

KEY DECISION: NO

REVENUE AND CAPITAL BUDGET MONITORING REPORT – Q1 2024/25

SUMMARY:

This report sets out the forecasted financial position for 2024/25 as at the end of June 2024.

RECOMMENDATIONS:

CABINET is recommended to:

- i. Note the Revenue budget forecast as set out in Section 2 of the report
- ii. Note the Capital Programme forecast as set out in Section 4 of the report.
- ii. Approve the virements listed in Section 3
- iv. Approve the movements to and from earmarked reserves listed in Section 3

1 INTRODUCTION

- 1.1 This report provides an update on the forecasted outturn position against approved budget for the current financial year 2024/25 based upon service manager information as at the end of June 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 REVENUE BUDGET FORECAST 2024/25

- 2.1 The original net General Fund Revenue budget for 2024/25 was approved by Council at their meeting in February 2024. The latest approved budget also includes budget carry forwards of £216k as noted in the July MTFS update. The Quarter 1 forecast outturn is presented in the table below and reflects the new cabinet portfolios.

	2024-25 Original Budget £'000	2024-25 Approved Budget £'000	2024-25 Forecasted Outturn £'000	2024-25 Forecast Variance
Community & Residents	2,033	2,059	2,071	12
Development & Economic Growth	2,144	2,305	2,509	204
Neighbourhood Services	11,936	11,118	11,017	(101)
Regeneration & Property	(5,255)	(5,562)	(5,221)	341
Enabling Services	869	1,248	1,268	20
Policy, Climate & Sustainability	677	860	848	(12)
Finance	2,930	2,932	2,939	7
Subtotal	15,334	14,960	15,431	471
Less: Reversal of Accounting Entries	(2,957)	(2,957)	(2,957)	-
Net Service Revenue Expenditure	12,377	12,003	12,474	471
Corporate Income & Expenditure				
Minimum Revenue Provision (MRP)	1,758	1,758	1,692	(66)
Interest Receivable	(3,776)	(3,776)	(2,896)	880
Interest Payable	8,731	8,731	7,606	(1,125)
RCCO	-	13	13	-
MTFS Target Service Reductions	(500)	261	261	-
MTFS Interest & MRP reduction	(240)	(240)	(240)	-
Movement in General Reserves	(4,639)	(4,960)	(4,960)	-
Movement in Earmarked Reserves	119	41	41	-
Net General Fund Revenue Budget	13,830	13,831	13,991	160
Funded by:				
Council Tax	(7,706)	(7,706)	(7,706)	-
Business Rates	(5,090)	(5,090)	(5,090)	-
New Homes Bonus	(383)	(384)	(384)	-
Feed In Tariff	-	-	(15)	(15)
Services Grant	-	(14)	(17)	(3)
Funding Guarantee	-	(516)	(516)	-
Revenue Support Grant	(641)	(111)	(111)	-
Collection Fund Surplus / Deficit	(10)	(10)	(10)	-
Total Funding	(13,830)	(13,831)	(13,849)	(18)
Core (Surplus)/Deficit	0	0	142	142

2.2 The Service Reduction Target of £500k in 2024/25 has been achieved and exceeded through review of budgets and service opportunities in year. £328k of the £627k savings achieved in 2024/25 are temporary. Further work to identify permanent savings to secure the financial security of the council looking forward will be required. The breakdown of how these savings have been achieved is detailed below.

	2024-25	2025-26	2026-27	2027-28
	£	£	£	£
Service Opportunities				
Recurrent				
Close North Hants Employment and Skills Zone website	- 2,390	- 2,390	- 2,390	- 2,390
Increase Princes Hall Venue Levy	- 20,000	- 20,000	- 20,000	- 20,000
Triage post in CSU to be funded by external grant	- 44,800	- 44,800	- 44,800	- 44,800
Contract Inflation update	- 83,760	- 83,760	- 83,760	- 83,760
Wellesley S106 contributions	- 7,268	- 7,268	- 7,268	- 7,268
Green Waste Income	- 35,173	- 35,173	- 35,173	- 35,173
Temporary				
Farnborough College of Technology rental of the Meads	- 170,091	- 102,542		
Supporting economic development at Hart DC	- 25,085			
	- 10,000			
Street cleaning – pause/delaying major projects				
Anti Social Behaviour External Funding bid successful	- 60,000			
Recycling glass sales	- 168,000			
Total	- 626,567	- 295,933	- 193,391	- 193,391
	2024-25	2025-26	2026-27	2027-28
	£	£	£	£
Budget Adjustments				
Premises Licensing Income	- 11,870	- 11,870	- 11,870	- 11,870
Taxi Licensing Income	- 12,700	- 12,700	- 12,700	- 12,700
Princes Hall Car Parking Income	- 7,000	- 7,000	- 7,000	- 7,000
Business Rates	- 17,470	- 17,470	- 17,470	- 17,470
Utilities	- 44,800	- 44,800	- 44,800	- 44,800
Maintenance for site no longer in existence	- 2,000	- 2,000	- 2,000	- 2,000
Budget Correction	- 38,500	- 38,500	- 38,500	- 38,500
Total	- 134,340	- 134,340	- 134,340	- 134,340
	2024-25	2025-26	2026-27	2027-28
	£	£	£	£
Cumulative Summary				
Cumulative Target Savings	- 500,000	- 1,000,000	- 1,500,000	- 2,000,000
Quick Wins	- 626,567	- 295,933	- 193,391	- 193,391
Budget Adjustments	- 134,340	- 134,340	- 134,340	- 134,340
Remaining savings to be found		- 569,727	- 1,172,269	- 1,672,269
Savings achieved beyond target	260,907			

2.3 Details of the quarter 1 forecast variance by nature is provided below.

	Community & Residents	Development & Economic Growth	Enabling Services	Finance	Neighbourhood Services	Policy, Climate & Sustainability	Regeneration & Property	Grand Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Staff Costs	5	(43)	(65)	(2)	(83)	(9)	(116)	(313)
Contracted Services					(13)			(13)
Utilities & Business Rates		(1)	(13)		(63)		(29)	(106)
Professional Consultancy								-
IT		(1)	(15)	(2)		(3)		(21)
Equipment								-
Maintenance		(1)			(10)			(11)
Other Costs	16	13	(12)	11	(32)		108	104
Fees and Charges	(4)	226	25		127			374
Property Related Income			(4)		(4)		246	238
Property Service Charges							112	112
Grant								-
Other Income	(5)	11	104	-	(23)		20	107
Total	12	204	20	7	(101)	(12)	341	471

Key Service Variations:

- 2.4 **Establishment:** as at quarter 1 vacancy savings net of back fill from temporary staff has contributed to a net overall £312k budget savings in the forecast. Overall, the forecast underspend represents 6.9% of the establishment budget.
- 2.5 **Utilities & Business Rates:** the council is seeing reduced demand in cremations beyond the original business case. This is forecast to deliver a £54k saving in utility costs at the site, however, does also have negative impact on the original income projections during the refurbishment.
- 2.6 **Other costs – Regeneration & Property:** the forecasted costs for the Student Accommodation and Main Site at Union Yard are expected to exceed the original business case in 2024/25. Work is ongoing to fully understand and control this cost within the approved budgets. The Energy Centre expenses and income will be forecasted in due course, these will be a net nil position to the General Fund.
- 2.7 **Fees & Charges – Development & Economic Growth:** income in both the building control and planning development management areas are both underperforming in the first quarter. Building control is currently experiencing reduced applications and forecast income is £80k down on budget. A vacancy saving is helping to mitigate the impact of this. Planning Development management is also experiencing reduced levels of applications, which has a forecast £148k reduction on income. The experience of these two teams in reduced applications is shared nationally.
- 2.8 **Fees and Charges – Neighbourhood Services:** the crematorium is experiencing reduced demand for services beyond the forecast reduction due to the refurbishment. This is a picture shared nationally and thought to be a post-pandemic effect. The income for the crematory is

currently forecast to £176k reduction on the budget. However, Income for Princes Hall is forecast to perform well, over £30k above budget.

- 2.9 **Property Related Income:** Property income is not achieving budget mainly due to the vacancy of 4.3 Frimley 4 Business Park from July. Unachieved rental income on this site is forecast at £365k. A paper to propose the disposal of this site will be forthcoming to support the MTFS disposal strategy. Once disposed of, savings will be achieved through reduced borrowing costs and Minimum Revenue Provision contributions. These savings will form part of the achievement of the Interest & MRP reduction from disposal of assets. A number of other property sites are delivering income above forecasts due to rent reviews of which some may be backdated.
- 2.10 **Property Service Charges:** During the last quarter of 2023/24 Avison Young, the managing agents for Frimley Business Park, raised the issue of outstanding payments from RBC. The exact amount has varied and the officers and the investment agents have put significant efforts into resolving the matter. Some progress has been made with a number of reconciliation issues resolved. At the end of the financial year it was considered prudent to make a provision of £130K. Meetings to resolve the matter are now in hand however at this stage we cannot be certain of a positive outcome. Currently there is a difference of £70K between the provision in our accounts and the sum claimed by Avison Young. This is shown as a forecast overspend at this stage until we have greater certainty in view of the risk that this sum maybe justified.

Key Corporate Variations:

- 2.11 **Interest payable on borrowing:** external borrowing requirement was budgeted to be £165 million for 2024/25 at a range of interest rates from 5.30% falling throughout the year to 4.3%. The borrowing is all relatively short term circa 1-to-2-year maturity, from other Local Authorities which is cheaper than PWLB. As at the end of quarter 1, the Council has £145million of external borrowing. In addition, rates have started to fall earlier than anticipated. These factors are delivering reduced interest costs.
- 2.12 **Interest receivable:** the council received interest on a number of investments including pooled funds, money market funds, external loans and cash balances held. Due to reduced interest rates, returns on these investments are reduced. In addition, due to close treasury management, balances held are reduced to minimis borrowing levels. This has reduced forecast income due to the council.
- 2.13 In addition, the council has received notification of one of its investments in a pooled fund is closing. This has a negative impact on interest received from September, however the Council will be reducing external debt levels through the investment redemption and will see reduced borrowing costs. These forecasts are included in the numbers above.

3 VIREMENTS

3.1 In order to proactively manage budgets, a number of budget virements including use and contributions to earmarked reserves are proposed by officers. Cabinet is asked to approve the virements as follows below in line with the virement rules set out in the council's Constitution's Financial Regulations (C10&11) and Delegated Authorities (3.5 Matters Reserved for Cabinet).

3.2 Virement of Budgets within Services

Department	Virement Amount	Movement to	Movement from	Notes
Economy & Growth - Planning Performance	300,000	Planning other costs	Planning Performance Agreement income	Income from Farnborough Int'l Airport to support work related to planning application
Planning Policy	51,410	Skills development cost	Planning Policy income	Planning Skills Delivery Grant award to support the planning service in skill development and reduce any backlogs
Finance	219,610	Resident Support	Grant Income	Use of Household Support Grant to support residents with food vouchers.
Legal	60,250	Legal - Temporary Staff	Legal - Direct Salaries	Saving on Salary costs due to vacancies which require external support to ensure sufficient capacity
Housing	95,000	Temporary Accomodation Costs	Housing Grant Expenditure	Utilisation of Homelessness Prevention Grant
Princes Hall	64,700	Princes Hall running costs	Princes Hall Income	Additional income forecast due to predicted ticket sales levels, will incur additional costs to support.
Street Safety	30,000	Street Safety expenditure	Grant Income	New Street Safety Grant to be spent on staff resource and environmental improvements
Total	820,970			

3.3 Movements to Earmarked Reserves

Department/Reason	Amount	Name of Reserve	Notes
IT training	(5,000)	Cyber Training Grant	Timing difference of receipt and use of grant.
IT Inflation	(7,540)	Stability and Resilience	Inflationary pressures in IT
Finance - Agency Staff	(26,970)	Stability and Resilience	Use of additional resource to support finance team.
Finance - CIPFA Review	(9,000)	Stability and Resilience	Use of reserve to fund additional one off costs of CIPFA review.
Treasury - MRP Review	(6,700)	Stability and Resilience	Use of reserve to fund additional one off costs of MRP review.
SANG Management	(1,530)	SANG	Use of SANG funds for management of SANG site
Economy & Growth - Biodiversity	(3,360)	Biodiversity Grant	Timing difference of receipt and use of grant.
Economy & Growth - Esso Pipeline	(78,470)	Esso Pipeline	Will be used in 2024/25 where works were not carried out in 2023/24.
Asylum Dispersal	(36,200)	Asylum Dispersal Grant	Timing difference of receipt and use of grant.
Air Quality Control	35,640	A331 Air Quality Project	Reduction of draw down to cover expenditure budget
Total	(139,130)		

3.4 Movements from Earmarked Reserves

Department/Reason	Amount	Name of Reserve	Notes
Local Authority Housing Fund	14,780	LAHF Reserve	Timing difference of receipt and use of grant.
UK Shared Prosperity Fund	33,100	UKSPF	Timing difference of receipt and use of grant.
Planning Skills Delivery	13,500	Skills Delivery	Timing difference of receipt and use of grant.
Total	61,380		

3.5 Change in use of Reserve to fund forecast deficit.

Narrative	2024-25	2024-25
	Original Budget £'000	Approved Budget £'000
MTFS Target Service Reductions	-500	261
MTFS Interest & MRP reduction	-240	-240
Use of Reserve to fund forecast deficit	-4639	-4960
Opening Budget	-5379	-4939
Movement		440
Quick Win Savings		(627)
Budget Adjustments		(134)
Youth cafe - trf of grant to reserve		(12)
Use of reserves previously earmarked		114
Carry forwards		216
In year adjustments		(443)

4 CAPITAL PROGRAMME FORECAST 2024/25

- 4.1 The original Capital Programme estimate for 2024/25 was approved by Council at their meeting in February 2024 totalling £13.473m.
- 4.2 Cabinet also considered the revised position with slippage and additional items at the meeting on the 23 July 2024 – details shown in the tables 4a and 4b below and have approved a revised budget of £21.835m.
- 4.3 The current anticipated outturn forecast for 2024/25 amounts to a spend of £21.606m – an underspend of £0.229m and consists of both slippage into 2025/26 of £300k related to delayed Southwood Country Park works and a projected overspend on Union Yard. Further analysis of Union Yard expenditure is being undertaken due to additional costs relating to time delays and the inclusion of capitalised interest.

Table 4a: Capital Programme – Slippage from 2023/24

Capital Scheme	Slippage from 2023/24
Union Street (Build costs only)	544,490
Leisure and Civic Hub (CQ Plot B)	237,411
Civic Quarter General	15,434
Crematorium	362,885
Hawley Lane	11,359
Frimley Business Park Plots 4.2 and 4.3	3,986
Ashbourne House	74,000
Hotel Civic Quarter (CQ Plot D)	40,000
Civic Quarter Infrastructure	-44,584
Civic Quarter Plot I (New Food Store)	85,046
The Galleries	3,400,000
CCTV	184,667
IT Equipment Replacement Costs	79,500
IT Infrastructure Investment Contract Costs	113,743
Recreation Ground Playground Renewal Contract Costs	246,330
Total	£5,354,267

Table 4b: Capital Programme – Additional expenditure items

Capital Schemes	Additional Items £
Meads - Block 4 Contract Costs	333,000
Civic Quarter General Pre-Development, Demolition	1,725,000
Temporary Housing LAHF	742,000
Aldershot Pools PV Panels	208,350
	3,008,350
Funding	
UKSPA	333,000
Homes England	1,725,000
LAHF & Other Grants	742,000
Swimming Pool Support Fund	208,350
	3,008,350

Table 4c: Capital Programme Forecast Outturn

Portfolio / Scheme	2024/25 Approved Budget £'000	2024/25 Forecasted Outturn £'000	2024/25 Forecasted Variance £'000
The Meads Block 4 UKSPF	333	333	
Frimley4 Unit 4.3	226	226	-
Ashbourne House	74	74	-
Council Offices	59	59	-
Civic Quarter Farnborough	2,059	2,059	-
The Galleries Development	3,400	3,400	-
Union Yard Aldershot	5,929	6,000	71
Affordable Housing - LAHF	742	742	-
Crematorium	4,781	4,781	-
Improvement Grants	1,682	1,682	-
CCTV - Camera & Network	185	185	-
Refuse/Recycling inc. Food Waste	127	127	-
Hawley Lane Enhancement	351	351	-
Southwood Sang Country Park	450	150	(300)
Section 106	454	454	-
IT Projects	775	775	-
Aldershot Pools	208	208	
Total Capital Programme	21,835	21,606	(229)

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

5 RISKS AND UNCERTAINTIES

- 5.1 The cost of borrowing remains a risk to the council at present. Interest rates have begun to fall and are lower than anticipated at this stage in the year. Additionally, external borrowing has been minimised and is currently lower than budgeted levels. However, the value of borrowing the council holds remains high.
- 5.2 The pay negotiations continue and result not yet known. Although a prudent assumption as to what may be agreed has been included in the 2024/25 budget, this remains a cost that is not controllable directly by the Council and staffing costs are a substantial part of the council's costs.
- 5.3 Property portfolio rental streams are a sizable contributor to the council's income, supporting the funding of debt costs. Properties are at risk of vacancies which both prevent income achievement but can incur additional costs of rates, maintenance, and security.

6 ALTERNATIVE OPTIONS

- 6.1 The council must keep the budget management position under review alongside the review of the MTFS to support the identification of alternative options to support delivery of the Financial Recovery Plan.

7 CONSULTATION

- 7.1 No specific consultations have been undertaken outside of the elected member of the council.

8 IMPLICATIONS

8.1 Risks

Risks to the financial position are detailed above.

8.2 Legal

Under the Council's Finance Procedure Rules, the Executive Head of Finance is responsible for the proper administration of the Council's financial affairs and advising on the corporate financial position. It is the responsibility of Executive Directors, Heads of Service, Corporate Managers and Service Managers to consult with the Executive Head of Finance and seek approval on any matter liable to affect the Council's finances materially, before any commitments are incurred.

Comments approved by Corporate Manager, Legal Services.

8.3 Financial and Resource

Financial implications of the Quarter 1 position are set out within the report.

8.4 Equalities Impact

No direct implications.

8.5 Other

Not applicable.

9 CONCLUSIONS

- 9.1 The Council set a balanced budget with the use of reserves in February 2024. Overall the financial position continues to be challenging, progress is being made and officers will continue to monitor closely and report updates regularly to councillors.

BACKGROUND DOCUMENTS:

None

CONTACT DETAILS:

Report Author: Rosie Plaistowe- Melham – Financial Services Manager

Rosie.plaistowe@rushmoor.gov.uk

Head of Service: Peter Vickers – Executive Head of Finance, S151

peter.vickers@rushmoor.gov.uk