

14 JANUARY 2025

KEY DECISION? NO

BUDGET MANAGEMENT – MONTH 8

SUMMARY AND RECOMMENDATIONS:

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

CABINET is recommended to:

- i. Note the Revenue budget forecast as set out in Section 3.1 of the report
- ii. Approve the virements listed in Section 3.12

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 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 November 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. 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).
- 2.2. The forecast outturn for 2024/25 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 Medium-Term Financial Strategy (MTFS). Key income streams are forecast below budget, however are mitigated by several one off in year favourable variances.
- 2.3. The level of external borrowing has reduced through careful cashflow management delaying and reducing the need to borrow externally. Whilst the council has utilised more of its cashflow to avoid external borrowing, the overall reduction in level of borrowing required in the MTFS can only be achieved through capital receipts.

3. CURRENT YEAR FINANCIAL PERFORMANCE

Revenue Account

- 3.1. 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 month 8 forecast outturn is presented in the table below.

	2024-25 Original Budget £'000	2024-25 Approved Budget £'000	2024-25 Forecasted Outturn £'000	2024-25 Forecast Variance £'000
Community & Residents	2,678	2,384	2,407	23
Development & Economic Growth	2,312	2,290	2,398	108
Enabling Services	440	1,433	1,272	(161)
Finance	2,931	3,110	3,068	(42)
Neighbourhood Services	11,167	10,505	10,381	(124)
Policy, Climate & Sustainability	771	511	488	(23)
Regeneration & Property	(4,964)	(5,362)	(5,157)	205
Subtotal	15,335	14,871	14,857	(14)
Less: Reversal of Accounting Entries	(2,957)	(2,944)	(2,944)	-
Net Service Revenue Expenditure	12,377	11,927	11,913	(14)
<u>Corporate Income & Expenditure</u>				
Minimum Revenue Provision (MRP)	1,758	1,758	1,692	(66)
Interest Receivable	(3,776)	(3,776)	(3,487)	289
Interest Payable	8,731	8,729	7,379	(1,350)
Pooled Funds	-	-	979	979
RCCO	-	13	13	(0)
Movement in Earmarked Reserves	119	(248)	(248)	(0)
Net General Fund Revenue Budget	19,210	18,403	18,241	(162)
Funded by:				
Council Tax	(7,706)	(7,706)	(7,706)	-
Business Rates	(5,100)	(5,100)	(5,310)	(210)
New Homes Bonus	(384)	(384)	(384)	-
Feed In Tariff	-	-	(32)	(32)
Services Grant	(14)	(14)	(17)	(3)
Funding Guarantee	(516)	(516)	(516)	0
Revenue Support Grant	(111)	(111)	(111)	(0)
Total Funding	(13,831)	(13,831)	(14,076)	(245)
Core (Surplus)/Deficit	5,379	4,572	4,165	(407)

- 3.2. The Service Reduction Target of £500k in 2024/25 has been achieved and exceeded through review of budgets and service opportunities in year. £433k of the £804k savings achieved in 2024/25 are temporary. The breakdown of how these savings have been achieved is detailed below. Further work to identify permanent savings on top of the £371k achieved to secure the financial security of the council looking forward are being worked on through the Financial Resilience Programme.

		2024-25	2025-26	2026-27	2027-28
		£	£	£	£
Service Opportunities					
Recurrent					
Close North Hants Employment and Skills Zone website	Q1	- 2,390	- 2,390	- 2,390	- 2,390
Increase Princes Hall Venue Levy	Q1	- 20,000	- 20,000	- 20,000	- 20,000
Triage post in CSU to be funded by external	Q1	- 44,800	- 44,800	- 44,800	- 44,800
Contract Inflation update	Q1	- 83,760	- 83,760	- 83,760	- 83,760
Wellesley S106 contributions	Q1	- 7,268	- 7,268	- 7,268	- 7,268
Green Waste Income	Q1	- 35,173	- 35,173	- 35,173	- 35,173
Total Recurrent Savings:		- 193,391	- 193,391	- 193,391	- 193,391
Temporary					
Farnborough College of Technology rental of the Meads	Q1	- 170,091	- 102,542		
Supporting economic development at Hart DC	Q1	- 25,085			
Street cleaning – pause/delaying major projects	Q1	- 10,000			
Anti Social Behaviour External Funding bid successful	Q1	- 60,000			
Recycling glass sales	Q1	- 168,000			
Total non recurrent:		- 433,176	- 102,542	-	-
Total		- 626,567	- 295,933	- 193,391	- 193,391
Budget Adjustments					
Premises Licensing Income	Q1	- 11,872	- 11,872	- 11,872	- 11,872
Taxi Licensing Income	Q1	- 12,700	- 12,700	- 12,700	- 12,700
Princes Hall Car Parking Income	Q1	- 7,000	- 7,000	- 7,000	- 7,000
Business Rates	Q1	- 17,470	- 17,470	- 17,470	- 17,470
Utilities	Q1	- 44,800	- 44,800	- 44,800	- 44,800
Maintenance for site no longer in existence	Q1	- 2,000	- 2,000	- 2,000	- 2,000
Budget Correction	Q1	- 38,500	- 38,500	- 38,500	- 38,500
Budget Correction – Original		3,250	3,250	3,250	3,250
Budget Correction	M8	- 28,840	- 28,840	- 28,840	- 28,840
Additional income at Southwood Café	Q2	- 22,000	- 22,000	- 22,000	- 22,000
Food Hygiene license income ceased	Q2	4,000	4,000	4,000	4,000
Total		- 177,932	- 177,932	- 177,932	- 177,932
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		- 177,932	- 177,932	- 177,932	- 177,932
Remaining savings to be found		- 804,499	- 526,135	- 1,128,677	- 1,628,677
Savings achieved beyond target		304,499			

- 3.3. Details of the Month 8 forecast variance by nature is provided below.

	Community & Residents £'000	Developm ent & Economic Growth £'000	Enabling Services £'000	Finance £'000	Neighbour hood Services £'000	Policy, Climate & Sustainabil ity £'000	Regenerat ion & Property £'000	Grand Total £'000
Staff Costs	(8)	(121)	(174)	(24)	(194)	(21)	(119)	(661)
Contracted Services					(17)		(5)	(22)
Utilities & Business Rates	6	(1)	(12)		(45)		(253)	(305)
Professional Consultancy						(5)	10	5
IT		(1)	(63)		2	(3)		(65)
Equipment								-
Maintenance		3			2		(36)	(31)
Other Costs	(14)	(1)	(11)	(12)	(198)		10	(226)
Fees and Charges	(3)	166	26		349			538
Property Related Income			(5)	(3)	(7)		309	294
Property Service Charges							(45)	(45)
Grant								-
Other Income	41	64	79	(2)	(18)	6	335	505
Total	22	109	(160)	(41)	(126)	(23)	206	(13)

Key Service Variations

- 3.4. Each of these variances are being worked through to evaluate the certainty of the forecast and impact on the MTF5 budget requirement.
- 3.5. Salary savings of over £661k are forecast to be achieved in year. This has been achieved across all portfolio's, with circa £200k of this saving due to a less than anticipated pay increase agreed nationally.
- 3.6. As per previous reports, fees & charges income in many areas is struggling to hit approved budgets. This includes property, car parking, crematorium, planning, building control and land charges. Where possible, related costs are being minimised to mitigate this loss.
- 3.7. 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.
- 3.8. The delayed completion of Union Yard has enabled an additional 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.
- 3.9. In addition, interest costs are to be capitalised for the Crematorium, providing a further £77k income to be achieved in revenue. As above, this will increase the overall cost and borrowing requirement of the project, it enables us to remove the cost from the revenue account.
- 3.10. As previously reports, the UBS Multi-Asset Income Fund - £5 million investment was part of the council's long-term £21m investment in Pooled funds. UBS closed the fund in September giving the council 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 currently estimated at a £978k loss however depends 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.

- 3.11. Retained business rates funding has improved further and in year an £810k improvement has been achieved through levy changes, S31 grant changes and review of provisions. This work was done with our collection fund technical advisors LGFutures to ensure the best outcome for the revenue account.

Virements

- 3.12. In order to proactively manage budgets, a number of budget virements including use and contributions to earmarked reserves have been proposed by officers through the year to date. 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).

Department/Reason	Amount	Notes
Operational Services – tree expenditure funded by grant	£50,023	Farnborough Airport Community Environmental Fund and Urban Tree Challenge Fund bids successful for tree planting projects in the borough.
Farnborough Gate Pitch – women's football team facilities	£75,377	S106 works to improve the facilities of the women's football team including changing facilities. ELT have previously approved a £40k virement for a proportion of the works – this proposed virement is to supplement this and brings the total value to £75,377

Delivery of Target

- 3.13. 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. 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 over the four-year period. The in year projected use of reserve to balance the revenue position is as below.

	2024-25 Budget £'000	2024-25 Forecast £'000
Savings Target effect on reserves:		
In year saving permanently out of base		
Interest and MRP reduction	-240	0
Services cost reduction	-500	-371
Total recurrent savings:	-740	-371

In year deficit before mitigating savings	5,379	5379
Revised deficit/outturn	4,639	5008
In year temporary savings		-433
In year deficit	4,639	4575
Opening reserve balance:	-12,229	-12,229
Budgeted service movement	-119	248
Revised deficit / Surplus is in ()	4,639	4575
Reserve annual closing balance	-7,709	-7,406

Alternative Options

- 3.14. 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.
- 3.15. 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

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

4. IMPLICATIONS

Risks and Uncertainties

- 4.1. The cost of borrowing remains a risk to the council at present. Interest rates have begun to fall and were lower than anticipated early in the year, however the interest rate reductions are slower than anticipated for the latter part of the year and are less likely to fall to originally assumed values.
- 4.2. Additionally, external borrowing has been minimised and is currently lower than budgeted levels. However, the value of borrowing the council holds remains high.
- 4.3. Property portfolio rental streams are a sizable contributor to the council's income, supporting the funding of debt costs. Properties remain at risk of vacancies which both prevent income achievement but can incur additional costs of rates, maintenance, and security. The Meads represents the most significant risk in these regards as the centre has a significant backlog of capital repairs and particular challenges of re-orientating the centre to meet current

demands on the high street. This increase the need for capital repair and fit out costs while increasing rental income to match is difficult to achieve.

- 4.4. Delays to projects such as Union Yard and the Crematorium are having a negative ongoing impact on the revenue position of the council. Some of these impacts are already felt in year, however the risks remain.
- 4.5. The sale of the CCLA pooled fund to mitigate the loss on the UBS investment is still subject to three months movements in value. The report includes the latest forecast, however there will be further movements until the end of the financial year when the CCLA sale will go through.

Legal Implications

- 4.6. 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.

Financial and Resource Implications

- 4.7. Financial implications are set out within the report.

Equalities Impact Implications

- 4.8. No direct impact.

Other

- 4.9. 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.
- 5.2. If the in-year financial situation determines, cost controls can be implemented to slow down the rate of expenditure until the situation is resolved.
- 5.3. 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:

- 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

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