

26 NOVEMBER 2024

KEY DECISION? NO

BUDGET MANAGEMENT AND MTFS STRATEGIC REVIEW

SUMMARY AND RECOMMENDATIONS:

The Council's Medium Term Financial Strategy (MTFS) approved on 22nd February 2024 presented a cumulative £16.651 million budget deficit over 4 years to 2027-28 before mitigation through a savings programme. The budget estimates included several significant assumptions and risks and a set of savings targets to mitigate the deficit to bring the council back to financial sustainability by 2027-28. Cabinet committed to update Council on these assumptions and progress against the savings targets. Unlike the July update, there is a significant variation on the potential outcomes on the matters brought to attention in this report and these need to be fully worked through and it is appropriate to bring a detailed numerical MTFS update forward for February Council.

Recommendation(s) requiring decision.

1. Cabinet notes the position to date and MTFS assumptions.
2. Approve the acceptance of the PEBL contribution of £55k to be spend on the water Lane playground project and an equivalent uplift in the expenditure budget.

1. INTRODUCTION

- 1.1. The Budget is a major decision for the Council and setting and maintaining a balanced budget is a statutory requirement. This report provides a summary of the latest forecast performance against the 2024-25 approved revenue and capital budget and an update on the 2025-28 Medium Term Financial Strategy (MTFS) assumptions adopted by Full Council on 22nd February 2024.

2. BACKGROUND AND EXECUTIVE SUMMARY

- 2.1. The Council has a statutory obligation to set and maintain a balanced budget. In February the Council identified a significant challenge to its future financial sustainability (as set out at the February 2024 Budget Council) and without mitigation the council would not be able to set a balanced budget in 2026-27.
- 2.2. The forecast outturn is on track with the full £740k savings requirement achieved for 2024-25. The detail behind the headline shows a more challenging

position for the MTFS. Key income streams are forecast below budget and will require adjustment in the MTFS, mitigated by several one off in year favourable variances.

- 2.3. The level of external borrowing has reduced through careful cashflow management delaying the need to borrow externally. Whilst the council has utilised more of its cashflow to avoid external borrowing, the overall level of borrowing can only be reduced through the achievement of the capital receipts factored into the MTFS, this is proving difficult to achieve and is a concern due to interest rates increasing from October. There are several other significant budget implications identified that are currently being worked through to inform the MTFS revision.

3. CURRENT YEAR FINANCIAL PERFORMANCE

Revenue Account

- 3.1. Full Council on 22nd February 2024 approved the 2024-25 revenue and capital budget and the 2025-28 Medium Term Financial Strategy (MTFS). The 2024-25 revenue budget projected an unsustainable £5.379m drawdown on reserves before mitigation and a cumulative £16.651m deficit over 4 years. Full Council adopted a set of budget savings targets to bring the revenue account sustainably back into balance without the need to draw on reserves. The projected deficits and savings targets are shown in the table below.

Savings Target effect on reserves: February 2024	2024-25 Budget £'000	2025-26 Projected£'00 0	2026-27 Projected£'00 0	2027-28 Projected £'000
In year saving permanently out of base				
Interest and MRP reduction	(240)	(1,558)	(2,040)	(2,040)
Services cost reduction	(500)	(1,000)	(1,500)	(2,000)
Total recurrent savings:	(740)	(2,558)	(3,540)	(4,040)
In year deficit before mitigating savings	5,379	4,127	3,504	3,641
Revised deficit/outturn	4,639	1,569	(36)	(399)
Opening reserve balance:	(12,229)	(6,040)	(4,470)	(4,506)
Budgeted service movement	(119)	66		
Revised deficit / Surplus is in ()	4,639	1,569	(36)	(399)
Reserve annual closing balance	(6,040)	(4,470)	(4,506)	(4,905)

- 3.2. The capital receipts profile was changed at July Council with the likelihood of only achieving £20m of capital receipts in total and by December 2026. Interest rates were projected to be 1% higher than the February assumption of 3.1%. The impact would be an additional £830k of savings over the MTFS period, and an additional drawdown on reserves of £2.64m leaving a projected critical level of £2.2m of reserves if all other assumptions are accurate. The July projection

was not adopted due to the level of uncertainty involved and committed to continue to review.

- 3.3. The budget and MTFS set in February assumed a reducing interest rate profile that is outside of the council's ability to control, and a debt reduction plan that is proving challenging to achieve as reported in the July update. The budget also required due diligence on a wide range of significantly material assumptions and risks, this work is continuing, and an update is given in this report. The next full MTFS recasting will be present to February Budget Council.
- 3.4. The £740k 2024-25 savings target has been achieved and removed from the current budget (see appendix two), of which £433k is a one year only saving. The delay in achieving the "Interest and MRP" £200k reduction through capital receipts has been compensated by additional revenue savings. The pay settlement was budgeted at 5% and settled at 2.5% contributing to a reduction in salary costs, the full value will be confirmed in the next position report. The latest forecast indicates several emerging material budget adjustments, specifically around demand led material income streams (i.e. crematorium, development management, building control, commercial property). These will be reflected in future years budget and saving target requirements. The due diligence on the commercial property income profile and risks is nearing completion and will be ready to inform the February Budget.
- 3.5. The February approved budget has been adjusted in-year with budget movements to accurately align expenditure as required by the Financial Regulations, including drawing on earmarked reserves as appropriate, these movements (virements) are reported as part of this position statement.
- 3.6. Forecast outturn is therefore reported against the current budget after the adjustment for savings and virements. The latest forecast position is shown in the table below as a net £71k underspend against current budget (i.e. in addition to the £740k savings) and will ultimately reduce the need to draw upon reserves at year end.

2024-25 Budget Management	Original Approved Budget			Current Budget	Variance on Current
Revenue Account	Income	Expend	Net	Net	Net
	£,000	£,000	£,000	£,000	£,000
Community & Residents	(390)	2,670	2,280	2,291	26
Development & Economic Growth	(1,758)	2,780	1,022	1,076	176
Enabling Services	(600)	5,169	4,569	5,290	(83)
Finance	(761)	2,684	1,923	2,096	(13)
Neighbourhood Services	(6,575)	13,460	6,885	6,352	(59)
Policy, Climate & Sustainability	(31)	1,136	1,105	855	(24)
Regeneration & Property	(10,954)	5,154	(5,800)	(6,181)	(53)
Insurance		450	450	465	(85)
Net Earmarked reserve movement		119	119	(466)	0
Net cost of service provision	(21,069)	33,621	12,552	11,777	(116)
Interest payable on borrowing			8,675	8,675	(1,436)
Capitalised interest			(381)	(381)	(839)
Interest earned on cashflow management			(2,350)	(2,350)	768
Loss on pooled investment fund closure			0	0	1,090
Interest received on loans to RHL			(1,045)	(1,045)	925
Minimum Revenue Provision			1,758	1,758	(66)
Net cost of borrowing			6,657	6,657	442
New Homes Bonus			(384)	(384)	0
Revenue Support Grant			(641)	(641)	(3)
Business rates			(5,100)	(5,100)	(394)
Council Tax			(7,706)	(7,706)	0
Government support and taxation			(13,831)	(13,831)	(397)
Budgeted deficit to be resolved			5,379	4,603	(71)
Deficit funded by:					
Budgeted savings target			740	0	
Drawdown on reserves			4,639	4,603	

- 3.7. A detailed analysis of the £71k underspend is provided at appendix one. Each of these variances are being worked through to evaluate the certainty of the forecast and impact on the MTFs budget requirement. These variances mostly align with the 2023-24 outturn reported to the 25th July Full Council and have been covered off in the Financial Recovery Plan “Lines of Enquiry” reported to 15th October Cabinet.
- 3.8. Detailed treasury management performance will be reported separately to Cabinet and Corporate Governance and Standards committee. The development of a long term detailed cashflow forecast managed through an officer led treasury management panel has enabled external borrowing to be delayed and aligned to the cashflow needs of the council with a corresponding £668k reduction in net interest cost reflected in the forecast.
- 3.9. The delayed completion of Union Yard has enabled an additional £458k of borrowing interest to be capitalised. Whilst this will impact on the overall borrowing requirement for the project it does remove it from the revenue account and the capitalised value is likely to increase further until practical completion of the site.

- 3.10. The budget had assumed the 82 residential units on Union Yard would be sold to RHL with the council providing RHL with a circa £17m loan note that would generate £1.045m interest income for the revenue account. This transfer is currently being reviewed and £945k has been removed from the budget and MTFs, the full financial implication will be reported as soon as possible.
- 3.11. The UBS Multi-Asset Income Fund - £5 million investment was part of the council's long-term £21m investment in Pooled funds. The value of these funds changes over time based upon the underlying assets. UBS closed the fund in September and returned the underlying value resulting in a loss on the original investment. This has been mitigated by the sale of the CCLA fund that is in surplus. The net effect is a circa £1.09 loss depending on the final values achieved on the CCLA. It is to be noted that the fund has provided a significant revenue return in previous years more than the loss incurred, a loss provision was not set up to from the enhanced returns due to the dispensation from accounting for book losses on the revenue account.
- 3.12. Retained business rates funding has improved by a one off £394k through the final review of the 2017 valuations appeals enabling the release of a substantial provision. This work was done with our collection fund technical advisors LGFutures to ensure the best outcome for the revenue account.
- 3.13. The February budget included £119k of net contribution to earmarked reserves, to date there has been an additional net £585k of additional reserves movements drawing funding into the revenue account to fund specific expenditure. A full list of reserves movements is provided on appendix three.

Capital Programme

- 3.14. The February 2024 approved capital programme estimate for 2024/25 was £13.473m, amended at the 25th July Full Council for budget profiling (slippage) of £5.355m from 2023-24, an additional approvals totalling £3.008m for the following externally funded capital projects:

Capital Scheme	Funding	£,000
Meads - Block 4 Contract costs	UKSPA	333
Civic Quarter General pre Development- demolition	Homes England	1,725
Temporary Housing	LAHF	742
Aldershot Pools PV Panels	Swimming Pools Support Fund	208
		3,008
Budget carry forward from 2023-24 July Council approval		5,355
Approved Capital Programme February 2024 Council approval		13,472
Total: Capital Programme		21,835

- 3.15. Progress on the 2024-25 capital programme is shown below. The capital programme detailed schedule is provided on appendix four.

Capital Programme 2024-25	£,000
Approved Programme	21,835
Forecast spend	16,095
Variance	(5,740)
Consists of:	
Reprofiled to 2025-26	(5,341)
Project underspend	(399)
	(5,740)

- 3.16. The forecast outturn includes the reprofiling of the following schemes, confirmation of the full value to be carried forward to 2025-26 will be confirmed at the end of the financial year.

Reprofiled project budget	£,000
Civic Quarter Farnborough	77
The Galleries Development	3,400
Affordable Housing - LAHF	742
Crematorium	385
Southwood Sang Country Park	300
Section 106 playgrounds	128
IT Projects	309
	5,341

- 3.17. The capital forecast under and overspends are scheduled below. This expenditure on Housing PRS delivery is in respect to properties due to transfer to RHL and considered not viable, these have been classified as surplus assets. Cabinet is due to receive a report on the proposed disposals and ratification of the £100k expenditure and intended financing.

Capital programme (under)/overspend	£,000
Hawley / Frimley	(352)
Council Offices	(59)
Asset Management R&M	(74)
Refuse/Recycling inc. Food Waste	(14)
Housing PRS Delivery	100
	(399)

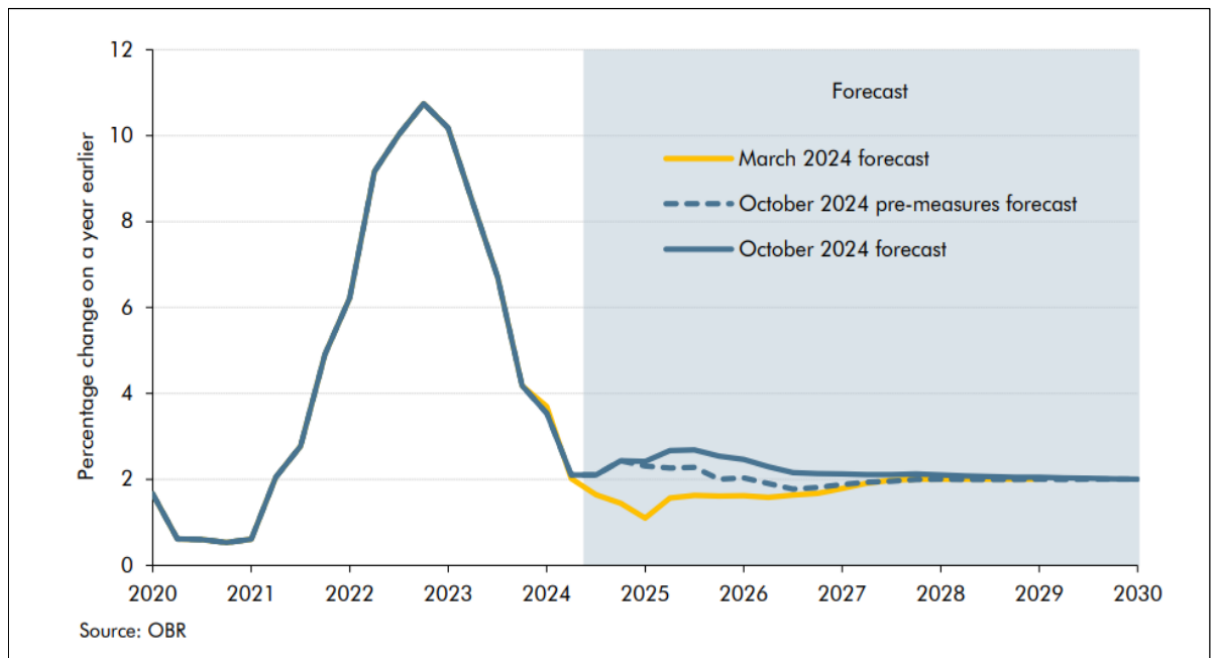
- 3.18. The Prospect Estate Big Local (PEBL) have awarded the council an additional £55k for the Water Lane playground project funded by S106 developer contributions. Cabinet is being asked to approve the acceptance of this grant and equivalent uplift to the budget for the expenditure on this project which will be delivered from January 2025.
- 3.19. The February 2024 budget savings target required a total £40m of capital receipts, the profiling was adjusted at the 25th July Cabinet based on the work done to date. It was noted the timing delay would have an adverse impact on the drawdown of reserves and put more pressure on the revenue service savings requirement to compensate. The likely prevailing scenario was £20m of capital receipts could be achieved and 4.1% would likely be the long-term

cost of structured borrowing. It was therefore proposed to hold off reframing the MTFS and savings requirement until we have more certainty on the identification of capital receipts. It is not possible at this point to gain assurance on this target.

- 3.20. It is likely that some receipts will be received from the sale of Union Yard assets, these receipts will finance the circa £52m project capitalised expenditure. The council will benefit from reduced interest on the borrowing avoided, and a lower capital expenditure value will be subjected to Minimum Revenue Provision that comes into effect for Union Yard in 2025-26.
- 3.21. The 25th of July Full Council report approved the strategy of holding back some capital receipts in anticipation of funding asset renewal expenditure that qualifies for capitalisation, avoiding further borrowing. The planned maintenance and renewal programme is still being developed and will be incorporated into the capital budget and MTFS as soon as possible.

Medium Term Financial Plan strategic review

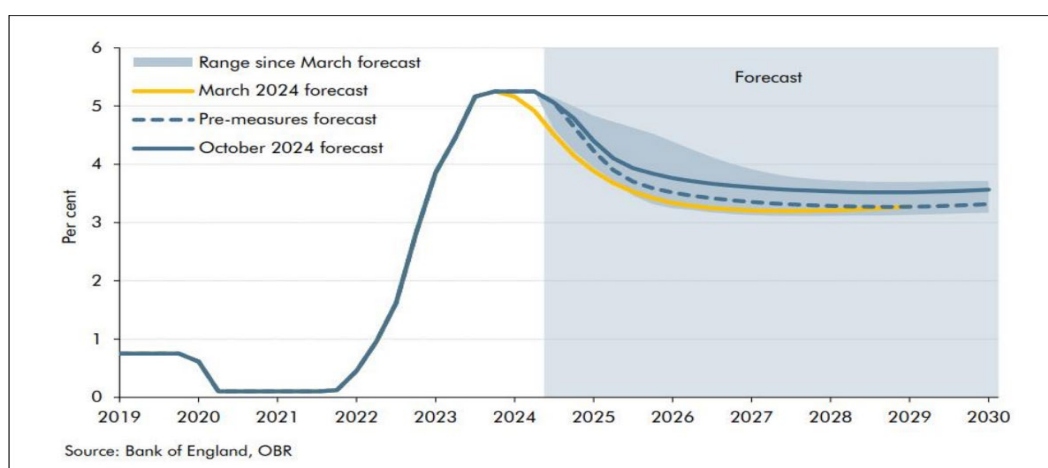
- 3.22. The 2024-25 detailed forecast variances on appendix one indicates the service revenue budgets have scope for tightening up and will have a net impact on the MTFS base budget and resultant level of savings requirement. A significant amount of due diligence has already been done since February and the lines of enquiry were developed to assist the diligence process. This work needs to be fully concluded to yield long term achievable net budget reductions. It is the Executive Head of Finance opinion that a key element of the work required to deliver budget reductions is to change the council's pervasive relationship with managing budgets and expenditure, i.e. a cultural change. This challenge is being picked up as part of the finance service development described in the Finance Recovery Plan.
- 3.23. Inflation has fallen faster than anticipated in the February budget. The current MTFS assumes 3% from 2025-26, the September CPI was 1.7% and is projected to rise to approximately 2.75% by the end of 2024. The Bank of England (BoE) estimates the Budget impact will see the CPI rate at 2.7% the end of 2025 and remain over target in 2026, as opposed to the prior projection of inflation easing back below the 2% target. Therefore, it is reasonable to continue to assume contractual inflation at 3%, and an eventual 1% reduction will yield a £100k reduction per year. The Office for Budget Responsibility (OBR) November inflation forecast is shown on the graph below.



- 3.24. Pay award was assumed at 5% and settled at 2.5%. There is still pressure from unions to address the recent cost of living issues and an assumption of a national award of 2.5% is reasonable as it is in line with this year's settlement. The budget assumed 4% (£560k) for 2025-26 and £420k onwards. A 1% increase equates to circa £100k.
- 3.25. Employers' national insurance was changed in the Chancellor's budget from 13.9% to 15% contribution and the threshold reduced from £9,100 to £5,000. The impact of this would be £360k per year. There is an expectation that the council will be compensated or exempted in the Finance Settlement due in mid-December.
- 3.26. Closer scrutiny of the income streams on the detailed schedule at appendix one indicates that an adverse adjustment is required to align these budgets. This will have a damping effect on any increases in fees and charges in 2025-26. The current MTFS already provides for £860k increase in 2025-26, a significant element being the recovery of the crematorium income and then circa £280k per year ongoing across all income. A line of enquiry is nearing completion to scope out above inflationary increases wherever possible and benchmark against other councils and providers.
- 3.27. Council tax referendum is likely to remain a part of the Finance Settlement, the MTFS assumes the council will increase council tax up to the referendum limits.
- 3.28. The Finance Settlement is likely to confirm a similar level of grant (new homes bonus, RSG and funding guarantee) of circa £1.0m next year. This funding has only been included in the current year budget and not the ongoing MTFS because it is not guaranteed going forward. The council has £135m of commercial property generating £8m of income and is responsible for maintaining £60m of property assets. Both items are key risks to the MTFS as

described in the February and July reports in respect of commercial property void costs, and planned and responsive maintenance that cannot be funded from capital receipts. The council does not have a provision to cover these costs and it would be prudent to use the Finance Settlement funding, as it is not guaranteed each year, to set up a provision instead of relying upon it to fund ongoing expenditure.

- 3.29. The February MTFS assumed interest rates would reduce over two years. Interest rates were tracking down on the profile assumed in the February budget up to October when financial markets become unsettled. Arlingclose project that Bank of England will continue to reduce the Bank Rate, but more slowly and by less with another rate cut in February 2025, followed by a cut alongside every Monetary Policy Report publication, to a low of 3.75%. The Office for Budget Responsibility has produce the following graphical interest rate forecast.



- 3.30. The council’s borrowing interest rate tracks the bank rate, the table below demonstrates the February MTFS assumed borrowing interest rate and a revised rate as of November. The table implies a likely £3.8k increase in borrowing cost per £1m of debt in 2025-26 and £7.5k increase per £1m resulting in additional pressure in the MTFS and continued interest rate exposure on the full debt portfolio.

Borrowing Interest assumption	2024/25	2025/26	2026/27	2026/27
February 2024 assumed Interest	5.19%	3.86%	3.1%	3.1%
November revised assumption	5.05%	4.24%	3.85%	3.85%
Change	-0.14%	0.38%	0.75%	0.75%

- 3.31. External borrowing has reduced this year from £167m to £142m through careful cashflow management, whilst this reduces the cost of borrowing, it also reduces the amount of cashflow surplus available to invest and net off the cost of borrowing. The council had approximately an average of £41m of working capital, this has been reduced to Circa £18m through cashflow management. The council’s long term “need” to borrow can only be reduced by the application of capital receipts and Minimum Revenue Provision.

3.32. The borrowing profile over the MTFs period depends upon the achievement of capital receipts. The table below models the likely debt profile based upon current capital receipt assumption, (i.e., not related to the February or July assumptions). Current borrowing is £142m, the table assumes a net £10m capital receipt by the end of March 2025 bringing the external borrowing down to £132m. The full impact of these changes will be worked through and included within the February MTFs.

Position at 31 March	2024	2025	2026	2027	2028	2029	2030
Capital Expenditure funded by borrowing (CFR):	166.3	166.3	153.9	138.8	127.5	125.9	124.3
New Capital Expenditure funded by borrowing:		9.3	1.8	0.2	0	0	
Minimum Revenue Provision		-1.7	-1.9	-1.5	-1.6	-1.6	
Cap receipts (target)		0	-15	-10	0	0	
Commercial Asset sale		-3.3					
Union yard		-16.7					
Closing CFR:	166.3	153.9	138.8	127.5	125.9	124.3	124.3
External borrowing	-162.0	-132.0	-118.8	-109.0	-109.0	-119.0	-119.0
Funded from Working Capital	-4.3	-21.9	-20.0	-18.5	-16.9	-5.3	-5.3
Total funding:	-166	-153.9	-138.8	-127.5	-125.9	-124.3	-124.3

3.33. Accounting Standard IFRS9 impact – The statutory override for pooled funds in England – requires change in value of the original capital invested (i.e., current market price resulting in gains and losses) to be held as a value on the Balance Sheet until the fund is sold (i.e., when the gain or loss becomes real) – is set to end in 2025-26, i.e., the last year it will be in place will be 2024-25. The long-term pooled funds investment is currently valued below cost, i.e. at a loss if they were to be redeemed. The council must make a revenue provision for the change in value each year from 2025-26. At current valuation this will be £968k

Fund:	Cash Invested	Value October	Unrealised loss
Threadneedle Investments	2,000	1,906	(94)
M&G Investments Strategic Corporate Bond Fund	4,000	3,505	(495)
Schroders Income Maximiser	5,000	4,705	(295)
Aegon Diversified Monthly Income Fund	2,000	1,917	(83)
	13,000	12,032	(968)

3.34. Progress on the Financial Recovery Plan was reported to the 15th October Cabinet, where a number of “lines of enquiry” were outlined to identify net budget savings, these are progressing and where it is certain to deliver a net budget reduction will be included in the 2025-26 budget. Some of these lines are focused on adopting a new approach to managing expenditure on specific cost areas such as repairs and maintenance and establishment. These are in year cost control mechanisms rather than permanent budget adjustments.

Alternative Options

- 3.35. The Council has a legal obligation to produce a balanced budget and therefore there is not a 'Do Nothing' option. The Council must achieve its revenue and capital receipt targets, through implementation of the Financial Recovery Plan.
- 3.36. Progress on identifying and implementing measures is being financially monitored, the council does have the option to introduce targeted or broader temporary expenditure control to hold back expenditure and reduce the drawdown on reserves if the financial situation warrants. The Executive Head of Finance will consult at the earliest indication of this option being required.

Consultation

- 3.37. The Finance Working Group meet 4 weekly and last on 11th November to consider the Financial Working Plan, and progress on the lines of enquiry, their comments will be reported to the meeting.

4. IMPLICATIONS

Risks and Uncertainties

- 4.1. Cost of borrowing remains a risk facing the council at present. The assumed profile of interest rate reduction is likely to be later, and less than planned. The achievement of capital receipts and timing remains uncertain at this point. Work is underway; however, delivery is a significant concern and the impact on the revenue account and reserves has been demonstrated above.
- 4.2. Latent liability (such as energy efficiency standards, major component replacement or dilapidations) on the substantial property holdings and additional capital expenditure on lease transactions has not been identified and incorporated into the capital programme or revenue account through planned and funded schedule. This work must be progressed and completed as soon as possible.
- 4.3. The commercial property portfolio rent stream along with the Meads and Union Yard represents circa £11m of income, the work to fully translate the rent schedules into the budget is still underway as per the detail covered off in this report. It is urgent to ensure that the council can take a strategic approach identifying and mitigating the risks to the rent roll and future capital requirements to maintain the income and manage revenue impact.
- 4.4. The Waste collection contract with Serco (circa £5m) must be retendered or extended by 2027 with the work commencing in 2024/25. There are some significant cost and capital commitment risks associated with this contract that must be engaged with and understood as early as possible to enable any potential mitigation to be effective.

- 4.5. The potential council office move to free up the current site for development disposal is a financial opportunity and a risk and a “Treasury 5 cases” style outline business case will be needed to enable the proposal to be fully evaluated in respect of the MTFs and financial resilience.
- 4.6. Union Yard is nearing completion, there are several financial risks to the MTFs around the letting of the student accommodation, the management of the communal heating and letting of the commercial units.
- 4.7. The sale of 82 private residential units to RHL is dependent on the detail of the due diligence. Delay or a change in plan will continue to have a material effect to the 2024-25 budget and MTFs.
- 4.8. The airport planning application is a financial risk from the cost that could arise from any legal proceedings following the decision. This could be a significant revenue expense.
- 4.9. The potential changes to Hampshire County Council’s budget include closure of Grosvenor Rd which currently provides 14 Bedspaces of accommodation. Also, Clayton Court which provides around 35 temporary accommodation places is due to close by December 2026 and there is no agreed replacement. Demand has already increased use of Bed and Breakfast from an average of 10 to 14 rooms at any one time due to increasing levels of homelessness and difficulties in rehousing people. Currently the Rough Sleeper initiative is due to end in April 2025 which has assisted in addressing that issue. There is therefore a significant financial risk that the costs of the Council meeting its homelessness obligations could increase substantially.
- 4.10. There is an unsecured loan to Farnborough International Limited (FIL) of £6.482m due for repayment in tranches in the next three years. The financial stability of FIL is reviewed half yearly to understand their trading and cashflow position and the risk to the council.
- 4.11. The council’s last audited accounts were 2019-20, signed off late last year. This means that the 2024-25 to 2027-28 MTFs is based upon an uncertified baseline. As seen in the 2023-24 outturn it is possible that the useable reserves assumptions can change due to balance sheet adjustments required through officer diligence and external audit of the 2023-24 accounts published on 31st May 2024. It may take several years to rebuild assurance.
- 4.12. The Chancellor’s’ October budget increased employers’ national insurance, this is a significant cost to the council if it is not mitigated in the finance settlement. The business rates rebasing, and fair funding agenda will continue and has been proposed to happen in the next two years. It is likely that the council will be adversely impacted in this process due to retaining business rates above its baseline funding assessment.

Legal Implications

- 4.13. Full detail on the legal implications of the content of this MTFS update can be found in the February budget report page 84 of the agenda.

Financial and Resource Implications

- 4.14. In addition to in house resources, interim and specialist roles may also be required to support some of the actions.
- 4.15. Financial implications of the MTFS are set out within the report. Further financial implications are set out in the February Budget report appendix 7: Section 25 report on the robustness of estimates and is applicable to this update, on page 100 of the agenda pack.

Equalities Impact Implications

- 4.16. Full detail on the Equalities Impact implications of the content of this MTFS update can be found in the February budget report page 85 of the agenda.

Other

- 4.17. There are no further implications of this report to consider.

5. CONCLUSIONS

- 5.1. The council set a 2024-25 balanced budget with a planned reserve drawdown of £4.639m and a savings target of £740k of net budget reduction in 2025-26, supported by £12.229m of available reserve. The latest forecast shows this has been achieved. There are number of significant forecast variations that indicate some structural budget correction is needed to inform the 2025-26 budget and MTFS, whilst it is challenging to assess how much in particular the income variation is due to forecast error.
- 5.2. Progress on capital receipts delivery is challenging and this will have an impact on the level of interest rate exposure resulting in an increased challenge for the council to become financially sustainable. This will require the implementation of additional cost reductions to prevent any further drawing down of reserves than already planned.
- 5.3. Lines of enquiry cover a broad range of the councils' operations, including specific discretionary expenditure and in year cost controls that would benefit from best practice financial and operational management.
- 5.4. At its' October meeting, Cabinet approved the Financial Recovery Plan. This plan includes a proposed service level review to identify options for changes in service levels and associated costs across the organisation while considering the Council priorities. It is expected that this work will commence in early 2025.
- 5.5. If the in-year financial situation determines, cost controls can be implemented to slow down the rate of expenditure until the situation is resolved.

LIST OF APPENDICES/ANNEXES:

Appendix One: detailed forecast variance schedule

Appendix Two: Savings removed from budget.

Appendix Three: Earmarked reserve movements on revenue account

Appendix Four: Capital Programme progress summary

BACKGROUND DOCUMENTS:

- Financial Recovery Plan – Cabinet - REPORT NO. CEX2406 - 15 OCTOBER 2024
- 2024-25 to 2027-28 MTFS strategy update and 2023-24 budget outturn – Council – 25th July 2024
- Revenue Budget, Capital Programme, and Council tax level – Council – 22nd February 2024

CONTACT DETAILS:

Report Author – Peter Vickers email: Peter.vickers@rushmoor.gov.uk

Head of Service – as above

Appendix One: detailed forecast variance schedule

Revenue Account	2023-24 outtur	Original	Virement	Current	Forecast Q2	Var Q2
	'£000	'£000	'£000	'£000	'£000	'£000
Establishment	12,679	14,398	(410)	13,989	13,534	(455)
Staff - Temp	1,134	277	509	787	786	(1)
Salary capitalised	(63)	0	0	0	0	0
Salary recharges	(66)	44	(15)	29	29	0
Staff non pay	408	450	29	479	467	(11)
Members Allowances	365	381	0	381	381	0
Consultants advice and support	1,608	235	139	374	352	(23)
Printing and Postage	256	212	29	241	237	(4)
Banking and debt management	780	374	69	443	443	0
Audit Fees	41	160	10	170	170	(0)
Utilities	705	932	(84)	848	774	(74)
BR/ Ctax	933	1,235	(221)	1,015	973	(42)
Waste and Cleansing	3,749	4,102	(153)	3,948	3,933	(16)
Grounds and Tree Maintenance	729	869	(34)	836	829	(7)
Insurance	350	450	(1)	449	365	(85)
Property insurance recharge	(133)	(55)	0	(55)	(55)	0
Service Contracts	825	761	(7)	754	702	(52)
Grants to other organisations	590	575	323	898	909	12
IT infrastructure and equipment	965	1,076	138	1,214	1,179	(35)
Local Plan Preparation	15	100	(16)	84	84	0
Temporary accommodation	275	295	97	392	392	0
Externally funded costs	(208)	100	429	529	529	0
Other Costs	2,521	1,388	483	1,872	1,854	(18)
Other Income	(1,657)	(133)	(81)	(214)	(215)	(1)
Fees N charges	(351)	(316)	100	(216)	(232)	(16)
Princes Hall Trading account	(180)	(63)	(42)	(105)	(87)	18
Car Park Income	(1,126)	(1,143)	(39)	(1,182)	(1,188)	(6)
Building control income	(518)	(663)	0	(663)	(576)	87
Elections cost recovery	0	(98)	46	(52)	(31)	21
Street cleaning gum contribution	(11)	(10)	(20)	(30)	(31)	(2)
Cemeteries Income	(191)	(212)	0	(212)	(187)	25
Crematorium Income	(1,597)	(1,247)	33	(1,213)	(979)	234
Development Management Income	(368)	(646)	0	(646)	(518)	129
Recycling income	(1,012)	(682)	(233)	(914)	(925)	(10)
Southwood SANG income	(222)	(298)	(5)	(303)	(289)	13
Costs Recovered	(539)	(459)	(49)	(507)	(464)	43
Bulky Waste Collection income	(104)	(123)	11	(112)	(112)	0
Licensing	(226)	(167)	(49)	(216)	(212)	3
Car Boot Sales	(101)	(114)	0	(114)	(114)	0
Council office room hire	(28)	(12)	0	(12)	(12)	0
Land search charges	(98)	(112)	0	(112)	(93)	19
Grant income	(6,593)	(1,279)	(1,065)	(2,344)	(2,334)	10
Pooled Fund capital loss	0	0	0	0	1,090	1,090
Business rates	(4,668)	(5,100)	0	(5,100)	(5,494)	(394)
Net Interest	2,219	4,899	(0)	4,899	4,317	(582)
MRP	1,572	1,758	0	1,758	1,692	(66)
Corporate financing	(5,391)	(8,641)	(572)	(9,213)	(9,221)	(8)
Property Net Income	(8,511)	(8,122)	(127)	(8,249)	(8,116)	132
Deficit funded from reserves	0	(5,379)	776	(4,603)	(4,603)	0
Grand Total	(1,245)	0	0	0	(71)	(71)
Property Income and Expenditure account						
Operational property Income	(684)	(632)	(56)	(687)	(651)	36
Operational Property management costs	109	41	37	77	77	0
Operational Property Service Charges	24	21	0	21	21	0
Operational Property Maintenance	325	352	(18)	334	332	(3)
Commercial Property Income	(8,167)	(8,001)	0	(8,001)	(7,818)	183
CP Service Charges recovered	(6)	(5)	0	(5)	(2)	3
CP management costs	269	318	101	419	374	(45)
CP Maintenance	432	729	(190)	539	494	(46)
CP Service Charges	459	324	12	337	278	(59)
The Meads Shopping Centre Income	(615)	(678)	0	(678)	(679)	(1)
The Meads SC service charge recovered	0	0	0	0	0	0
The Meads SC service charges	317	594	39	633	633	0
The Meads MSCP income	(136)	(125)	0	(125)	(219)	(94)
The Meads MSCP Charges recovered	0	0	0	0	0	0
The Meads MSCP service charges	0	0	0	0	0	0
The Meads MSCP management costs	47	53	10	63	63	0
The Meads Blocks 1 & 2	(809)	(915)	0	(915)	(865)	50
Blocks 1 & 2 Service Charges recovered	0	0	0	0	0	0
Blocks 1 & 2 service charges	20	26	2	28	28	0
Blocks 1 & 2 management costs	0	45	12	57	57	0
The Meads Business Centre	(285)	(367)	(63)	(429)	(429)	0
The Meads BC Service Charges recovered	0	0	0	0	0	0
The Meads BC service charges	186	240	0	240	240	0
The Meads BC management costs	0	0	0	0	0	0
Union Yard Commercial	4	(143)	148	5	82	77
Union Yard Student	0	0	(172)	(172)	(156)	16
Union Yard Energy Centre	0	0	10	10	25	15
Net Property Income	(8,511)	(8,122)	(127)	(8,249)	(8,116)	132

Appendix Two: Savings removed from budget

Savings adjusted out of the budget	2024-25	2025-26	2026-27	2027-28
	£	£	£	£
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)
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)
Budget Correction - Original	3,250	3,250	3,250	3,250
Additional income at Southwood Café	(22,000)	(22,000)	(22,000)	(22,000)
Food Hygiene license income ceased	4,000	4,000	4,000	4,000
Total: recurrent:	(342,481)	(342,481)	(342,481)	(342,481)
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	(60,000)			
Recycling glass sales	(168,000)			
Total: Temporary:	(433,176)	(102,542)	0	0
Total	(775,657)	(445,023)	(342,481)	(342,481)

Appendix Three: Earmarked reserve movements on revenue account

Name of Reserve	Approved Budget	Change in-year	Current Budget
SANG Interest	297,613		297,613
SANG Maintenance	(31,520)	(53,650)	(85,170)
Mercury Abatement	35,400		35,400
Homelessness Prevention	(49,622)		(49,622)
Homes for Ukraine	(26,652)	(82,585)	(109,237)
Climate Change	(45,685)	(20,500)	(66,185)
Maintenance Amenity	(17,515)		(17,515)
A331 Air Quality Project	(42,890)	14,208	(28,682)
Stability & Resilience		(439,004)	(439,004)
Office of Police & Crime Comm		(3,220)	(3,220)
COVID		(13,000)	(13,000)
Deprivation Reserve		(22,000)	(22,000)
Cyber Resilience		(5,000)	(5,000)
Biodiversity Grant		(3,360)	(3,360)
Esso Pipeline		(78,470)	(78,470)
Asylum Dispersal Grant		64,550	64,550
Afghan Resttlement Grant		(12,686)	(12,686)
Civil Parking Enforcement Surplus Grant		(3,695)	(3,695)
Local Authority Housing Fund		14,780	14,780
UK Shared Prosperity Fund		33,100	33,100
Skills Delivery		13,500	13,500
Youth Café		12,000	12,000
Total	119,129	(585,032)	(465,903)

Stability and resilience reserve movement explanation		
Narrative	Amount	Notes
Leisure Contract Procurement	(4,930)	Carry forward of Revenue Budget
Leisure Contract Procurement	(30,909)	Carry forward of Revenue Budget
PCI Compliant	(27,385)	Carry forward of Revenue Budget
IDOC & PAY360 - Appl Support	(73,525)	Carry forward of Revenue Budget
Contract Procurement	(6,500)	Carry forward of Revenue Budget
Devereux House pre-sale cost	(60,000)	Carry forward of Revenue Budget
Lighting Desk at Princes Hall R	(13,000)	Carry Forward - Contribution to Capital Spend
IT Inflation	(7,540)	Inflationary pressures in IT
Finance - Agency Staff	(26,970)	Use of additional resource to support finance team.
Finance - CIPFA Review	(9,000)	review.
Treasury - MRP Review	(6,700)	review.
Finance - Subscriptions	(1,140)	Use of reserve to fund Credit Analysis Subscription
Finance - Audit Fees	(10,270)	Use of reserve to fund additional audit costs
Finance - Subscriptions	(270)	Use of reserve to fund Local Government Subscription
Finance - Agency Staff	(87,500)	Use of additional resource to support finance team.
Finance - Solace Review	(12,000)	Use of reserve to fund additional one off costs of Solace review.
Treasury -CFR & MRP Review	(4,470)	Use of reserve to fund additional one off costs of Treasury review by ArlingClose
Finance - Banking Review	(17,420)	Use of reserve to fund additional one off costs of banking arrangements & finance system review and PS Tax advice.
Finance - Consultancy	(12,500)	Due Diligence study on Rushmoor Homes Ltd.
Strategy & Communications - Consultancy	(3,250)	Consultancy from GLK on shared service with Hart & Havant.
Communications	(23,975)	Temporary staff/Agency cover.
Travel & Subsistence	250	Expenditure budget no longer required.
	(439,004)	

Appendix Four: Capital Programme progress summary

Capital Programme outturn 2024-25 Portfolio / Scheme	2024/25 Original Budget £'000	2024/25 Adjusted Budget £'000	Quarter 2 Total Spend to end Sept 2024 £'000	Quarter 2 Forecast Outturn £'000	Variance	Reprofiled to 2025-26	(Under) / over spend
Hawley / Frimley	562	577	27	225	(352)		(352)
Council Offices		59	-	-	(59)		(59)
Asset Management R&M	109	124	-	50	(74)		(74)
Civic Quarter Farnborough		333	204	256	(77)	(77)	
Housing PRS Delivery			56	100	100		100
The Galleries Development		3,400	-	-	(3,400)	(3,400)	
Union Yard Aldershot	5,384	5,929	4,661	5,929	-		
Affordable Housing - LAHF		742	-	-	(742)	(742)	
Crematorium	4,418	4,781	3,885	4,396	(385)	(385)	
Improvement Grants	1,632	1,632	568	1,632	-		
CCTV - Camera & Network		185	52	185	-		
Refuse/Recycling inc. Food Waste	127	127	79	113	(14)		(14)
Southwood Sang Country Park	450	450	133	150	(300)	(300)	
Section 106	208	455	234	327	(128)	(128)	
IT Projects	582	775	9	466	(309)	(309)	
CQ Pinehurst Car Park Demolition		1,725	719	1,725	-		-
UKSPF - Amenity Space Provision		333	53	333	-		
Aldershot Pools - PV Panels		208	0	208	0		
Total Capital Programme	13,472	21,835	10,680	16,095	(5,740)	(5,341)	(399)
Funded by:							
Developer contribution to Wheeled bi	(20)	(20)	(20)	(20)	-		
S106/ Grant(Southwood Play Area)	(450)	(450)	(133)	(150)	(300)	(300)	
S106 (Play Areas etc)	(208)	(455)	(234)	(327)	(128)	(128)	
Disabled Facilities Grants	(1,632)	(1,632)	(568)	(1,632)	-		
LUF - Leisure HUB		(333)	(204)	(256)	(77)	(77)	
HIF (Union Street)		(3,400)	-	-	(3,400)	(3,400)	
Capital receipts - Vivid Union Yard	(2,500)	(2,500)	(2,500)	(2,500)	-		
OPE Grant - Pinehurst Demolition		(1,725)	(719)	(1,725)	-		
UKSPF Grant		(333)	(53)	(333)	-		
LAHF and Reserves		(742)	-	-	(742)	(742)	
Swimming Pool Fund		(208)	-	(208)	-		
Borrowing	(8,662)	(10,037)	(6,249)	(8,944)	(1,093)	(694)	(399)
Total funding:	(13,472)	(21,835)	(10,680)	(16,095)	(5,740)	(5,341)	(399)