

**REVENUE AND CAPITAL BUDGET MONITORING REPORT – Q3 2023/24**

**SUMMARY:**

This report sets out the forecasted financial position for 2023/24 as at the end of February 2024, updating the forecasted position as at the end of November, reported to Cabinet on 9<sup>th</sup> January 2024, as the Q2 report.

**RECOMMENDATIONS:**

**CABINET** is recommended to:

- i. Note the Revenue budget forecast and impact on reserve balances as set out in Sections 2.4-2.12 of the report.
- ii. Note the Capital Programme forecast as set out in Sections 2.13-2.18 of the report.

**1. INTRODUCTION**

- 1.1 This report provides an update on the forecast outturn position against approved budget for the current financial year 2023/24 based upon service manager information as at the end of February 2024 with additional finance due diligence. Heads of Service, Service Managers and the Finance Team work collaboratively to produce robust forecasts and validate forecast assumptions.

**2. BUDGET MONITORING**

**Medium-Term Financial Strategy:**

- 2.1 The Council's current MTFs approved in February 2023 included several key assumptions factored into the 2023/24 budget and the Council's finances over the medium-term (next 3 years). These assumptions have been revised in the 2024-25 to 2027-28 MTFs approved at Full Council on 22<sup>nd</sup> February 2024, based upon current year performance.

**2.2 Interest Rates:** The 2023/24 budget assumes interest on borrowing at a weighted average of 1.66% on £165 million debt providing a General Fund interest payable budget of £2.73million. The Bank of England has raised the Base Rate from 3% in November 2022 to currently 5.25% in August 2023 and held since, posing a significant financial pressure on the MTFS. The 9<sup>th</sup> January Cabinet report indicated that rates were expected to be held for several years (i.e., materially unchanged), however, as reported in the 22<sup>nd</sup> February 2024, 2024-25 budget proposals, rate prediction has eased, and the expectation is that rates will reduce to circa 3.1% by late 2026. Revised MTFS borrowing rates are included in the 2024/25 MTFS.

**2.3 Useable Reserves:** The forecast deficit outturn presented in this report remains stable and aligned to the overall reserve requirement as reported in the revised MTFS. A full reserve review will be completed as part of the year end closure programme (April 2024) once the final outturn position has been calculated.

## **2.4 REVENUE BUDGET FORECAST 2023-24**

The original net General Fund Revenue budget for 2023/24 was approved by Council at their meeting in February 2023 of £12.393m. The latest forecast outturn is presented in the table below.

<b>General Fund Summary</b>	<b>2023-24 Original Budget £'000</b>	<b>2023-24 Approved Budget £'000</b>	<b>2023-24 Forecasted Outturn £'000</b>	<b>2023-24 Variance £'000</b>
Corporate Services	3,496	3,619	3,814	194
Customer Experience & Improvement	(20)	27	(155)	(182)
Democracy, Strategy & Partnerships	2,615	3,193	3,142	(51)
Major Projects & Property	(4,892)	(4,651)	(4,520)	131
Operational Services	10,574	10,982	10,226	(756)
Planning & Economy	2,117	2,233	2,182	(52)
<b>Subtotal</b>	<b>13,890</b>	<b>15,404</b>	<b>14,689</b>	<b>(716)</b>
Less: Reversal of Accounting Entries	(2,901)	(2,901)	(2,957)	-
<b>Net Service Revenue Expenditure</b>	<b>10,989</b>	<b>12,503</b>	<b>11,731</b>	<b>(716)</b>
<b>Corporate Income &amp; Expenditure</b>				
Minimum Revenue Provision (MRP)	2,170	2,170	1,572	(598)
Interest Receivable	(1,600)	(1,600)	(2,490)	(946)
Interest Payable	2,730	2,730	6,818	4,088
RHL interest income	(522)	(522)	(109)	413
Capitalised interest	(600)	(600)	(600)	-
Movement in Reserves	(775)	(2,289)	(1,578)	711
<b>Net General Fund Revenue Budget</b>	<b>12,393</b>	<b>12,393</b>	<b>15,344</b>	<b>2,951</b>
<b>Funded by:</b>				
Council Tax	(7,448)	(7,448)	(7,448)	-

Business Rates	(4,077)	(4,077)	(4,769)	(692)
New Homes Bonus	(658)	(658)	(658)	-
New Burdens Grant	-	-	(81)	(81)
Services Grant	(96)	(96)	(96)	-
Revenue Support Grant	(104)	(104)	(104)	-
Collection Fund Surplus / Deficit	(10)	(10)	(10)	-
<b>Total Funding</b>	<b>(12,393)</b>	<b>(12,393)</b>	<b>(13,166)</b>	<b>(774)</b>
<b>Core (Surplus)/Deficit</b>	<b>(0)</b>	<b>-</b>	<b>2,178</b>	<b>2,178</b>

2.5 The table above shows an overall forecast deficit of £2.178million compared to the last reported deficit of £2.347million, an overall improvement of £169,000. Overall, the financial position is stable.

The table below provides more detailed information of the forecast variances within the revenue account.

General Fund Summary of Variances	2023-24 Q2 Variance £'000	2023-24 Q3 Variance £'000	2023-24 Change in Variance £'000
Establishment	(532)	(1,087)	(555)
Agency/Temps	794	654	(140)
Other staff related costs	(11)	(7)	3
Non staff expenditure	886	48	(838)
Income	(557)	(233)	324
Utilities	(112)	(91)	21
<b>Net Service Revenue Expenditure</b>	<b>469</b>	<b>(716)</b>	<b>(1,184)</b>
<u>Corporate Income &amp; Expenditure</u>			
Minimum Revenue Provision (MRP)	0	(598)	(598)
Interest Receivable	(946)	(946)	0
RHL interest income	413	413	(0)
Interest Payable	3,805	4,088	283
Capitalised interest	0	0	0
Movement in Reserves	0	711	711
<b>Net General Fund Revenue Budget</b>	<b>3,272</b>	<b>3,667</b>	<b>395</b>
<b>Funded by:</b>			
Council Tax	0	0	0
Business Rates	(1,313)	(692)	621
New Homes Bonus		0	0
New Burdens Grant	(81)	(81)	(0)
Services Grant	0	0	0
Revenue Support Grant	0	0	0
Collection Fund Surplus / Deficit	0	0	0
<b>Total Funding</b>	<b>(1,394)</b>	<b>(774)</b>	<b>620</b>
<b>Core (Surplus)/Deficit</b>	<b>2,347</b>	<b>2,178</b>	<b>(169)</b>

Numbers in () brackets indicate improvement

2.6 **Establishment:** as the year has progressed the full year impact of vacancy savings net of back fill from temporary staff has contributed to a net overall £695,000 budget increase in the forecast underspend. Overall, the gross forecast underspend represents 7% of the establishment budget before use of temporary staff capacity.

2.7 **Non staff:** this covers property related expenditure, such as maintenance and business rates as well as additional brokerage fees and waste collection

costs as reported to 9<sup>th</sup> January Cabinet. Many of these reductions have been reflected in the 2024/25 base budget.

- 2.8 **Income:** The reduction in the forecast position on income is mostly attributable to rental income on various properties due to vacancies.
- 2.9 **Minimum Revenue Provision (MRP):** was estimated at £2,170k in the budget. Following a full review of MRP by Arlingclose (the Council's Treasury Management advisers) with the objective of minimising the cost of MRP in the revenue account whilst complying with the statutory requirement to make prudent provision. MRP has been revised to £1.573k resulting in a £597,000 budget reduction. The future years reductions have been included in the revised MTFS.
- 2.10 **Interest payable on borrowing:** external borrowing requirement was forecast to be £165 million for 2023/24 at a weighted average of 1.66%. The borrowing is all relatively short term circa 1-to-2-year maturity, from other Local Authorities which is cheaper than PWLB. The Council currently has £167million of external borrowing. No further borrowing will be required until May to replace maturing loans. The £283,000 increase in interest payable is entirely related to the interest due on the SANG reserve balances.
- 2.11 **Business rates:** Rateable Values of all businesses were rebased by the Valuation Office and implemented this financial year. The impact of the uplift had a significant effect on the retained business rates in the revenue account by £1,303million as reported on 9<sup>th</sup> January to Cabinet. This forecast has now been revised downward by £621,000 due to a number of large empty properties.
- 2.12 **Movement in reserves:** The drawdown of earmarked reserves planned in to the 2023/24 budget has been reviewed and aligned to the overall activity for the year. This has resulted in a £711,000 net reduction in the requirement for reserve funding across specific funds based upon forecast outturn. The full schedule of reserves will be reviewed as part of the year end outturn.
- 2.13 **CAPITAL PROGRAMME FORECAST 2023/24**
- 2.14 The original Capital Programme estimate for 2023/24 was approved by Council at their meeting in February 2023 totalling £45.066m.
- 2.15 Cabinet considered the revised position with slippage and additional items at the meeting on the 8<sup>th</sup> August and at subsequent Cabinet meetings have considered additional and revised items – details shown in the tables 4a and 4b below and have approved a revised budget of £51.07m.

2.16 The current anticipated out turn amounts to a spend of £37.17m – an underspend of £13.9m and consists of both slippage into 2024/25 and items of true underspend. See Table 4c below.

**Table 4a: Capital Programme – Slippage from 2022/23**

<b>Capital Scheme</b>	<b>Slippage from 2022/23</b>
The Meads - Pre-Acquisition Contract Costs	£66,000
Council Office Refurbishment	£40,000
Council Properties Energy Management	£500,000
Union Street East Aldershot Regeneration	£727,620
Crematorium Build Feasibility	£46,440
Disabled Facilities Grants	£925,350
Housing Renewal Grants	£18,000
Telephony Replacement	£135,000
<b>Total</b>	<b>£2,458,410</b>

**Table 4b: Capital Programme – Additional expenditure items**

<b>Capital Scheme</b>	<b>Additional Items</b>
Purchase Of Affordable Housing - LAHF Funded	£2,883,089
LTA related works to Tennis Courts	£114,043
Additional drawdown of LUF funding re Civic Qtr	£255,000
<i>Additional Section 106 items</i>	
Cove Green Recreation Ground Playground	£150,000
Oak Farm Clubhouse Improvements	£25,047
Ivy Road Playing Fields Footpath	£14,000
Playing Fields Signage	£60,000
Farnborough Tennis Club Improvements	£35,088
<b>Total</b>	<b>£3,536,267</b>

**Table 4c – Capital Programme Forecast Out-Turn**

	2023/24 Approved Budget £'000	2023/24 Forecasted Outturn £'000	2023/24 Forecasted Variance £'000
<b>Portfolio / Scheme</b>			
The Meads	10,618	10,456	162
Frimley4 Unit 4.3	272	50	222
Ashbourne House	74	74	-
Council Offices	540	508	33
Civic Quarter Farnborough	1,805	1,805	-
Housing PRS Delivery	5,894	169	5,725
The Galleries Development	3,400	-	3,400
Union Yard Aldershot	20,566	16,966	3,600
Affordable Housing - LAHF	2,883	2,883	-
Crematorium	446	446	-
Redan Rd Chapel	289	289	-
Improvement Grants	2,104	1,868	236
CCTV - Camera & Network	400	300	100
Refuse/Recycling inc. Food Waste	127	127	-
Hawley Lane Enhancement	390	50	340
Southwood Sang Country Park	-	99	(99)
Section 106	906	828	78
IT Projects	356	252	104
<b>Total Capital Programme</b>	<b>51,070</b>	<b>37,170</b>	<b>13,900</b>

2.17 The main areas of forecast underspend relate to the following schemes:

**Items anticipated to slip into 2024/25 - £7.98m**

- Union Yard – Aldershot - £3.6m
- The Galleries – Aldershot - £3.4m
- Frimley and Hawley site development schemes - £562k
- Disabled Facilities Grant - £236k
- Section 106 funded schemes - £78k
- IT related Schemes - £104k

**True underspend items - £5.914m**

- Housing PRS – schemes supporting RHL site development - £5.725m
- The Meads Acquisition - £162k
- Telephony Replacement project - £27k

2.18 Officers will closely monitor spend against approved Capital Budgets with regular updates being submitted to Cabinet in line with the agreed budget monitoring arrangements.

### 3. CONSULTATION

3.1 Portfolio holder for Finance has been consulted.

#### **4. IMPLICATIONS** (of proposed course of action)

The revenue budget forecast outturn demonstrates a degree of variability as has been demonstrated above. The budgets were rebased for this financial year through the Outcome Based Budgeting exercise, inevitably, there will be some settling down of budgets and there has been some headwind on activity-based income such as planning fees and local land charges due to economic pressures and significant movements on property budgets such as the Meads acquisition. These pressures have been reflected in the 2024/25 MTFS. The most significant challenge continues to be interest costs and the impact upon the Council's available useable reserves. Whilst the current forecast shows a slight improvement and a stable position, there remains a level of uncertainty within the forecasts in respect of adverse impact on the year-end position.

##### **Risks**

- 4.1 The report outlines the risks and uncertainties around the wider economic environment, degree of confidence in the forecasts on some of the demand-based service income and property- related income and costs.

##### **Legal Implications**

- 4.2 None.

##### **Financial and Resource Implications**

- 4.3 Financial implications are included within the report.

##### **Equalities Impact Implications**

- 4.4 None.

##### **Other**

- 4.5 None.

#### **5 CONCLUSIONS**

- 5.1 The overall financial position is challenging, it is stable with no new areas of concern from those reported in Quarter 2.

#### **LIST OF APPENDICES/ANNEXES:**

None

**BACKGROUND DOCUMENTS:**

2024/25 Budget Report:

[Annex 3 - Revenue Budget Capital Programme and Council.pdf \(rushmoor.gov.uk\)](#)

Q2 Budget Monitoring Report:

[Revenue and Capital Budget Monitoring - Q2 2023-24 - Report No. FIN2401.pdf \(rushmoor.gov.uk\)](#)

2023/24 Budget Report:

[Annex 3 - Revenue Budget Capital Programme and Council Tax level.pdf \(rushmoor.gov.uk\)](#)

**CONTACT DETAILS:**

**Report Author** – Peter Vickers – Executive Head of Finance, S151

[Peter.vickers@rushmoor.gov.uk](mailto:Peter.vickers@rushmoor.gov.uk)