonus was confirmed as operating to the same formula as had been applied for 2023-24
- No guarantees were made for any future New Homes Bonus
- The Business Rates multipliers (the figure that rateable values are multiplied by to arrive at the rates charge) were increased by CPI
- Any Revenue Support Grant (RSG) was increased by CPI
- It was confirmed that Business Rates would not be reset (that is the way in which business rates are distributed between different tiers of government) in 2024-25

Reaction and response to the settlement

2.24 The finance settlement is always announced at the start of a period of consultation by DLUHC. The District Council's Network (DCN) represents district councils as a collective body and has responded on behalf of the sector to the consultation, making the following key observations:

- The total increase in core spending power falls short of the level needed to allow councils to tackle the budget gaps that have developed in the past 2 years, primarily due to inflationary pressure
- District councils have been hit harder in funding changes since 2015-16 (15% in real terms compared to 5 – 15% for other councils) – more needs to be done to redress this
- Disappointed that Council Tax Referendum level is the same as previous years - DCN is lobbying for 4.99% or £10 on a Band D property for Districts (District's CT revenue has increased by 10% in real terms since 2015-16, compared to 25% for other councils)
- Welcomed the confirmation of no Business Rates reset
- DCN to respond to Government requesting an additional 1% increase in core spending power for Districts plus greater freedom on Council Tax

  The DCN lobbying has had some effect and on 24th January 2024 the Government provided an additional 1% on core spending power, equating to around £108,000 for the Council.

2.25 The settlement and reaction from the DCN was discussed with the Council's Budget Strategy Working Group on 11th January 2024 and the Group endorsed the DCN commentary and recommended that the Portfolio Holder for Finance respond to the consultation, along similar lines.

Retained Business rates

2.26 Retained business rates remains an integral and important part of the Council's income. As the rating authority, Rushmoor is required to maintain business rates records, bill and collect rates due from all local businesses and then arrange for distribution of the shares of rates to other preceptors and government, based on a complex formula, advised by DLUHC.

2.27 As well as allowing for the accurate billing of all sums due, the Council is required to apply reliefs to business rates, set out in Legislation, and also to allow for any significant foreseeable changes to sums due. This could be due to changes in rateable value because of business reconfiguration or as a result of successful appeals against rateable value by ratepayers. There will also be considerable churn across the Borough as businesses come and go throughout the year and periods of void or reduced rates need also accounting for. Given the size of the local rates take (circa £62m in 2023-24), changes and adjustments can be considerable for which the Council needs to allow and provide.

2.28 Due to favourable location, Rushmoor has a healthy business rates base with a number of national and international businesses based within the Borough. Whilst this is currently extremely valuable, considerable risk is attached to any business rates estimate due to the disproportionate effect of a relatively small number of rate payers. For example, of around 2,600 businesses in the local rates list, around 24% of all rates collected are paid by just 10 rate payers (around 0.4%).

2.29 From the 1st April 2023, a new rating list came into force which provided all local businesses with a revised rateable value. This in turn has increased the total rates retained by Rushmoor in 2023-24.

2.30 As there are no changes proposed to the way rates are retained, it is reasonable to assume that this higher level of retained rates will continue into 2024/25 and a CPI uplift factor will also be applied. Taking these changes into account and making allowance for the various risk factors set out in 2.27, this leads to a figure of £5.1million to be included in the budget proposed for 24/25 (up from circa £4.1million in the original 2023/24 budget). This figure will be finalised on completion of the official form NNDR1 due by the 31st January 2024. Delegation is sought from Cabinet to amend the figure in these papers once the NNDR1 has been finalised.

2.31 The long-term government commitment to apply a reset to rates does represent an enduring risk for the Council. Whilst no certainty is currently known to be able to quantify this risk, this matter will be kept under review and the MTFS adjusted accordingly in light of future announcements.

New Homes Bonus (NHB)

2.32 New Homes Bonus (NHB) is paid on the increase in the Council Tax base as of October of the prior year, i.e., 2024-25 NHB is based upon tax base as of October 2023. There was very little growth between 2022 and 2023 compared with 2021-22 and the overall NHB has decreased accordingly. This money is only awarded for one year and there is no guarantee that it will continue in the MTFS. The full allocation of NHB is included within the base revenue budget, any decrease puts pressure on service delivery resources.

Council Tax

2.33 The share of Council Tax that the Council can rely on is the balance of all Council Tax collected from local residents, less payments out to preceptors (Hampshire County Council, Police, Fire and Rescue).

2.34 To determine the Council Tax Band D figure (which is the headline Council Tax figure declared during the setting process), the Council must first determine and set its Council Tax Base for the year. This process has been undertaken and set out in a separate delegated report (report no FIN 24/03). The tax base for 2024-25 has been determined as 33,011.65, which is up from 32,959.11 set for 2023-24. This is a modest increase representing the relatively low level of new building completion in the last 12 months and reflecting the changes proposed to the Council Tax Support Scheme for 2024-25 (set out in detail in report no FIN 24/05).

2.35 Whilst the formal setting of Council Tax takes a statutory form and will form part of a separate paper to Council at the budget setting meeting, the total amount of the Council's share of Council Tax included in the proposed 2024-25 budget is £7.683million, up from £7.448million in the original 2023-24 budget. This reflects a Council Tax increase up to the maximum allowable under current referendum limits and will represent a Band D Council Tax of £232.74 up from the current year's £225.98.

UK Shared Prosperity Fund

2.36 The UK Shared Prosperity Fund (UKSPF) aims to build pride in place and increase life chances across the UK. Launched in April 2022, UKSPF is the replacement for the European Structural Fund and Investment Programme. Part of a suite of complementary funding, the UKSPF is a central pillar of the Government's Levelling Up agenda and a significant component of its support for places across the UK. Rushmoor has been allocated up to £1million from the fund, with £898,000 remaining available to the Council in 2024-25.

2.37 Cabinet considered Report No. ACE2204 at its meeting on the 5 July 2022, setting out the development of the Council's UKSPF Investment Plan. The detail of the investment plan is included in full in Appendix 6. Cabinet is asked to approve the schedule of projects, subject to the full receipt of the funding and the 2024-25 budget will be adjusted accordingly.

3 REVENUE BUDGET FORECAST 2023-24

3.1 The General Fund Revenue budget for 2023-24 was approved by Council at their meeting in February 2023. The forecast position reported to Cabinet in January 2024 indicated that service budgets were showing some financial pressure with overspends on establishment, and reduced income. Interest rates are a significant issue in line with the position projected in the MTFS above.

4 BALANCING THE BUDGET

4.1 The Council is legally required to set a balanced budget for the following financial year, and it must remain balanced including with the use of available reserves. Projections show that this is possible for 2024-25 but no future years without significant mitigation i.e., savings. The most significant challenge is the interest on borrowing and the mitigation must be focussed on reducing the cost of debt (i.e., a capital solution) to minimise the impact on the service delivery budget. The position set out in this report is based upon an assumption that the interest rate and inflation are reducing (as projected by the Bank of England), and the funding gap will be impacted by changes in either projection as described in 2.11 and 2.21 above.

4.2 The profile of the MTFS deficit is set out in the table below.

Medium Term Financial Strategy - Summary	2023-24 Original Budget £'000	2024-25 Draft Budget £'000	2025-26 Projected £'000	2026-27 Projected £'000	2027-28 Projected £'000
Estimated reserve balance:					
Opening balance	(13,060)	(10,560)	(5,300)	(1,106)	2,398
Budgeted service movement	1,124	(119)	66		
Forecast deficit	1,376	5,379	4,127	3,504	3,641
Remaining reserve	**(10,560)**	**(5,300)**	**(1,106)**	**2,398**	**6,039**
Working Balance: minimum required £2m:	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
Note - figures showing in brackets () represent available reserve					

4.3 As seen in the report above, inflation is forecast to return to 2% within the next three years and, excluding increased interest rates, identified service cost pressures can be managed within the overall cost of service provision through a new transformation strategy. The overall mitigation of the budget deficit will require a capital solution and reduction in the cost of services over the MTFS period.

4.4 The biggest challenge is the interest on borrowing. This can be seen in Appendix 2: detailed MTFS, which demonstrates how each of the seven capital schemes supported by borrowing adds to the bottom-line deficit. It should be noted most assets generate income to support service provision, disposal of income generating assets to generate capital receipts will not resolve the deficit due to the impact of the lost income.

4.5 Financial markets are forecasting interest rates to reduce back to 3% within the MTFS term. This has been factored into the MTFS and does help alleviate the deficit position in the MTFS term. Ultimately, the Council must reduce each year’s deficit to minimise the drawdown of reserves and ensure sufficient reserves are available to maintain a balanced budget the following year, including withstanding timing delays and cost shocks.

4.6 There are two significant levers within the Council’s control to resolve the deficit. The most controllable lever is the Council’s cost base, the second lever is the reduction of interest and MRP through reduction in debt (i.e., a capital solution), however disposal of assets to generate capital receipts is a medium-term action as this takes time to achieve.

4.7 Measures can and will be taken very quickly to reduce costs on a temporary basis with a targeted approach to minimise unintended consequences such as pressure on staff and council services. Measures must be taken carefully with appropriate consultation, especially focussing on services for the vulnerable and homeless. Savings must ultimately be permanent reductions in base budget, this will be achieved through a transformation and efficiency strategy described in section 5 below.

4.8 The table below demonstrates the level of permanent reduction required in the Council's budget to bring the revenue account back into balance and maintain sufficient reserves each year to set a balanced budget across the MTFS term. The capital solution requires £40million reduction in borrowing (i.e., the Capital Financing Requirement) through the generation of capital receipts (or other external funding) by September 2025 and service budget reduction of £2million over 4 years, from £32million cost base,1.6% per year.

Savings Target effect on reserves	**Year saving achieved**	**2024-25 Draft Budget £'000**	**2025-26 Projected £'000**	**2026-27 Projected £'000**	**2027-28 Projected £'000**
In year saving permanently out of base					
Interest and MRP reduction	2024/25	(240)	(1,172)	(1,020)	(1,020)
Interest and MRP reduction	2025/26		(386)	(1,020)	(1,020)
Services cost reduction	2024/25	(500)	(500)	(500)	(500)
Services cost reduction	2025/26		(500)	(500)	(500)
Services cost reduction	2026/27			(500)	(500)
Services cost reduction	2027/28				(500)
Total recurrent savings:		**(740)**	**(2,558)**	**(3,540)**	**(4,040)**
In year deficit/outturn before mitigating savings		5,379	4,127	3,504	3,641
Revised deficit/outturn		**4,639**	**1,569**	**(36)**	**(399)**
Revised opening reserve balance:		**(10,560)**	**(6,040)**	**(4,470)**	**(4,506)**
Budgeted service movement		(119)	**66**		
Revised deficit/outturn		**4,639**	**1,569**	**(36)**	**(399)**
Revised reserve annual closing balance		**(6,040)**	**(4,470)**	**(4,506)**	**(4,905)**
Working Balance: minimum required £2m:		(2,000)	(2,000)	(2,000)	(2,000)
Incremental savings required by year		**(740)**	**(1,818)**	**(982)**	**(500)**

4.9 The savings target table above shows the timing of savings delivery is critical. A ¼% interest rate equates to £420,000 full year effect at the current level of debt. Some interim temporary cost control will inevitably be required as described in 4.7 above until the longer-term solutions are in place.

5 APPROACH TO ADDRESSING THE DEFICIT

5.1 The level of savings required over the medium term is significant. A strategy to ensure that the Council's debt is reduced, and the necessary level of savings achieved is broad and will consist of;

I. Reducing debt through consideration of;
   - Disposals of Council owned land and property to generate capital receipts to reduce overall debt
   - Approach to the operation of Union Yard and transfer of elements of the scheme to Rushmoor Homes Ltd

- The extent and timing of projects in the Rushmoor Homes business plan

II. Maximising the benefit of the Council's existing treasury investments and use of cash to minimise external borrowing

III. Minimising the revenue impact of existing borrowing including through effective capital accounting and reconsideration of prudent MRP provision

IV. Reviewing the future capital programme and particularly the approach to regeneration of the Civic Quarter. To include;
   - Assessment of opportunities to add value prior to disposal of land to maximise future capital receipts
   - Working with Homes England on opportunities for grant and other support
   - Reconsidering the scope and timing of significant capital projects

V. Developing options to address the long-term cost of services through a Council wide transformation plan

VI. Increasing income by
   - Improving the net income from the Council's property portfolio
   - Maximising fees and charges

VII. Management and use of reserves

5.2 The Executive Leadership Team have been working with Cabinet to develop a detailed Financial Resilience Plan which includes a range of medium- and shorter-term actions to deliver the above strategy over the next 18 months.

5.3 The work on delivering the Financial Resilience Plan has commenced and current key actions and delivery arrangements are set out in Appendix 1 MTFS – Financial Resilience Plan

5.4 The Financial Resilience Plan will develop over the next few months and will need to be jointly owned by officers and councillors. It will be a priority for the Council moving forward to drive the change and transformation required to support financial recovery.

5.5 This type of work is not easy and will require significant change to the Council's current operating model. Over the duration of the plan, Members should expect to receive proposals to manage the budget shortfall that:

(a) Recognise the Council may no longer be able to afford to deliver the current range of services or maintain some services at existing levels
(b) Prioritise services that deliver statutory obligations as a borough council

5.6 The Council's Budget Strategy Group will continue in its role of overseeing the Council's delivery of savings and move to financial sustainability.

5.7 To support the delivery of the plan, an amount of capital receipts will be required to fund service redesign using the government "Strategy for the

Flexible Use of Capital Receipts" directive. This will be an early call on any capital receipts secured.

5.8 The development of the Financial Resilience Plan, management and delivery of the short-term savings will require additional capacity from a range of specialisms and experienced professionals to compliment the current officer capacity. It is vital the Council does not lose sight of its core purpose delivering services in business as usual. To ensure sufficient capacity can be called upon as required in a timely way, it is proposed that £250,000 is earmarked for this purpose from the Stability and Resilience Reserve during 2024-25. This 'invest to save' funding is required to enable the Council to realise the targets for balancing the budget over the MTFS term.

6 ROLE OF THE CHIEF FINANCE OFFICER

6.1 The Council's Chief Finance Officer (Section 151 Officer) has a statutory duty to consider issuing a Section 114(3) Notice, where in his view, the current **or future** expenditure of the authority incurred (including expenditure it proposes to incur) in a budget year is likely to exceed resources (including sums borrowed) available to it to meet that expenditure. A S114(3) Notice is extremely serious and has far-reaching implications for the Council. It requires the Council to cease all non-essential expenditure and reduce operational and service delivery costs immediately. That said, the Council cannot go into Administration or Liquidation as it is backed by government and taxation. This means all contracts in flight and creditors are secure, staff will continue to be paid and deliver statutory services, particularly to the vulnerable and homeless.

6.2 As proposed in this report, the Council can balance the 2024-25 General Fund budget, with the use of reserves, avoiding the issuing of a S114(3) in this financial year. However, the ability to resolve the MTFS deficit is also a S114(3) consideration in respect of the wider financial sustainability and reserves position, and this is much more challenging to assess in respect of the key significant financial assumptions. This report sets out a short-term and longer-term Financial Resilience Plan which will be updated at Full Council in July.

7 OTHER CONSIDERATIONS

7.1 On 19 December, the Department for Levelling Up, Housing and Communities (DLUHC) opened a consultation on several capital flexibilities and borrowing. The intent is that any use of the flexibility must be part of an overall plan to move back to financial sustainability within the MTFS term. If these flexibilities come into regulation, it may be possible to use capital receipts to cover some MRP for a period (MRP for 2024-25 £2.6million, 2025-26 £3.8million) until the base budget is permanently reduced, an approach that is not allowed under the current rules.

7.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) has been engaged as a critical friend to support the Council by providing constructive challenge, advice, and insight, as appropriate, through a financial resilience review with a formal report due in March 2024. The review will focus on 5 key areas:

- Financial Management/Sustainability: An assessment of the Council's financial management and management of risk, financial pressures, deliverability of savings plans and efficiency in delivering services.
- Commercial Assets/Debt: An assessment of the Council's assets and investments including dependence on commercial income, debt costs and other risks.
- Capital Programme/RHL: An assessment of the Council's capital programme and management of related risks including arrangements with the wholly owned RHL and recommendations on how the Council could use the proposed new flexibilities to address its financial challenges.
- Governance: An assessment of the Council's governance/management processes, leadership, operational culture, whether it has the appropriate governance procedures in place, and the capability and capacity to make any necessary transformation.
- An Improvement Plan: Recommendations to provide the Council with tangible actions to guide design, and implementation of an Improvement plan to address identified risks and issues. Assist in the development the improvement plan.

8 CAPITAL PROGRAMME

8.1 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.

8.2 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.

8.3 The Council's capital expenditure is, for projects already committed, predominantly financed from prudential borrowing. Based on the current budget forecast, the Council does not have the financial capacity take forward any more projects resulting in a net cost to the revenue account without identifying a corresponding equal reduction in cost elsewhere. Going forward any new projects will need to be funded from other sources of external finance such as government grants and other contributions, until the MTFS has been brought back into balance without a drawdown of reserves. If additional resources become available, projects that meet the Council's strategic capital objectives could be brought forward for approval.

8.4 The Council was awarded £20million Levelling up Capital funding in 2023 towards the Leisure and Cultural Hub project. The overall cost of this project and the associated mobility hub is currently forecast at circa £67million. Based on the current financial forecast, estimated running costs and income projections for the project once complete, there would be a funding gap which was intended to have been met by prudential borrowing in 2026-27. Given this report, the Council cannot today rely on being able to take additional borrowing at that point. The project is therefore not currently included in the Capital programme beyond the end of the current stage of costing and design (RIBA 3). The costs of progressing to the next stage (RIBA 4) of circa £1.7million can be fully met from the Levelling Up grant funding, however, a decision will be made on this when the revised MTFS is produced in July. A separate paper covering the next steps of this project is also being considered by cabinet at this meeting.

8.5 The Capital Programme is set out in the table below for the period 2023-24 to 2027-28 based on the principles of the current Capital Strategy.

Capital Programme	2023-24 Forecast £'000	2024-25 Draft Budget £'000	2025-26 Projected £'000	2026-27 Projected £'000	2027-28 Projected £'000
Capital Expenditure					
Union Yard	16,966	5,384	603	-	-
The Meads	10,456	-	-	-	-
The Galleries	3,400	-	-	-	-
Temporary Housing	2,883	-	-	-	-
Disabled Facilities Grants	1,868	1,632	1,111	1,111	1,111
Civic Quarter	1,550	-	-	-	-
Asset Management R & M	849	671	50	50	-
Section 106 funded projects	827	658	-	-	-
Crematorium	446	4,418	305	-	-
CCTV	300	-	-	-	-
Redan Rd	289	-	-	-	-
ICT Services system upgrades	252	582	-	-	-
Housing PRS Delivery via RHL	169	-	-	-	-
Refuse Bins	127	127	127	127	-
Total Capital Expenditure	**40,383**	**13,473**	**2,196**	**1,288**	**1,111**

8.6 The table below sets out the financing of the capital programme from 2023-24 to 2027-28.

Capital Financing	2023-24 Forecast £'000	2024-25 Draft Budget £'000	2025-26 Projected £'000	2026-27 Projected £'000	2027-28 Projected £'000
Developer contribution to Wheeled bins	(20)	(20)	(20)	-	-
Homes Infrastructure Funding	(5,012)	-	-	-	-
S106 funding	(713)	(658)	-	-	-
LAHF Funding + Ukraine +S106 Commuted	(2,883)	-	-	-	-
LTA Grant	(114)	-	-	-	-
Leveling Up Funding	(1,240)	-	-	-	-
Disabled Facilities Grants	(1,868)	(1,632)	(1,111)	(1,111)	(1,111)
Borrowing	(28,532)	(8,663)	(1,065)	(177)	-
Capital receipts - Vivid Union Yard	-	(2,500)	-	-	-
Total Financing	**(40,383)**	**(13,473)**	**(2,196)**	**(1,288)**	**(1,111)**

8.7 Cabinet considered the revised position for 2023-24 where slippage and additional items approved at meetings on the 8th August and 12th September resulted in a revised Capital Programme for 2023-24 of £50.8million.

8.8 The latest forecast position now indicates that the expected out turn in 2023-24 will amount to £40.383million - a reduction of £10.4million

8.9 The main areas of forecast relate to the following schemes:

Items anticipated to slip into 2024-25: £4.6million
- Frimley and Hawley site development schemes - £562,000
- Disabled Facilities Grant - £236,000
- Section 106 funded schemes - £112,000
- IT related Schemes - £77,000
- Union Yard - £3.6million

True underspend items: £5.9million
- Housing PRS – schemes supporting RHL site development - £5.724million
- The Meads Acquisition - £162,000
- Telephony Replacement project - £27,000

Overspend item: £99,000
- Southwood Visitor Centre - £99k additional works / snagging repairs etc.

8.10 All the above anticipated slippage and underspend items have been reflected in the revised programme for 2023-24 and the proposed programme for 2024-25.

Summary of Key projects

8.11 **Union yard**
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. It is anticipated that the whole of the budget approved to date will be fully spent by 2024-25 during which period the scheme will reach completion. Forecast expenditure set out above in 2024/25 also includes an allowance for fit-out of units to enable lease. A small amount of capital funding is held back for 2025/26 to cover the contracted retention fee.

8.12 **Rushmoor Homes Limited**
As set out above, whilst there is no direct capital project funding for RHL in 2024-25, the Council will be financing the acquisition of elements of the Union Yard scheme by the company. In line with the RHL funding agreement, any loans will be at a rate of circa 3% above the Councils cost of funds.

8.13 **Crematorium**
The Aldershot Crematorium is a key operational asset that contributes to the General Fund. Refurbishment of the Aldershot Crematorium was approved by Cabinet in September 2023 (Report No: OS2313). The report sets out the full business case and requested capital funding to progress the scheme through to development. Accurate assessment of refurbishment costs will become available once a Main Contractor has been appointed.

Most of the works are planned to take place in 2024-25, which subsequently impacts the achievable revenue income during this period (as demonstrated in Appendix 2). To minimise the revenue impact, Redan Road Chapel has been restored, enabling services to continue.

As most of the supplies from the Crematorium are VAT exempt the Authority's partial exemption status relating to VAT is affected by the proposed Capital expenditure. As a result, it is likely that the VAT relating to the costs of the works, estimated at £800k, will not be able to be reclaimed and have therefore been included within the current Capital estimates.

8.14 **The Meads**
Purchase of the Meads was approved by Cabinet in April 2023 (Report No. REG2302). The report set out the final business case with regards to the acquisition of Block Nos. 1- 4 The Meads and Kingsmead Shopping Centre, Farnborough. There is currently no capital budget for this scheme in 2024-25 as it was intended necessary capital investment would be revenue funded in the business case. Any requirements that are necessary will come forward with a business case justifying the return on investment and/or the necessity for the

investment. This includes any capital expenditure which can be financed as envisaged within the original business case to ensure value for money.

8.15 **Civic Quarter**
The Civic Quarter was granted outline planning approval in February 2023. During 2023-24, work has continued to progress detailed planning for the scheme and optimise plot potential. As detailed in 8.3 above, further Council investment in the Civic Quarter is not included in the capital programme for 2024-25 beyond some limited enabling works primarily funded by approved grants which are included within 2023-24 programme. In the meantime, the regeneration team will continue to seek external support from government agencies and undertake funded work to increase the value of council land assets.

8.16 **Other**
While disabled facilities grants represent £1.6million of the 2024-25 capital programme, this activity is fully funded by Government. Some of the capital programme supports 'enabling' sites where investment is made to increase the value of the land or property. The remainder are capital costs associated with ongoing service delivery.

9 RISKS AND UNCERTAINTIES

9.1 There are a range of risks associated with the delivery of the MTFS and achievement of the Financial Resilience Plan to address the budget shortfall, these are particularly important to identify given the ongoing uncertainty in the estimates and economy. A summary of the key risks over the MTFS period are included below:

- Financial Statements audit backlog to 2020-21 carries risk around impact on available reserves.
- Capacity to resource the work required to achieve a balanced budget and support the Council through the MTFS challenge.
- Timing and value of capital receipts
- Assumptions on interest rates and inflation reductions do not materialise as planned.
- Pooled funds capital deficit does not recover before March 2026 dispensation is removed, requiring the deficit to be included in the revenue account.
- Latent liabilities within the substantial property portfolio crystalise.
- Cost of defending planning appeals will be an unbudgeted call on reserves.

Flexible use of capital receipts

9.2 In 2022 the Government issued a new directive under the Local Government Act 2003 which allows flexibility regarding the use of capital receipts from sale of non-housing assets to fund revenue costs of service reform. This applies to capital receipts that meet the statutory definition and have been received since April 2016.

9.3 The Council will have to make significant changes to its service provision including efficiencies. It is sensible to alleviate pressure on revenue reserves using capital receipts and make the required council resolution to enable this to be done. It is the Council's proposed strategy for 2024-25 to use capital receipts for certain revenue costs where these directly lead to the delivery of an ongoing revenue budget saving or efficiency gain, including business transformation.

9.4 The current consultation on additional capital financing freedoms may widen the scope of this directive, this will be assessed and considered within the overall financial recovery plan as more detail emerges.

Legal Implications

9.5 Section 151 Local Government Act 1972 requires the Council to make arrangements for the proper administration of their financial affairs and to secure that one officer has the responsibility for those affairs (the s151 officer).

9.6 The Council's legal duty to set a balanced budget is set out in section 31 Local Government Finance Act 1992, which provides that the Council must balance its expenditure with its revenue.

9.7 Section 114(3) Local Government Finance Act 1988 requires that: "The Chief Finance Officer of a relevant authority shall make a report under this section if it appears that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure."

9.8 The Council appears to be able to balance the 2024-25 General Fund budget, with the use of reserves, and therefore the Chief Finance Officer is not making a report under s114 at the current time. However, the MTFS projects a £19.2million deficit in the period to 31 March 2028. The position of the MTFS is more challenging to assess whether the Chief Finance Officer's statutory obligation will become relevant and whether there will be a requirement to report in accordance with s114 in due course.

9.9 The process for the issuing of a s114 report is set out in the Local Government Finance Act 1988. Section 115 provides that the Chief Finance Officer must consult in preparing such a report with the Council's Head of Paid Service and the Monitoring officer. The Chief Finance Officer must provide a copy of their s114 report to the Council's auditors as well as to every elected member of the Council. The Act provides that the Council must meet within 21 days and decide whether it agrees or disagrees with the views contained in the report and what action it proposes to take, including financial controls. There is a prohibition of incurring any expenditure under any new agreement, other than in respect of funding statutory services, between the date of the report and the Council meeting without the authority of the Chief Finance Officer.

9.10 The Council must continue to act lawfully in making decisions on service delivery, regardless of any s114 report. There continues to be a requirement to conduct needs assessments, undertake consultation where appropriate, assess and have regard to equalities implications, and consider all other relevant considerations to inform their decisions about service delivery.

Human Resource Implications

9.11 As this report notes, the Council will need to review its services and how they are provided through the Financial Resilience Plan. There may be human resource implications arising from this work.

Equality and Diversity Implications

9.12 This report sets out several actions that will lead to changes to the services and provisions the Council provides for residents across the Council. These proposals are subject to further work and decisions in relation to the budget are reserved for Council.

9.13 As a public body, the Council is required to comply with the Public Sector Equality Duty (PSED), as set out in the Equality Act 2010. The PSED requires the Council to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between different people when carrying out their activities. Failure to meet these requirements may result in the Council being exposed to costly, time consuming and reputation damaging legal challenges.

9.14 The Council must, therefore, ensure that it has considered any equality implications prior to decisions taken on proposals that will arise from the actions in the Financial Resilience Plan.

Consultation

9.15 All Members of the Council were invited to a budget briefing seminar on 24th January 2024 to discuss the budget proposals and the full budget report is available online.

9.16 The Budget Strategy Working Group (BSWG) met on 11th January to review the detailed assumptions and proposed budget estimates. The remit of BSWG will be reviewed to incorporate the additional diligence and member consultation required to deliver the strategies proposed in this report.

10 CONCLUSIONS

10.1 The Council can set a balanced budget with the use of reserves. There is a £19.152million deficit over the MTFS term and a Financial Resilience Plan is in place to address the challenge. To achieve this, the budget will require the implementation of cost reduction, efficiency savings and capital receipts to reduce capital costs whilst drawing down reserves.

BACKGROUND DOCUMENTS:

Cabinet - Tuesday, 9th January 2024, Revenue and Capital Budget Monitoring Report - Q2 2023/24

Council - Thursday, 23rd February 2023,
1. Annual Treasury Management Strategy and Annual Non-Treasury Investment Strategy 2023/24
2. Revenue Budget, Capital Programme and Council Tax Level
3. Annual Capital Strategy 2023-24

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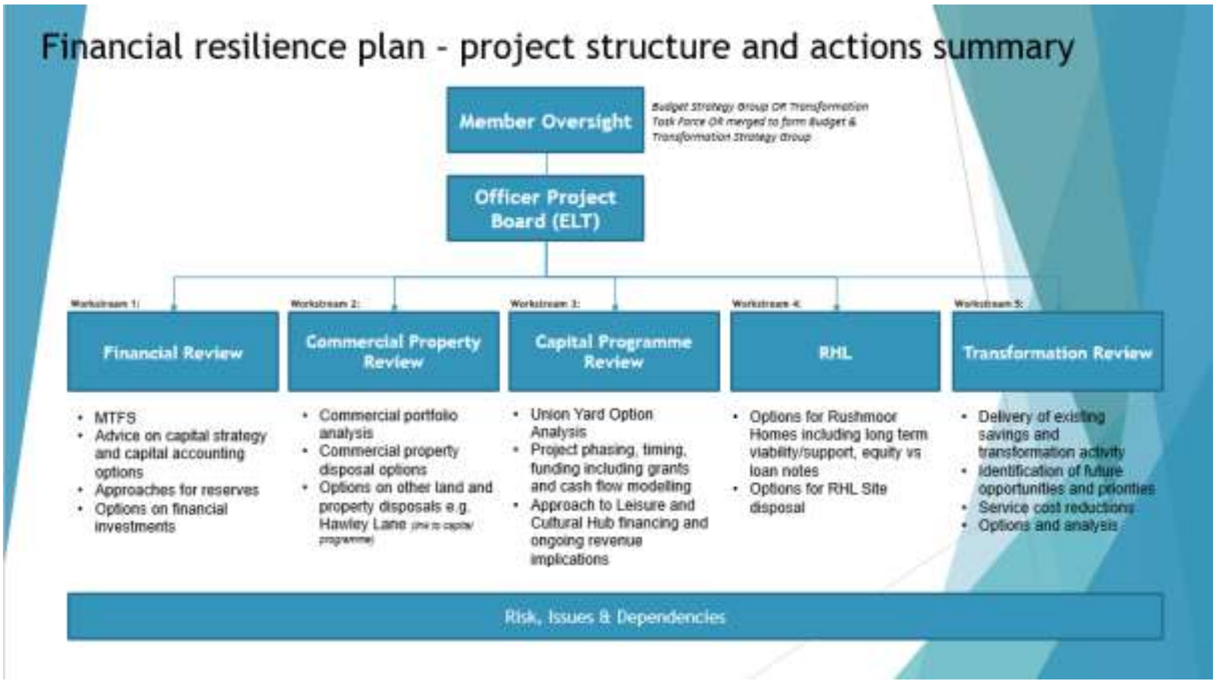
Appendix 1: MTFS   - Financial Resilience Plan

The aims of the Financial Resilience Plan are to achieve financial sustainability and enable service optimisation within the MTFS period without significant impact on Council Plan priorities and deliver the Financial Resilience Strategy set out in the budget report.

The Financial Resilience Plan will be delivered through a number of workstreams that will define and deliver actions to enable the Council deliver the strategy. The workstreams cover the following five areas:

- Finance
- Commercial Property
- Capital Programme
- Rushmoor Homes Limited (RHL)
- Transformation



The principal actions for each workstream are currently as follows:

Finance workstream	a) Definition of the Minimum Revenue Position, to be adopted for financial accounting and planning purposes. b) Revision of a regular timetable for financial reporting and budget setting and review. c) Review of treasury operations. d) Review of capital planning methodology. e) Maintenance and improvement of suitable expenditure controls into the medium term. f) Management of the Council's balance sheet. g) Improvements in the quality of working papers, documents, and reconciliations through establishment of new standards for these materials. h) Development of financial skills within the Council. i) Design and consultation on the structure of the finance service at a suitable juncture. j) Review of the Council's management of insurance.
Commercial Property Review	a) Review of existing commercial investment property portfolio b) Development of an asset sales strategy and a property income optimisation strategy, with external advisors LSHM, to support and to deliver the best return for the "public purse and leave the council with a balanced portfolio" c) Implementation of the resulting disposal programme
Capital Programme Review	a) Continued analysis of the capital programme, including phasing and financial commitments b) Analysis of options pertaining to the future operation and ownership of Union Yard following practical completion c) Review of the Leisure and Cultural Hub project including scope, delivery timescales and funding strategy d) Pursuit of further grant and other funding opportunities that can support delivery of the capital programme
RHL	a) Review the development schemes supported to reduce the impact on the Council's revenue budget and minimise risk to the Council
Transformation Review	a) Delivery of existing savings and transformation activity b) Development of a new transformation strategy which ensures services can be delivered within the financial resources available. This work could include; I. Development of options and supporting analysis II. Design and implementation of a revised target operating model III. Design and implementation of revised service designs and associated objectives IV. Design and consultation for proposed organisational changes

External support will be sourced to support delivery of the Financial Resilience Plan and advise on financial recovery, service redesign and transformation. Additional resources will be funded from earmarked reserves and replenished over a two-year period. This must be seen in the context of the need to reduce the debt burden and potential S114(3) position. This ‘invest to save’ funding is required to enable the Council to realise the targets for balancing the budget over the three-year period.

Appropriate delivery and governance measures will be implemented and agreed with Executive Leadership Team and Cabinet Members to approve actions, implementation plans and track progress against proposed targets. Currently oversight on budget, savings and transformation is undertaken by both the Budget Strategy Working Group and the Transformation Task and Finish Group and members will be invited to consider appropriate oversight arrangements for the Financial Resilience Plan.

APPENDIX 2

Appendix 2: Detailed MTFS 2024/25 – 2027/28				
Detailed Medium Term Financial Strategy	**2023-24 Original Budget £'000**	**2024-25 Draft Budget £'000**	**2025-26 Projected £'000**	**2026-27 Projected £'000**
Corporate Services	3,710	3,716		
Customer Experience & Improvement	(421)	(287)		
Democracy, Strategy & Partnerships	2,505	2,670		
Major Projects & Property	2,334	2,537		
Operational Services	9,824	9,976		
Planning & Economy	1,910	1,737		
Net Service Revenue Expenditure	**19,863**	**20,426**	**21,235**	**22,319**
Projects related to Cap Exp/borrowing:				
Investment Properties:				
Net rental income	(8,013)	(7,901)	(7,901)	(7,901)
Operational costs	660	614	610	610
MRP	1,911	1,299	1,101	1,093
Interest on Borrowing:	1,562	4,371	3,229	2,591
Net Revenue Impact	**(3,880)**	**(1,616)**	**(2,961)**	**(3,607)**
The Meads:				
Net rental income	(1,843)	(2,085)	(2,085)	(2,085)
Operational costs	1,468	1,868	1,868	1,868
MRP	9	142	120	119
Interest on Borrowing:	91	502	371	298
Net Revenue Impact	**(275)**	**427**	**274**	**199**
Union Yard:				
Net rental income	-	(470)	(871)	(957)
Operational costs	-	327	139	102
MRP	-	-	380	377
Interest on Borrowing:	669	1,552	1,168	937
Capitalised interest/operating costs	(600)	(388)	0	0
Net Revenue Impact	**69**	**1,022**	**816**	**459**
RHL Ltd:				
Interest Income - Loan Notes	(522)	(968)	(1,220)	(1,085)
Interest Income - Loans		(78)	(67)	(59)
Operational costs recovered	(70)	(70)	(70)	(70)
Operational costs	-	-	-	-
MRP	25	19	211	209
Interest on Borrowing:	15	855	631	507
Net Revenue Impact	**(552)**	**(241)**	**(515)**	**(498)**
Crematorium:				
Operating income	(1,615)	(1,248)	(1,858)	(1,858)
Operational costs	879	977	977	977
MRP	12	18	98	103
Interest on Borrowing:	6	239	187	150
Net Revenue Impact	**(718)**	**(14)**	**(596)**	**(628)**
Civic Quarter				
Operating income	-	-	-	-
Operational costs	-	-	-	-
MRP	68	6	7	7
Interest on Borrowing:	128	363	268	215
Net Revenue Impact	**196**	**369**	**275**	**222**
Other Operating assets:				
MRP	145	273	271	284
Interest on Borrowing:	258	793	591	479
Net Revenue Impact	**403**	**1,066**	**862**	**763**
Interest Receivable from Treasury Investment	(1,600)	(2,350)	(2,130)	(1,640)
Earmarked Reserves	(1,124)	119	(66)	(66)
Net General Fund Revenue Budget	**12,383**	**19,208**	**17,194**	**17,524**
Funded by:				
Council Tax	(7,448)	(7,706)	(7,793)	(8,063)
Business Rates	(4,077)	(5,100)	(5,274)	(5,957)
New Homes Bonus	(658)	(384)	-	-
Funding guarantee	-	(514)	-	-
Services Grant	(96)	(16)	-	-
Revenue Support Grant	(104)	(111)	-	-
Total Funding	**(12,383)**	**(13,829)**	**(13,066)**	**(14,020)**
Net (Surplus)/Deficit	**0**	**5,379**	**4,127**	**3,504**
Note - figures showing in () indicate a favourable change from budget				

Appendix 3a – Income analysis

Service	Description	£'000
Corporate Services		
Finance - Revenues	NNDR admin grant increase	(4)
	VEP grant	(23)
	Housing Benefit Admin grant reduction	19
Legal	Land charges search fees	29
	Legal cost recovery on tenant leases	5
Customer Experience & Improvement		
Facilities Management	Council Office lease income	(26)
Major Projects & Property		
Investment Property	Industrial Estates rent increases	(14)
Other Highways	Car boot sales pitch charges budget correction	8
	HCC contributions	(14)
	Market stall fees	(5)
Property	Increased viability assessments	(4)
Operational Services		
Commercial Services	Car Parking	(140)
	Cemeteries fees	(15)
	Community Hall fees	(2)
	Princes Hall	(92)
Crematorium	Crematorium fees	(98)
	Crematorium Fees reduction - refurb impact	454
Housing	Houses In Multiple Occupation licensing	(10)
	Rough Sleepers Initiative Grant	(101)
Place	Allotments rents	(2)
	Bulk waste collection charge	(3)
	Car Parking	(19)
	Green Waste charge	(13)
	Health Food Safety fees	(7)
	Health Licensing fees	(3)
	Pest control contract referral fee - contract ended	2
	Recreation ground licenses	(21)
	Refuse waste bin charge	8
	Serco contract guaranteed minimum sum	(6)
Place Protection	HCC contributions	(3)
	Health Licensing fees	(3)
	Taxi Licensing cost recovery	(5)
Planning & Economy		
Planning	Building control	(37)
	Development management application fees	(126)
	Increase Grainger contribution for Implementation Officer	(20)
Grand Total		**(293)**

Appendix 3b – Base Budget Growth analysis

Service	Description	£'000
Corporate Services		
Finance	Borrowing brokerage fees	65
	Audit support contract adjustment	(27)
Customer Experience & Improvement		
IT	IDOX and Pay360 cloud one off costs in 2023/24 from base budget	(124)
Major Projects & Property		
Investment Property	Kings Mead rent adjustment	124
	168 High Street Guildford - net	41
	Optrex Business Park - net	(27)
	Ashbourne House - net	117
	Frimly Business Park - net	(33)
	Victoria rd - net	(124)
Property	35/39 High Street Aldershot, 1st floor let including of Business rates, RBC liability	21
Property The Meads	The Meads Blocks 1&2	(226)
	The Meads Shopping Centre	(156)
	The Meads Multi Story Car Park additional costs	488
Regeneration	Digital Games Hub lease cessation	(105)
	RDP cost recharge ceased in 2022/23 budget removed	132
Union Yard	Union Yard Mobilisation	(143)
Operational Services		
Commercial Services	Loss of 2 car parks, community centre and Ordnance rd, cost saving	(17)
Housing	Release budget provision for North Lane and Airport lodge	(323)
Place	Glass Recycling, it is likely that HCC will keep the glass income	24
	Extended Producer Responsibility income	200
	Materials Recovery Facility income	90
	Redan road depot business rates no longer RBC liability	(7)
	Public Conveniences contract reduction	(42)
Planning & Economy		
Economy	Gulf Stream one off grant in 2023/24 removed from base	(100)
Planning	Local Plan review	73
Grand Total		**(79)**

APPENDIX 4

Appendix 4: draft General Fund Revenue Budget Summary 2024/25

Drafty General Fund Budget Summary	2023-24 Original Budget £'000	2024-25 Draft Budget £'000	Change £'000
Corporate Services	3,380	3,703	323
Customer Experience & Improvement	(421)	(294)	127
Democracy, Strategy & Partnerships	2,505	2,674	168
Major Projects & Property	(5,393)	(5,109)	284
Operational Services	9,087	9,722	635
Planning & Economy	1,909	1,738	(171)
Net Service Revenue Expenditure	**11,067**	**12,433**	**1,366**
Corporate Income & Expenditure changes:			
Savings to be identified	-	(1,440)	(1,440)
Interest receivable from treasury investment	(1,600)	(2,350)	(750)
RHL interest	(522)	(1,125)	(603)
Minimum Revenue Provision (MRP)	2,170	2,590	420
Interest payable on borrowing	3,001	8,675	5,674
Capitalised interest	(600)	(381)	219
Total: Corporate Income & Expenditure	**2,450**	**5,969**	**3,519**
Use of reserves:			
Transfers to and from earmarked reserves	(1,124)	119	1,243
Use of reserves - General Fund deficit	-	(5,312)	(5,312)
Total: Use of reserves	**(1,124)**	**(5,193)**	**(4,069)**
Central Government Funding changes:			
Retained Business Rates	(4,087)	(5,100)	(1,013)
New Homes Bonus	(658)	(384)	274
Non Ring Fenced Grant	(96)	-	96
Revenue Support Grant	(104)	(152)	(48)
Total: Central Government Funding	**(4,945)**	**(5,636)**	**(691)**
Total: Budget requirement	**7,448**	**7,573**	**126**
Less Council Tax	(7,448)	(7,574)	(126)
Net (Surplus)/Deficit	-	**(0)**	**(0)**
Earmarked Reserve balance:			
Opening balance	(13,060)	(10,560)	
Budgeted Earmarked reserve movement	1,124	(119)	
Forecast 2023/24 deficit	1,376	-	
Budgeted 2024/25 deficit	-	5312	
Closing balance	**(10,560)**	**(5,367)**	

Appendix 5: Budgeted Earmarked Reserve movement

MTFS: Budgeted Earmarked Reserve movement	2023/24	2024/25
Homeless funding	(350,000)	(49,622)
Homes for Ukraine		(26,652)
Climate Change post reserve drawdown		(45,685)
Maintenance Amenity Areas		(17,515)
A331 Air Quality Project		(42,890)
SANG maintenance		(31,520)
Interest on SANG balances		297,613
Mercury Abatement Levy		35,400
Digital Team Funding	(250,000)	
Commercial Property Income Recovery	(400,000)	
Contribution from Reserves	20,000	
Transfer to Reserves for Regen, Prop & Major Projects	(100,000)	
Saving that couldn't be met - Change of Address Scheme	(44,000)	
Total Earmarked Reserve drawdown	(1,124,000)	119,128
Change in EMR on the face of the MTFS		1,243,128

Appendix 5b: Budgeted Earmarked **Reserves:**	**as at 31/3/2023**
Earmarked reserves	(10,807,303)
Risk reserves	(2,252,797)
Total Earmarked Reserves	**(13,060,100)**
SANG/Developers Reserves Sub Total	(6,076,128)
Total Reserves:	(19,136,228)

APPENDIX 6

Appendix 6 UKSPF projects

The UK Shared Prosperity Fund (UKSPF) aims to build pride in place and increase life chances across the UK. Launched in April 2022, UKSPF is the replacement for the European Structural Fund and Investment Programme. Part of a suite of complementary funding, the UKSPF is a central pillar of the Government's Levelling Up agenda and a significant component of its support for places across the UK. Rushmoor has been allocated up to £1 million from the fund, with the majority (£898,000) of the funding allocated in the final year of the programme (2024-25).

Cabinet considered Report No. ACE2204 at its meeting on the 5 July 2022, setting out the development of our UKSPF Investment Plan. It was agreed that the Investment Plan would centre on delivery of local interventions falling under these themes:

- Communities & Place
- Public realm improvements (for example, wayfinding, cycling and pedestrian access opportunities)
- Town centre events & promotions (including town centre management, events & support for town centre businesses)
- Practical support for place and businesses during town centre transition (including small scale adjustments and changes to support wider regeneration programmes)
- Heritage, Culture & Arts activities
- Health (to address priority needs (e.g., hypertension, childhood obesity and mental health) in areas of deprivation (e.g. Active modes, access to green space etc))
- Local & neighbourhood support (to incorporate smaller scale, more local projects)
- Supporting Local Business
- Sector Support (including Aerospace, Digital & Creative and Incubator Hubs)
- People & Skills
- Apprenticeships, Training & Skills Development

It was also agreed that interventions should meet these criteria:

- A priority in the Council Plan or an action in any other existing Council strategy

- Visible and will deliver tangible benefits for the residents of Rushmoor
- Sustainable within the confines of the fund (i.e., will not incur additional costs or resource demands for the Council (now or in the future)).

Cabinet gave delegated authority to amend and submit the plan, taking into account feedback from technical advisors, PPAB, and the local MP. Policy and Projects Advisory Board (PPAB) considered the Investment Plan at its on 13 July 2022.

Officers reviewed the original investment plan projects and proposed a revised project list for 2024-25. This review considered validity and relevance one year on (including consideration of the Council's financial context), to ensure projects will have a lasting impact, can be self-sustaining, and to minimise the use of fixed term contracts.

PPAB considered the health projects for 2024-25 at its meeting on the 26 September 2023. PPAB recommended to Cabinet that a series of mental health prevention activities are supported through the Council's allocation of UKSPF. Cabinet accepted the recommendation at its meeting on the 21 November 2023. PPAB considered the remaining shortlist of UKSPF projects for delivery in 2024-25 at its meeting on the 29 November 2023.

The total expenditure within the revised project list is £1,000,000. This represents a potential over-programming of 10%. This isn't unusual at this stage of the process. It is likely that this will be further refined as more detailed project plans are developed. Over-programming can be a helpful tool in mitigating against any risk of programme underspend.

PPAB endorsed the project shortlist and recommended approval to Cabinet. PPAB also recommended that:

- A range of options are considered for the enhancement of public realm in Farnborough to reflect the longevity of the site and value for money.
- Place branding work follows established best practice.
- The project to provide wrap around skills support and an enhanced North Hampshire Employment and Skills Zone website could benefit from additional funding.

Project List :

Project ID	Project Title	Project Description	Cost £
CP1	Arts and Events Apprentice and admin support	Continuation of an existing temporary post. The post supports activity across the town centres, markets and events. This intervention could be matched against a potential ACE Place Partnership bid.	25,000
CP2	Farnborough Hoardings	Direct commissioning and/ or community project(s) to animate hoardings in Farnborough.	20,000
CP3	Support and commission organisers to deliver heritage, culture and arts delivery, including free parking in the town centre to support event attendance	Linked to the Cultural Strategy this will enable more creative and cultural activity to animate the town centres. The funding will support groups, organisations and partners to run events and activities which engage communities and support the shared priorities in the Cultural Strategy. Projects will also meet wider corporate objectives such as vibrant town centres.	110,000
CP4	Farnborough heritage trail totems.	The virtual heritage trails will be supplemented with physical totems to highlight each route. These would match the existing totems in Aldershot. Scope will include promotion of the existing virtual apps.	20,000
CP5	Union Yard animation	Encourage further footfall through installation of projector to display procured artwork on blank facade and temporary artwork/ shop front vinyl's.	20,000
CP6	Enhancement of public realm to enable events programme in Farnborough	Creation of a temporary town square. Use of unutilised space to create events space and increase footfall into the town centre. Supports CP3.	300,000
CP7	Developing a place brand for Farnborough	To develop a place brand for Aldershot and Farnborough to proactively promote the offer of both towns. This will aim to increase footfall in the town centres and give more visibility to the regeneration that will transform both places.	60,000
CP8	Town centre footfall counters	Review, renew and combine two contracts that expire in Spring 24 providing additional benefits and efficiencies in monitoring footfall in Farnborough and Aldershot.	6,000
CP9	Shop Front Improvement Grants	A grant fund for independent town centre businesses to apply for funding for shopfront improvements. These will be small grants to support minor improvements to shop fronts. They will improve the overall environment of the town centres.	20,000

Project ID	Project Title	Project Description	Cost £
CP10	Aldershot Town centre promotion and improvement	Small scale enhancements to improve the environment of the town centre. Shop front vinyls, banners, wayfinding, street furniture and other materials to promote Aldershot and improve areas of the town centre linked to Union Yard opening.	10,000
CP11	Town Centre Transition Fund 2024/25	Funding to support events, arts and town centre activities in Aldershot and Farnborough. The funding will support RBC's existing core events programme including Christmas light switch Ons, the Rushmoor Heritage Festival (September) and Playfest (August).	29,000
CP12	North Camp business support	Match funding to support initiatives to boost footfall and trade in North Camp. To be matched by HCC (2:1). This match is not confirmed.	10,000
CP13	Lighthouse Project - Aldershot Park	Emmaus Rd. has secured use of the Vivid community base on Andover Way in Aldershot Park to establish a Lighthouse Project from the site. The project will host a range of activities for the local community in Aldershot Park, focused on supporting and/or improving multiple aspects of residents' lives through connecting them to each other and to services/support.	10,000
CP14	Youth Cafe - Aldershot	Development and delivery of regular provision for young people in Aldershot. The Youth Cafe will provide a safe space for local young people aged 11-16 to come once a week after school, to spend time with their peers, take part in youth-led activities and access support independently from their school and home environments. UKSPF budget will be used to bring in external expertise to deliver mental health workshops and participant-led activities over the year with two age groups over different evenings.	30,000
CP15	Farnborough and Aldershot Health Inequalities Support	Range of support to reduce Aldershot and Farnborough Health Inequalities. Physical activity programmes, Weight Management and healthy eating programmes, healthy walks programme, health checks and smoking reduction, support to men's mental health , art therapy and provision of mental health training and support to youth providers	15,000
CP16	Youth Club – Farnborough	Prospect Youth Club is an established youth provision in Farnborough which offers a safe space for local young people aged 13-17 to come once a week after school, to spend time with their peers and take part in youth-led activities. The allocation of UKSPF will help provide mental health workshops and sport coaches.	5,000
CP17	Cost of Living Support in Targeted Deprived Areas	Last year we created cost of living information pages on the council website. This includes advice and support with bills and heating, food, clothing and warm spaces. Partners are providing a variety of warm spaces around the borough and supporting the most vulnerable across the borough. As more open, we will be contacting them to find out what support they need, such as refreshments or warm boxes.	10,000

Project ID	Project Title	Project Description	Cost £
CP18	Funding for neighbourhood level interventions to increase pride in place	A £70k fund to support small-scale neighbourhood projects to improve resident's pride in place at a local level, complementing the proposed measures in Aldershot and Farnborough Town Centres. This would be a fund that groups and organisations could bid to in order to receive grant funding allocations.	70,000
CP19	Post to encourage community ownership of civic quarter/leisure and cultural hub	To appoint a Community Engagement Officer. This is a new and dynamic role funded by UKSPF focussed on increasing and improving community involvement in Farnborough. It will involve extensive community engagement, ongoing communication activities that are inclusive for the Farnborough population, event planning and management and overall project management.	60,000
SLB1	Farnborough Airshow 2024 and aerospace proposition	RBC's participation at the Farnborough Airshow 2024 - To include an investment proposition and marketing material to promote Farnborough as a great place to locate to. Linked to RBC/EM3/SQW jet zero commission.	20,000
SLB2	Future Flight Incubation Support	Support the development of a Future Flight Incubator. The Hub would support 6-7 early-stage businesses over an 18-month to 2-year period, developing technology to contribute to sustainable aviation. Support would take the form of subsidised office space, advice, technology support and mentoring. Proposition to be developed with Farnborough Aerospace Consortium, FCoT, HCC and others.	20,000
PS1	Digital and creative industries upskilling + mentoring programme	Programme focused on digital and creatives industries skills development and upskilling. Creating a vibrant network of creatives ready to support the cultural hub, meeting local business needs, and filling skills gaps.	60,000
PS2	Promoting STEAM careers	A series of activities across the borough, working with local businesses and skills providers to promote STEAM careers, including a 'STEAM' festival.	20,000
PS3	Wrap around skills support and enhanced NHESZ website	Wrap around skills and employment support in person and through virtual channels. Maintain, improve and enhance existing NHESZ website. This project could be linked to CP13 and CP14.	30,000
	Management / Admin Costs	To undertake necessary Fund administration, such as project assessment, contracting, monitoring and evaluation and ongoing stakeholder engagement.	20,000
		Total UKSPF funding allocation:	**1,000,000**