CABINET | **COUNCILLOR GARETH WILLIAMS**
FINANCE PORTFOLIO HOLDER

11 FEBRUARY

KEY DECISION? YES | **REPORT NO. FIN2505**

GENERAL FUND BUDGET 2025-26 & MEDIUM TERM FINANCIAL STRATEGY 2025-26 to 2028-29

SUMMARY AND RECOMMENDATIONS:

This report sets out the draft General Fund Budget for 2025/26 and Medium-Term Financial Strategy (MTFS) up to 2028/29. 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.

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. General Fund Revenue Budget Estimates Summary 2025-26 Appendix 1;
3. the Council Tax Requirement of £8,008,377 for this Council;
4. the Council Tax level for Rushmoor Borough Council's purposes of £239.70 for a Band D property in 2025-26 (an increase of £6.96);
5. the Capital Programme as per Appendix 6;
6. The Strategy for the Flexible use of Capital Receipts as per paragraph 3.29 below; and
7. The UKSPF funding allocations at Appendix 7.

Cabinet is recommended to

1. Approve the requested earmarked reserves and delegations as per paragraph 3.12 onwards of this report.
2. Delegate final decisions on specific UKSPF project allocations to the Leader in consultation with the relevant portfolio holder.

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 2025-26 and a medium-term financial forecast.

1.2. This is a key decision because it is likely to result in the Council incurring expenditure or making savings which are significant in as much as they will have a material effect on the level of council tax, balances or contingencies in relation to the Council's overall budget.

2. BACKGROUND AND EXECUTIVE SUMMARY

2.1. In February 2023 the council approved a balanced budget without the need to draw on reserves for 2023-24 and forecasted a balanced budget for the following year, 2024-25. However, these forecasts significantly underestimated the interest payment on the £167m of short-term borrowing (February 2023 bank rate 4% vs budgeted 1.66%) and the borrowing was fully exposed to further interest rate rises in the coming year. Inflation had also been underestimated at circa. 2.5% vs inflation of 10.4% as at February 2023 and projected to reduce gradually. Consequently, the revised 2024-25 budget approved on 22nd February 2024 projected a £5.4m deficit before savings and a cumulative £16.6m MTFS deficit to 2027-28 with £10.7m of available reserves to cover the deficit (increased to £12.22m in July 2024 by the 2023-24 outturn surplus).

2.2. At the 22nd February 2024 Budget Council, a financial recovery plan was agreed requiring a total recurrent net budget reduction of £4m by the end of 2027-28 to balance the budget without any further reliance on reserves beyond the MTFS period. The plan acknowledged that interest on the £167m of short-term borrowing (i.e. property investment and regeneration projects were funded by borrowing maturing in less than one year where rates were below 1% compared to longer term where rates were 2-3% higher) was the ongoing cause of the deficit, and therefore required £40m of asset sales over the MTFS period to repay borrowing and consequently reduce annual interest and principal (minimum revenue provision - MRP) repayments by £2.04m per year. In addition, whilst ever inflation is above 2%, service expenditure inflation outpaces the council's ability to increase income, resulting in a need for a £500k per year reduction in cost of services to achieve a recurrent £2m per year reduction by the end of the MTFS period.

February 2024 savings profile	**2024-25 `000**	**2025-26 `000**	**2026-27 `000**	**2027-28 `000**
Interest and MRP (£40m assets)	(240)	(1,558)	(2,040)	(2,040)
Cost of services reduction	(500)	(1,000)	(1,500)	(2,000)
Total Savings:	**(740)**	**(2,558)**	**(3,540)**	**(4,040)**

() implies improvement

2.3. The agreed savings profile required £740k (£240k interest/MRP and £500k cost of services) in 2024-25, acknowledging that it would take time for asset sales to be actioned resulting in £4.6m of the £5.4m deficit to be funded from reserves.

February 2024 planned use of reserves	2024-25 `000	2025-26 `000	2026-27 `000	2027-28 `000	Total `000
Savings requirement:	(740)	(2,558)	(3,540)	(4,040)	(10,878)
Deficit prior to savings:	5,379	4,127	3,504	3,641	16,651
Deficit/Surplus net of savings funded by reserves	**4,639**	**1,569**	**(36)**	**(399)**	**5,773**
Available reserves:	(10,679)	(6,040)	(4,471)	(4,507)	(4,906)

() implies improvement/surplus

The savings profile projected £4.9m (of the £10.7m, increased to £12.2m in July) reserve remaining to mitigate changes in underlying key budget assumptions and risks and ensure the council remains able to set a legally balanced budget.

2.4. Although £3.3m income from sale of assets is due in March 2025, it is too late to achieve the £240k 2024-25 interest and MRP required reduction. Despite this, the £740k 2024-25 savings target has been fully met of which £342k is recurrent (i.e. ongoing in future years) and £398k will carry forward to contribute to the 2025-26 savings target.

2.5. A significant amount of progress has been made in identifying savings for 2025-26 onwards. Whilst these are incorporated into the 2025-26 budget estimates, several of the key risks in the February 2024 MTFS have materialised resulting in a 2025-26 estimated deficit of £5.2m (£4.1m projection in February 2024). The table below provides headlines, and a detailed explanation is given on **Appendix 2.**

Explanation of budget changes	2025-26 £000	2026-27 £000	2027-28 £000	2028-29 £000
Lines of enquiry	(1,667)	(782)	49	(113)
Domestic waste ERP income	(615)	0	0	0
Union Yard sale of 82 PRS units	(418)	(408)	(5)	(5)
Finance Settlement	(228)	134	355	364
Earmarked Reserve movements	(74)	148	24	(13)
Civic Quarter capital receipt	0	0	0	(1,111)
Union Yard holding costs	221	(221)	0	0
Staff Pay award	319	480	489	498
Contract Inflation	362	218	220	227
Net interest and MRP	926	(690)	(162)	(93)
Pooled funds provision one off	1,000	(1,000)	0	0
Net change in deficit	**(174)**	**(2,120)**	**969**	**(246)**
Prior year deficit	5,379	5,205	3,085	4,054
Current deficit	5,205	3,085	4,054	3,808
Net change	**(174)**	**(2,120)**	**969**	**(246)**

2.6. Excluding some significant one-off costs in 2025-26 and fluctuations in commercial property income, the cumulative MTFS deficit has remained similar in comparison to the February 2024 projection, despite the progress on savings. This emphasises the importance of protecting reserves to mitigate risks.

Change in deficit prior to savings:	**2024-25 `000**	**2025-26 `000**	**2026-27 `000**	**2027-28 `000**	**2028-29 `000**	**Total `000**
February 2024	5,379	4,127	3,504	3,641	3,641	20,292
2025-26 estimates	**5,379**	**5,205**	**3,085**	**4,054**	**3,808**	**21,531**
Change:	0	1,078	(419)	413	167	1,239

() implies improvement

2.7. Work on the February 2024 £40m asset sales target has identified potential sales estimated at £11.9m, of which £3.3 will be received by the end of 2024-25 and a further £8.6m in 2025-26. In addition, Farnborough International Ltd is due to repay £6.7m of loans, £2.1m in 2026-27 and £4.7m in 2028-29. The interest and MRP savings generated are included in the budget projections. Whilst the total asset sales estimate is lower than target, the overall £2.04m annual interest and MRP saving will be achieved by 2029-30, 4 years later than anticipated. This achievement from a lower sales value is made possible by a higher interest rate (4.78% vs 3.1% in February 2024) and complying with the MRP policy that allows income from the sale of assets that are not linked to borrowing to reduce MRP over ten years (i.e.1/10) compared to the budget assumption of 2% (50 years: 1/50 =2%) due to not knowing which assets would be sold. The 4-year delay in achieving the full £2.04m interest and MRP reduction will require further cost of service reductions to be identified to compensate. It is not certain that sufficient additional asset sales will be achieved in time to close the gap by the end of 2026-27. In addition to the £18.7m projected income, the budget includes a projected £12m income in 2028-29 from sale of some of the Civic Quarter land, in addition to the numbers in the table below.

Interest and MRP savings requirement	**2024-25 `000**	**2025-26 `000**	**2026-27 `000**	**2027-28 `000**	**2028-29 `000**	**2029-30 `000**
February 2024 £40m	(240)	(1,558)	(2,040)	(2,040)	(2,040)	(2,040)
2025-26 estimates £18.7m		(434)	(1,354)	(1,596)	(1,763)	(2,070)
To be funded from cost of services/reserves	240	1,124	686	444	277	(30)

2.8. The deficit in 2025-26 includes some significant one-off (i.e. not ongoing in future years budgets) costs and the MTFS experiences some fluctuations in commercial property income. These one-off changes are best resolved by drawing upon reserves. Therefore, the underlying need for recurrent savings of £2.8m in 2025-26 broadly remains the same as the £2.6m forecast in February 2024. This is a significant number to achieve from a standing start and it is proposed to draw an extra £1m from reserves in 2025-26 to enable a stepped increase i.e. £1.8m in 2025-26 in the savings requirement, which then steps up annually by £1m to a total recurrent saving of £3.8m in 2027-28. Achieving this savings profile, and assuming all budget assumptions remain equal, the final projected reserves balance will be £3.6m (£4.9m February 2024) to cover the uncertainty in later year projections. Unless additional assets are identified, the full annual recurrent required savings of £3.8m is now predominantly focused upon cost of services and building up the commercial income.

2025-26 planned use of reserves	**2024-25 `000**	**2025-26 `000**	**2026-27 `000**	**2027-28 `000**	**2028-29 `000**	**Total `000**
Deficit prior to savings:		5,205	3,085	4,054	3,808	16,152
Required Savings:		(1,784)	(2,784)	(3,781)	(3,781)	(12,130)
Net deficit funded by reserves		**3,421**	**301**	**273**	**27**	4,022
Available reserves:	**(7,568)**	**(4,102)**	**(3,801)**	**(3,528)**	**(3,501)**	
() implies improvement						

2.9. The 2025-26 budget and MTFS has been projected in the context of the current Local Government Reorganisation on the basis that the council will continue in existence and is able to balance its budget and MTFS without external financial assistance. There is a high degree of uncertainty in several of the assumptions in the 2025-26 MTFS, and it is therefore crucial that the council achieves a minimum £1.8m net budget reduction (i.e. the 2025-26 required savings) and strives to make significant inroads into the additional £1m increase the following year. The 2025-26 MTFS projects an additional £2.9m drawdown of reserves compared to 22nd February 2024 to a level of £3.6m and therefore has no flexibility for any unplanned draw on reserves in addition to the identified risks around the budget assumptions if the council is to be able to set a balanced budget each year of the MTFS.

Change in planned use of reserves	**2024-25 `000**	**2025-26 `000**	**2026-27 `000**	**2027-28 `000**	**2028-29 `000**	**Total `000**
February 2024	4,639	1,569	(36)	(399)	0	5,773
2025-26 estimates	4,639	3,421	301	273	27	8,661
Change in estimate	**0**	**1,852**	**337**	**672**	**27**	**2,888**
Remaining Reserves after funding planned deficit:						
February 2024:	(6,040)	(4,471)	(4,507)	(4,906)	(4,906)	
February 2024 restated in July:	(7,588)	(6,019)	(6,055)	(6,454)	(6,454)	
2025-26 estimates	(7,588)	(4,167)	(3,866)	(3,593)	(3,566)	
Change in reserves projection	**0**	**1,852**	**2,189**	**2,861**	**2,888**	

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February 2024 £10.679m was improved by £1.550m with 2023-24 surplus (i.e. £12.227m)

2.10. The 2025-26 MTFS assumes several high-risk significant value assumptions underpinned with unknown certainly of likelihood of occurrence but high impact.

The most significant risks and opportunities that could affect the £3.6m projected reserve are listed below.

- Interest on borrowing is the highest risk due to the volatility of interest rates. Half a percent increase equates to an additional annual £600k interest and c. £2m over the MTFS period drawdown of reserves. The financial markets are settling and this could also provide an opportunity to reduce interest costs.
- A delay in the sale of the identified commercial assets beyond 2025-26 will delay a £636k reduction in MRP and forgo £300k interest saving. A one-year delay will impact reserves by £1m.
- The government has stated an intention to rebase Retained Business Rates in 2026-27 to redistribute funding to councils with higher levels of deprivation. The council has £1.9m retained growth above its £3m baseline funding level at risk. This budget assumes there will be transition relief of 1/3rd per year of the assumed £1.9m reduction. We may not get clarity until the December 2025 Provisional Finance Settlement.
- Underachievement of the 2025-26 £1.8m required net cost of services reduction will have a knock-on effect over the MTFS period and require additional drawdown from reserves.
- The government is being lobbied to continue the Pooled Funds accounting dispensation that is due to end in 2024-25 and required the current £1m book loss to be accounted for as a one-off cost in the revenue account. This will be adjusted each year as the value changes until such time as the pooled fund are cashed in. A continuation of the dispensation will avoid a £1m drawdown of reserves.
- Disposal of some of the Civic Quarter land is currently being negotiated. The budget assumes a £12m sales receipt that will equate to £1.1m per year budget saving on interest and MRP in 2028-29. Earlier receipt will benefit the MTFS by £1.1m per year.

2.11 The above risks are potential pressures on the remaining reserve, assuming that they cannot be managed in year, and therefore have an implication on the council's statutory duty to set and maintain a balanced budget. To achieve this, the council must ensure that it retains sufficient reserve to manage the in-year, and the following years projected deficit, based upon realistic savings achievement and risks. Ultimately, targeted spend controls are the last resort tool available to manage the in-year budget position to bring the budget back within the boundaries of the MTFS and available reserves. A full schedule and analysis of risk is given on **Appendix 2**.

2.12 A Financial Recovery Plan was approved at 15th October Cabinet establishing three separate workstreams; (1) Revenue Savings, (2) Capital Receipts, and (3) Financial Service capacity and capability. The revenue savings workstream has identified over 30 lines of enquiry **(Appendix 3)** and associated actions and progress to date is reflected in the budget, including progress on capital receipts. The lines of enquiry have been an effective lens to enable a systematic and objective review of the councils' services from several angles and as expected have led onto new lines of enquiry that will continue to be pursued.

2.13 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 borrowing. Therefore the course of action the council will be taking in 2025-26 as a result is to:

a. Continue working through the lines of enquiry

b. Complete a detailed commercial property review and review of portfolio management to drive up income and reduce costs from the portfolio (aim for net £750K improvement) by 2027-28 at the latest.

c. Bring forward the Civic Quarter capital receipt to gain the benefit earlier than 2028/29 (assuming £12m disposal value benefit is Circa £1.1m per year)

d. Identify further asset sales with zero underlying debt to benefit from 1/10th MRP reduction and interest saved on borrowing, outweighing lost income.

2.14 Achieving the full £1.8m required cost of services reduction in 2025-26 is a significant challenge. In recognition of this challenge an immediate project is underway to identify a schedule of actions to deliver a budget reduction this year. Services managers have been asked to review specific services, activity and costs which:

- Could stop – i.e. not already contracted or contract not renewed in year
- Expenditure to temporarily stop for current or next year
- Could be carried out in a different way/scaled back to take account of devolution and/or local government reorganisation at reduced cost
- Service development projects/IT upgrades that can be on hold until local government reorganisation is progressed.

The list is due to be reviewed with Cabinet before February Budget Council.

2.15 Implement and complete a review of services to align establishment to ongoing priorities and reduce cost by the end of September supported by a comprehensive roll out plan. The capital programme includes £1m of capital receipts to support the service review under the flexible use of capital receipts directive.

Role of the Chief Finance Officer

2.16 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.

2.17 As proposed in this report, the Council can balance the 2025-26 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 Recovery Plan which will be updated regularly during the year.

3. Medium term Financial Plan 2025-26 to 2028-29

3.1 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.

3.2 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.

3.3 The 2025-26 budget and MTFS has been set in the context of the current Local Government Reorganisation on the basis that the council will continue in existence and is able to balance its budget and MTFS without external financial assistance. It is also 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.

3.4 The Council's MTFS ending 2028-29 has been updated to include the latest General Fund assumptions and projections including identification of reserves earmarked for specific purposes that may have to be drawn upon to meet the MTFS budget shortfall set out on **Appendix 2**. This report sets out the ongoing material financial pressures, risks and uncertainty which remain on a significant scale. The latest MTFS projections show an estimated total cumulative gross budget shortfall, before compensating measures, over the four-year period of **£16.152m**. 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 summary is set out on **Appendix 1:**

Fees & Charges

3.5 Fees and Charges income has been reviewed under a line of enquiry project. Service managers were consulted to gauge what their views on what is appropriate in relation to affordability, demand for service and market rates alongside benchmarking data from other authorities where available. Three scenarios were considered i.e. 3.5%, 5% and 10% to help illustrate the impact form the service user perspective and the increased income generated. The full schedule of fees and charges related budget adjustments are on **Appendix 4** and the Councils current fees and charges schedule is published separately on the council's web.

3.6 The 2023-24 outturn illustrated that some fees and charges budgets required alignment to reflect the actual achievement and trend service trend. A further line of enquiry is to ensure services are achieving full cost recovery on discretionary services and challenge the service delivery where income is slipping.

3.7 A revised tariff structure for the Council's sixteen pay and display (P&D) car parks is proposed from 1 April 2025. In general, charges will increase by 10p an hour, with the night charge rising from £1.50 to £2.00, and the Sunday charge in Aldershot increasing from £1.00 to £1.50. The new tariff structure is forecast to generate additional P&D income of c.£120,000 in 2025/26, assuming car park usage remains the same. A detailed breakdown of the proposed tariff changes is shown in **Appendix 4**.

3.8 The Animal Welfare regulations have now been signed into legislation and a Primates License is now required for private keepers. A fee for this license is proposed to be set on a cost recovery basis as per licensing legislative requirements.

3.9 A Fees and Charges book has been produced to support the budget. This will be circulated separately to this report for Cabinet to review and approve under its delegated authority.

Earmarked Reserves

3.10 A detailed schedule of all useable revenue earmarked reserve movements and balances is on **Appendix 5.**

3.11 On 16 December, the Government published its devolution and local government reorganisation White Paper. This gives a clear policy direction for local government and during 2025 and beyond, Councils will need to commit resources and increase capacity to prepare for these changes. It is not yet clear what will be required but the expectation is that Hampshire will be included in the priority programme with LGR proposals due in detail by the Autumn (or potentially May if not included in the priority programme). Therefore, Members are requested to put aside a reserve of £100,000 for expenditure with delegated authority to commit any spend to the Assistant Chief Executive following consultation with the Executive Head of Finance and the Leader.

3.12 The Council's Local Plan is due to be revised as a project over the next two years and will require funding to resource surveys and relevant consultations. Therefore, Members are requested to put aside a reserve of £100,000 for expenditure with delegated authority to commit any spend to the Executive Head of Property and Growth following consultation with the Executive Head of Finance and the Leader.

3.13 The continued development of the Financial Recovery 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 2025-26, to be called upon if needed. The principle of this expenditure is to enable to council to drive forward delivery of savings and realise the targets for balancing the budget over the MTFS term.

3.14 Union Yard construction is reaching practical completion. There is a negotiation with the contractors, Hills Associates, regarding the cost overrun due to extensions of time. The negotiations may proceed to arbitration and require external legal support. Therefore, Members are requested to put aside a reserve of £150,000 for expenditure with delegated authority to commit any spend to the Executive Director & Deputy Chief Executive following consultation with the Executive Head of Finance and the Leader.

3.15 It is recommended that all of the above requests are funded from the projected 2024-25 surplus achievement above the budgeted drawdown of reserves as a first call.

Treasury Management Strategy

3.16 The council as part of its previous strategy for funding prior year capital programmes will have a need to borrow £170m by the end of 2024-25, of which approximately £136m will be borrowed from other local Authorities and the Public Works Loan Board (PWLB). The majority of this borrowing is due to mature within the next 12 months and will need to be replaced with new borrowing.

3.17 The council's chief objective when borrowing is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty. The 2025-26 MTFS assumes an interest rate of 4.78% and has planned a service cost reduction to bring the MTFS back into balance without use of reserves. The council's treasury advisors recommend a strategy to extend borrowing maturity towards 5-year maturity over the next 18 months, with the expectation that the rates will settle just below 5% as can be seen on the interest projection slide on appendix 2.

3.18 Current interest rates are above this level and are reducing as forecasted. All borrowing replaced above 4.78% in the next year will require additional compensating savings to be found. The council has already started to take out longer term PWLB borrowing beyond one year and is actively managing its borrowing projections and monitoring rates to ensure a balance between affordable rates and longer-term certainty can be achieved.

3.19 Borrowing has been delayed as long as possible during the year to benefit from maximising the use of the councils surplus cashflows and only borrowing to maintain a minimum cash balance of £5m. This has achieved over £1m reduction in interest cost during 2024-25.

3.20 Treasury management operation is monitored and managed daily, with a strategic officer oversight panel reviewing market forecasts against the borrowing and cashflow forecasts. The council's treasury Advisor meets monthly with senior officers to review strategy. The Finance Portfolio holder will be briefed regularly on the overall position and strategy going forward. Corporate Governance, Audit and Standards Committee receive quarterly updates.

3.21 The statutory override for pooled funds in England – which requires fair value gains and losses to be taken to an unusable reserve unless the fund is sold – is set to end in 2025/26, i.e. the last year it will be in place will be 2024/25. The council's pooled funds are currently valued below their purchase price because of rising interest rates and the economic downturn. There is therefore a debit balance in the pooled investment funds adjustment account that will to be moved to the General Fund in 2025/26 and the budget now includes a £1m set aside of a revenue reserve to cover the deficit. The government is being lobbied to continue the statutory override, which would be a one-off improvement in 2025-26.

Capital programme

3.22 The council's Capital Strategy and Capital Programme are considered over a three-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. The detailed capital programme and funding strategy is on appendix 6.

3.23 Work on scoping the cost of a leisure centre on the Civic Quarter site is still underway. The council has been able to retain the balance of the Levelling Up Funding circa £18m to enable the project and in addition can contribute the land. The next step in the project scoping is to achieve RIBA Stage 3 work and the operator procurement process that will include a detailed Business Case, and an appropriate funding strategy supported by robust independent due diligence to test viability. At this point Cabinet will make a decision to recommend to Full Council on proceeding to RIBA stage4/build contract.

3.24 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. It was noted that an accurate assessment of refurbishment costs would become available once a Main Contractor has been appointed, as expected, several technical matters that were not possible to be accurately assessed until the project was underway and are currently being worked through. At this stage it is projected to be within the overall budget approval. An update report will be brought to Cabinet.

3.25 The capital programme now includes a £1m provision to enable service restructuring costs to be capitalised and funded from existing capital receipts.

3.26 Over the last year, progress has been made on developing an asset management capital expenditure programme to support the management and maintenance of the council's-built estate. In anticipation of the programme being finalised and agreed the capital programme has an £800k per year budget funded from anticipated long leasehold capital receipts. All expenditure against this budget will require a business case and cabinet approval, unless it is under the Cabinet delegated limit (ELT approval). The funding must also be secured prior to the expenditure being incurred.

3.27 The programme has an updated Information and Computing Technologies (ICT) Services Capital Schemes programme, and the funding has been switched from borrowing to existing capital receipts. In light of the local government reorganisation, the ITC programme will be revisited, and only essential work will be carried out to enable the councils ICT infrastructure to continue supporting service delivery.

Flexible use of capital receipts

3.28 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. The 2025-26 provisional finance settlement has extended this directive to end in 2030.

3.29 The Council will have to make significant changes to its service provision including efficiencies. It is sensible to alleviate pressure on revenue reserves by using capital receipts and make the required council resolution to enable this to be done. It is the Council's proposed strategy for 2025-26 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 service review.

Council Tax Support Scheme (CTSS)

3.30 The Council has a statutory duty to set out its Council Tax Support Scheme prior to 1st April of a new financial year. The CTSS has been monitored by a CTSS Group for several years, including monitoring the effects of welfare reform changes, the implications of Covid 19 on people's employment and more recently further consequences of the cost-of-living crisis on those residents in receipt of CTS. The CTSS 2025-26 has been recommended to Council under report FIN2501.

External review and oversight

3.31 Given the financial situation, the Council has sought external perspectives on its financial plans and overall performance through a LGA Peer challenge and by commissioning CIPFA to undertake an independent review. The outcome of these reviews has been reported to Council during 2024. Cabinet has established a cross-party Cabinet Working Group to be known as the 'Financial Recovery Working Group' with the primary role of overseeing delivery of the Financial Recovery Plan. The group has engaged an experienced local government finance specialist from CIPFA as an independent member.

UK Shared Prosperity Fund

3.32 The UK Shared Prosperity Fund (UKSPF) supports the Government's five national missions to deliver its plan for change: pushing power out to communities everywhere, with a specific focus to help kickstart economic growth and promoting opportunities in all parts of the UK. The UK government's Autumn Budget announced a further funding for local investment by March 2026. On 13 December 2024 government announced that the Council has been allocated £327,146 for 2025-26, with £60,401 capital funding and £266,745 revenue funding.

3.33 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 national missions have been mapped by Government against existing UKSPF priorities and investments, allowing a wider range of activity to be funded in 2025-26. The proposed projects support the Council's Delivery Plan priorities and will be included in the forthcoming decision on the 2025-26 Council Delivery Plan at April Cabinet.

3.34 Cabinet is asked to:

- Consider and approve for recommendation to Council the funding allocations, subject to the full receipt of the funding and the outcome of the service cost review.
- Delegate final decisions on specific project allocations to the Leader in consultation with the relevant portfolio holder.

Alternative Options

3.35 The council must produce and keep under review a MTFS that by its nature includes several assumptions and options to deal with a range of transactions and service delivery strategy. Where there are options, these have been brought out in the relative section of this report.

Consultation

3.36 All Members of the Council are invited to a budget briefing seminar on 10th February 2025 to discuss the budget proposals and the full budget report is available online.

3.37 The Financial Recovery Working Group (FRWG) meet regularly to review progress in delivering the budget savings and effectiveness of the strategy to address the budget deficit.

4 IMPLICATIONS

Risks

4.1 There are a range of risks associated with the delivery of the MTFS and plan to address the budget shortfall. A summary of the key risks over the MTFS period are included below:

- Financial Statements disclaimed audit backlog to 2020-21 carries risk around impact on available reserves. Full audit assurance will not be achieved until the 2026-27 financial statements audit is completed by audit deadline of February 2029. There may be matters that affect the reserves identified at any point within this period.
- Capacity to resource the work required to achieve a balanced budget and support the council through the MTFS challenge. Net cost reduction requirements are £1.8m in 2025-26, plus £1m in 2026-27 and £1m. The finance team is currently supported by experienced interim accountants' whist a review of the team structure is completed in 2025.
- Timing and value of capital receipts are a material element of achieving the budgeted reduction in borrowing interest and MRP. Capital receipts projections are: 2025-26 £9.4m plus Union Yard £15m (or RHL interest), 2026-27 £0, 2027-28 Civic Quarter £12m or sooner. As documented in this report, this has proven to be challenging for the council. Capacity to resource the work required to achieve the schedule of capital receipts is being reviewed and there is specific oversight in place to assess the capacity and performance.
- Assumptions on interest rates and inflation reductions do not materialise as planned. Interest rate exposure has been extensively covered in this report, securing longer term cost certainty at currently available rates will be a significant cost to consider alongside the level of risk being incurred.

- Pooled funds capital deficit continues to increase beyond the £1m provision in the 2025-26 MTFS. Current and ongoing monitoring of these funds will determine the net benefit of selling compared to holding onto these funds.
- Work on identifying and evaluating the 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 concluded and incorporated into the capital programme or revenue account through planned maintenance and income projections. The report details a projected loss of income on commercial assets. Robust strategic management is required on the portfolio to mitigate risks to the rent roll and future capital requirements to maintain the income and manage revenue impact.
- 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.
- 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, more detail will be provided at the October budget update.
- 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 quarterly to understand their trading and cashflow position and the risk to the council.
- Fees and charges income track to budget and increases are achieved. C.£220k per year.
- Establishment increases are managed within 2.5% allowance, 2025-26 £320k 2026-27 c.£480k.
- Vacancy margin annual establishment savings target requires active management to achieve £400k.
- Inflation tracks no higher than assumed increases 2025-26 c.2% £362k and 2026-27 c£200k per year.
- Borrowing interest rates tracking on forecast. 0.5% increase is an additional £620k per year
- Business rates reset reduction in baseline funding being transitioned in less than 3rds. £1.9m assumed reduction in retained business rates.
- Contingent liabilities on grant funding for Union Yard, c.£5m HIF, Aldershot (the Galleries) c.£1.8m plus balance of the £3.4m agreement once paid, all is HIF funding, and Civic Quarter c. £1.7m One Public Estate. The Government can request repayment due to conditions on housing targets not being met within timescales. This will require new borrowing and revenue implications. In addition, RDP £750k council's share of 50:50 development agreement costs held on RDP balance sheet.
- Right of light claims on Union Yard cease to be capital expenditure once practical completion, will require revenue reserve to fund c.£400k to £1m – technical accounting matter to be agreed with EY.
- Divestment of Union Yard 82 PRS units is delayed beyond August 2025. £44.5k per month council tax, utilities, service charge etc.

Legal Implications

4.2 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).

4.3 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.

4.4 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."

4.5 The Council appears to be able to balance the 2025-26 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 £16.152million deficit in the period to 31 March 2029. 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.

4.6 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.

4.7 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.

Financial Implications

4.8 Detailed in the body of this report.

Resource Implications

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

Equalities Impact Implications

4.10 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.

4.11 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.

4.12 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 Recovery Plan.

5 CONCLUSIONS

5.1 The Council can set a balanced budget with the use of reserves. There is a £16.152million deficit over the MTFS term and a Financial Recovery Plan is in place to address the challenge. To achieve this, the budget will continue to require the implementation of cost reduction, efficiency savings and capital receipts to reduce capital costs whilst drawing down reserves.

LIST OF APPENDICES/ANNEXES:

Appendix 1: Medium Term Financial Strategy 2025-26 to 2028-29
Appendix 2: General Fund assumptions and projections
Appendix 3: Lines of Enquiry
Appendix 4: Fees and charges adjustments
Appendix 5: Earmarked Reserves schedule
Appendix 6: Detailed capital programme
Appendix 7: Schedule of UKSPF projects
Appendix 8: Section 25 report

BACKGROUND DOCUMENTS:

Budget Council agenda 22nd February 2024: including the MTFS and Capital strategy reports.
25th July 2024 Council agenda item 5: MTFS update and 2023-24 budget outturn
15th October Cabinet agenda item 4: Financial Recovery Plan.

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Appendix 1: Medium Term Financial Strategy 2025-26 to 2028-29

Medium Term Financial Strategy 2025-26 to 2028-29	2023-24 outturn `000	2024-25 `000	2025-26 `000	*Change `000*	2026-27 `000	2027-28 `000	2028-29 `000
Cost of service							
Community & Residents	2,151	2,050	2,200	*150*	2,391	2,391	2,391
Development & Economic Growth	1,070	1,046	1,072	*26*	1,064	1,036	1,007
Enabling Services	4,320	4,945	5,137	*192*	5,224	5,221	5,219
Finance	1,768	1,816	1,876	*61*	1,900	1,900	1,900
Neighbourhood Services	5,120	5,812	5,439	*(373)*	5,346	5,219	5,015
Policy, Climate & Sustainability	1,003	832	835	*3*	849	849	849
Regeneration	567	560	604	*44*	615	615	615
Property	(6,906)	(6,715)	(6,840)	*(126)*	(6,985)	(6,761)	(6,616)
Service Budgets	**9,095**	**10,347**	**10,323**	***(24)***	**10,404**	**10,472**	**10,381**
Other Service-related Income &Exp							
Insurance	345	465	356	*(108)*	356	356	356
Contract inflation	0	780	362	*(418)*	558	759	964
Pay inflation	0	842	299	*(543)*	480	969	1,467
Union Yard PRS holding costs provision	0	0	221	*221*	0	0	0
Vacancy margin	0	0	(400)	*(400)*	(400)	(400)	(400)
ERP income	0	0	(615)	*(615)*	(615)	(615)	(615)
Total: Other Service related I+E	**345**	**2,087**	**223**	***(1,864)***	**380**	**1,069**	**1,772**
Corporate Income &Exp							
Union Yard PRS disposal	0	0	(418)	*(418)*	(826)	(831)	(836)
Civic Quarter capital receipt	0	0	0	*0*	0	0	(1,111)
Net Interest and MRP	3,791	6,657	7,584	*926*	6,894	6,732	6,639
Pooled Fund capital loss	0	0	1,000	*1,000*	0	0	0
Collection fund provision writeback	(1371)						
Local government finance settlement	(15,746)	(13,831)	(14,093)	*(263)*	(13,959)	(13,604)	(13,241)
Total: Corporate Income &Exp	**(13,326)**	**(7,174)**	**(5,928)**	***1,245***	**(7,892)**	**(7,704)**	**(8,549)**
Deficit to be funded:	**(3,886)**	**5,260**	**4,618**	***(642)***	**2,892**	**3,837**	**3,604**
Specific Earmarked Reserve movements	335	119	587	*468*	193	217	205
Net deficit to be funded from reserves and savings	**(3,551)**	**5,379**	**5,205**	***(174)***	**3,085**	**4,054**	**3,808**

() are an improvement i.e. increased income or reduction in cost

MTFS 2025-26 to 2028-29

General Fund assumptions and projections: Appendix 2

Summary of annual budget changes

Explanation of budget changes from prior year	2025-26 £000	2026-27 £000	2027-28 £000	2028-29 £000
Lines of enquiry	(1,667)	(782)	49	(113)
ERP income	(615)	0	0	0
Union Yard sale of 82 private units	(418)	(408)	(5)	(5)
Finance Settlement	(228)	134	355	364
Earmarked Reserve movements	(74)	148	24	(13)
Civic Quarter capital receipt	0	0	0	(1,111)
Union Yard holding costs provision	221	(221)	0	0
Pay award and changes	319	480	489	498
Contract Inflation	362	218	220	227
Net interest and MRP	926	(690)	(162)	(93)
Pooled funds	1,000	(1,000)	0	0
Net change in defict	**(174)**	**(2,120)**	**969**	**(246)**
Prior year deficit	5,379	5,205	3,085	4,054
Current deficit	5,205	3,085	4,054	3,808
Net change	**(174)**	**(2,120)**	**969**	**(246)**

() are an improvement i.e. increased income or reduction in cost

Detailed analysis is provided on the following slides.

Lines of enquiry and other budget adjustments

Lines of enquiry budget adjustments	2025-26 £000	2026-27 £000	2027-28 £000	2028-29 £000
LO05 Vacancy margin	(400)	0	0	0
2024-25 Budget alignments	(317)	0	0	0
LO18 Fees and charges	(306)	(771)	(176)	(258)
Union Yard estimate adjustment	(215)	(79)	(64)	0
Elections - fallow year	(150)	150	0	0
LO32 insurance contract	(108)	0	0	0
LO34 Local Plan to be funded from reserves	(98)	0	0	0
LO09 Ctax/Business Rates	(90)	(5)	(5)	0
A331 Air Quality Project exit strategy	(68)	(10)	0	0
2526 Quick Wins Business rates payable	(56)	(64)	0	0
LO10 Utilities	(25)	(7)	0	0
Property Feasbility budget reduction	(25)	(25)	0	0
LO15a - unspent budgets	(25)	4	0	0
LO33 Commercial rent review	215	35	293	145
Total: lines of enquiry budget adjustments	**(1,667)**	**(782)**	**49**	**(113)**

The table correlates with the lines of enquiry schedule in the FRP plan. It also captures all other budget adjustments that have not been covered off elsewhere. Further detail on the Lines of enquiry can be found on **appendix 3**.

Assumptions: Sale of Union Yard 82 PRS asset:

External Sale		RHL		Difference
Capital Receipt:	(15,000,000)	Loan Note:	(15,000,000)	
Interest at 4.78%	(717,000)	Interest at 6.78%	(1,017,000)	
MRP saved	(108,992)	MRP	0	
Total Saving:	(825,992)		(1,017,000)	(191,008)
		assumes 2% premium on average cost of borrowing		

The sale of Union Yard asset externally will generate a capital receipt that will be applied to the CFR to reduce the underlying need to borrow and therefore enable borrowing to be reduced, saving MRP and interest.

A sale to RHL will create a long-term debtor on the balance sheet, as a deferred capital receipt. This cannot be applied to the CFR until the cash is received (i.e. the debt settled) and therefore MRP will not be reduced until the cash is received.

Each year the revenue account will benefit from the interest accrued on the debt at a premium over the councils cost of borrowing, compensating for the MRP not saved due to the delayed receipt of the cash. Because this interest will not be paid in cash for many years, it will be added to the debt owed by RHL to the council. This will reduce the council's working capital cashflow and require the council to borrow to ensure the council has sufficient cashflow of its own. It is assumed that this cost will be charged to RHL also on an accrual basis compounding each year until RHL is able to generate sufficient surplus cash to repay the debt.

Overall, this is a simplistic model that shows RHL will produce £142k per year more income than the external sale. The budget has used the lower value (i.e. external sale assumption) at this point.

Budget impact scenario testing will be provided later in this presentation. Due diligence in underway to ascertain the best option for the Council.

Provisional Local Government Finance Settlement

Local government finance settlement	2024-25	2025-26	2026-27	2027-28	2028-29
	£,000	£,000	£,000	£,000	£,000
Retained Business Rates Income	(5,100)	(5,071)	(3,172)	(3,242)	(3,307)
Business Rate Reset assumed transition relief	0	0	(1,266)	(633)	0
Council Tax	(7,706)	(8,069)	(8,319)	(8,569)	(8,819)
New Burdens Grant	0	0	0	0	0
Revenue Support Grant	(111)	(170)	(1,050)	(1,008)	(963)
New Homes Bonus	(384)	(512)	0	0	0
Services Grant	(14)	0	0	0	0
Funding Guarantee Grant	(516)	(118)	0	0	0
Rough sleepers grant rolled into RSG	0	35	0	0	0
Employers NI compensation	0	(152)	(152)	(152)	(152)
Total	**(13,831)**	**(14,058)**	**(13,959)**	**(13,604)**	**(13,241)**
Change:		**(228)**	**134**	**355**	**364**

- The local government finance policy statement published on 28 November outlined the intention of the government to progress with funding reforms across local government with a phased implementation beginning with the first year of the multi-year Settlement in 2026-27.
- The statement highlighted “accumulated business rates growth will be subject to periodic redistribution across the country, through a business rates reset”
- No information available on any Business Rates transition relief, assumed it will be reduced in 3rds.
- Employers NI compensation will be confirmed in final settlement. It’s a formula driven allocation, not based upon actual costs incurred.
- The Finance Settlement assumes council tax increases at 2.99% and council tax base growth, these have been included in the budget.
- Settlement will not be confirmed until February 2025

Earmarked Reserve movements

Earmarked Reserve movement in the Revenue Account	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000	2028-29 £000
Interest on SANG Balances	298	288	299	311	300
SANG Maintenance	(32)	(23)	(23)	(23)	(23)
FRP - SANG staff recharges	0	(50)	(51)	(52)	(54)
Mercury Abatement Levy	35	10	0	0	0
Homelessness Funding	(50)	(35)	0	0	0
Assistant Ecology Officer	0	(12)	0	0	0
Domestic Abuse Officer	0	(32)	(13)	0	0
Ukrainian expenditure	(27)	(34)	0	0	0
Climate Change Post	(46)	(48)	0	0	0
Maintenance Amenity Areas	(18)	(18)	(19)	(19)	(19)
A331 Air Quality Project	(43)	0	0	0	0
Total: Earmarked Reserve movement	**119**	**45**	**193**	**217**	**205**
Change between years		(74)	148	24	(13)

() are an improvement i.e. increased income or reduction in cost

Earmarked reserves are specific funds ringfenced for future planned expenditure, usually restricted in use by the original grant conditions or specifically earmarked for future obligations.

Assumptions: Sale of Civic Quarter assets:

Sale of Civic Qtr assets	**Cap exp on CFR £**	**Capital Receipt applied**	**2028-29**
Civic Quarter MRP saved if cap rec is in 2027-28	7,434,069	(7,434,069)	(81,135)
MRP reduced by straight line on balance of cap receipt: 1/10ths		(4,565,931)	(456,593)
Total Capital receipt applied to CFR		(12,000,000)	
Interest saved on £12m debt repaid @ 4.78%			(573,600)
Total annual saving			**(1,111,328)**
() are an improvement i.e. increased income or reduction in cost			

The Civic Quarter has £7.4m capitalised expenditure on the CFR. A capital receipt of £12m will fund the outstanding underlying borrowing and reduce the MRP charge to zero. In addition, the balance of the receipt will be applied to the MRP schedule in 10ths.

The Capital receipt will also enable £12m of borrowing to be repaid creating a saving at the prevailing interest rate.

The overall saving generated will be circa £1.1m per year. This has been included in the budget estimate for 2028-29. However, earlier receipt will significantly benefit the revenue account.

Earlier achievement of the capital receipt will not affect the overall level of savings required to bring the MTFS into balance because the £1.1m saving has been factored into the MTFS in 2028-29. However, earlier receipt will provide £1.1m per year of revenue to mitigate in year savings prior to 2028-29.

Assumptions: Pay award and changes

2024-25 February approved pay budget		14,855,870			
2025-26 prior to NI and pay award		14,547,068			
Reduction in Estab and lower pay award (5.1 to 2.5%)			-308,802		
ERS NI (% and thresh increase) before pay award 2025-26		14,814,651			
Cost of change in ERNI			267,583		
Pay award 2025-26 2.5% post NI increase		15,174,687			
			360,036		
2025-26 Establishment including 2.5% pay award and ERNI increase		15,174,687	318,817		
				Pay Increment	
Pay Inflation			award:	drift	Total:
2026-27	0.025	15,554,054	379,367	100,000	479,367
2027-28	0.025	15,942,905	388,851	100,000	488,851
2028-29	0.025	16,341,478	398,573	100,000	498,573

Pay inflation is assumed at 2.5% per year

Costing assumes new starters go to mid-scale point, an allowance is provided for increment drift/top of scale appointment

		Feb 2024 MTFS	Feb 2025 MTFS		
2024-25	5%	£842k			
2025-26	4%	£660K	£319k net	2.50%	£341k saving
2026-27	3%	£520k	£479k	2.50%	£41k saving
2027-28	3%	£520K	£489k	2.50%	£31k saving

Assumptions: Contractual Inflation

Inflation assumptions	2025-26	2026-27	2027-28	2028-29
Members Allowances	2.5%	2.5%	2.5%	2.5%
IT uplift	3%	2%	2%	2%
Serco	5%	2%	2%	2%
NNDR	1.67%	2.0%	2.0%	2.0%
CPI	3%	2%	2%	2%

Impact of % change in assumed inflation				
3%	281,006	305,971	327,227	349,670
2%	187,337	202,107	214,163	226,783
1%	93,669	100,117	105,106	110,285
-1%	(93,669)	(98,244)	(101,211)	(104,249)
-2%	(187,337)	(194,614)	(198,583)	(202,634)

Inflation assumptions	Base budget 2025-26	2025-26	2026-27	2027-28	2028-29
Audit Fees	160,000	4,800	3,296	3,362	3,429
CCTV contract	80,025	2,401	1,649	1,681	1,715
Community Patrol contract	16,000	480	330	336	343
Council Tax	12,662	380	261	266	271
Electricity	512,210	15,366	10,552	10,763	10,978
Gas	183,510	5,505	3,780	3,856	3,933
Ground Maintenance	152,730	4,582	3,146	3,209	3,273
Insurance	341,032	10,231	7,025	7,166	7,309
IT infrastructure and equipment	1,138,653	34,160	23,456	23,925	24,404
Leisure Centres contract	283,970	8,519	5,850	5,967	6,086
Members Allowances	380,650	9,516	9,754	9,998	10,248
Non-Domestic Rates	1,084,582	18,113	22,054	22,495	22,945
Playground Apparatus contract	64,610	1,938	1,331	1,358	1,385
Serco	4,862,431	243,122	102,111	104,153	106,236
Trade Refuse	37,100	1,113	764	780	795
Water	56,688	1,701	1,168	1,191	1,215
Grand Total	**9,366,853**	**361,926**	**196,526**	**200,506**	**204,566**

The Bank of England estimates the CPI rate at 2.7% by year end 2025 and to remain over the national 2% target in 2026.

February 2024 contractual inflation uplift was 2024-25 £780k, 2025-26 £400k, 2026-27 £300k and 2027-28 £300k

Assumptions: Net Interest projection

Interest and MRP projections	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000	2028-29 £000
Capitalised interest	(381)	(59)	0	0	0
Interest Payable	8,675	6,852	6,470	6,420	6,195
Interest receivable	(2,055)	(955)	(863)	(863)	(863)
RHL interest	(1,045)	(94)	(94)	(94)	(94)
FIL interest	(294)	(294)	(231)	(210)	(53)
MRP	1,758	2,133	1,611	1,478	1,453
Total: Net Interest and MRP	**6,658**	**7,584**	**6,894**	**6,732**	**6,639**
Change between years:		**926**	**(690)**	**(162)**	**(93)**
Assumed average borrowing rate	5.05%	5.00%	4.78%	4.78%	4.78%

() represent income

- Capitalised interest: Union Yard and Crematorium, no further capitalisation post project completion
- Interest Payable is based on annual external borrowing net of capital receipts, excluding Civic Quarter and Union Yard asset disposal (presented separately in the budget). See CFR slide for detail.
- Interest receivable includes interest from Pooled Funds, Money Market Funds and Local Authority lending
- RHL interest on loan notes and working capital excluding Union Yard Private Rented units (presented separately in the budget), 2024-25 MTFS assumed transfer at £17m loan value.
- FIL loans are repaid by end of 2028-29
- MRP is net of capital receipts, excluding Civic Quarter and Union Yard asset disposal (presented separately in the budget)
- A 0.5% increase in the interest rate assumption will result in an additional circa £330k in 2025-26 and 2026-27 onwards a £620k per year increase in cost. The timing of capital receipts, value and timing of external borrowing and working capital balances during each year will influence the actual cost of borrowing. In 2025-26 there is £102m of debt maturing and will have to be reborrowed between April and October. The interest rate will be volatile during this period. More detail on the next slide.

Assumptions: Net Interest projection

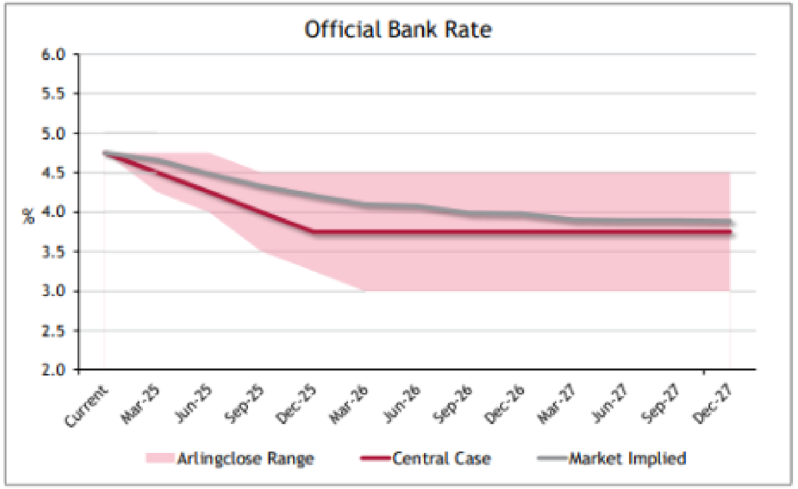
Arlingclose and Market Projections
23rd December 2024

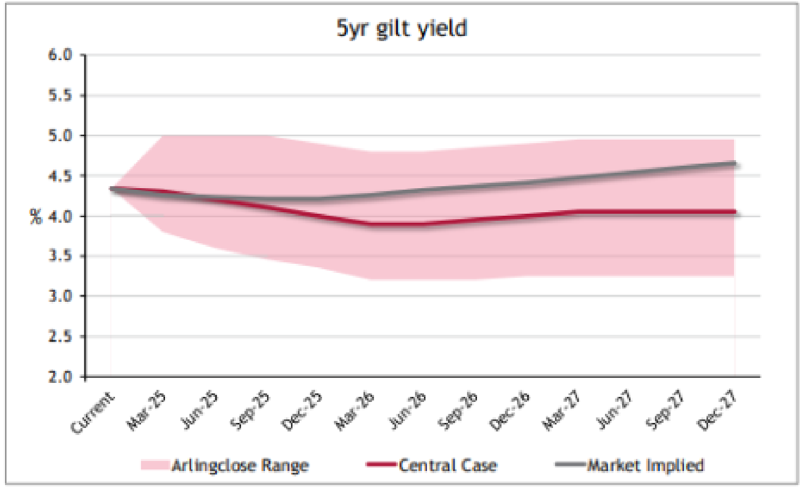
Charts show the Arlingclose central case along with upside and downside risks:
Arlingclose judges that the risks around its Bank Rate and gilt yield forecasts are to the upside in the short term, but broadly balanced over the medium term.

PWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00%
PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%
PWLB HRA Rate (Maturity Loans) = Gilt yield + 0.40%
NWF Rate (Maturity Loans) = Gilt yield + 0.40%

Arlingclose forecast:
23rd December 2024

Market forward curves:
23rd December 2024





Borrowing interest is forecast based upon 5-year gilt yield plus 0.8% to derive PWLB certainty rate. Assumption is to extend debt maturity towards 5-year maturity over the next 18 months, risk of gilts yields increasing in this period.

Assumptions: Capital Financing Requirement: External Borrowing

Capital Financing Requirement

Position as at 31 March	2024	2025	2026	2027	2028	2029	2030
Opening Capital Financing Requirement(CFR):	167	166.3	170.5	160.9	157.2	155.7	149.6
New Capital Expenditure funded by borrowing:		9.22	1.2	0	0	0	
Minimum Revenue Provision		-1.70	-2.13	-1.61	-1.48	-1.45	-1.25
FIL loan repayment				-2.1		-4.7	
Commercial Asset sale		-3.3	-8.6				
Civic Quarter			0	0			
Union yard		0	0				
Closing Capital Financing Requirement:	167	170.52	160.9	157.2	155.7	149.6	148.3
External borrowing	167	136	127.4	125.3	125.3	120.6	119.0
Use of daily cash balance	0	34.52	33.5	31.9	30.4	29.3	29.3
Total: Funding of CFR	167	170.5	160.9	157.2	155.7	149.9	148.3

The table above estimates a snapshot of the likely borrowing position at the year end.

Capital Financing Requirement (CFR) is the cumulative total of all capital expenditure funded by borrowing and is used to calculate the interest on borrowing and the amount to be put aside to repay borrowing (Minimum Revenue Provision - MRP).

The council's available cash (i.e. daily net cash flowing in and out of the bank) ebbs and flows between £5m and £60m over the course of a financial year and it aims to maintain a constant £5m cash buffer. The council can use the net daily cash balances above the £5m buffer to fund the CFR and avoid borrowing externally (from other Local Authorities or HM Treasury – PWLB) until the cash is needed at which point it is then replaced by external borrowing.

This is a high-risk strategy when interest rates are volatile. The council intends to take out longer term borrowing to provide borrowing interest certainty as soon as interest rates are within the MTFS long term estimate 4.78% (i.e. part of a balanced budget).

Assumptions: Capital Receipts - application

Capital Receipts application:	Capital programme	Repay borrowing CFR reduction	Working capital
2024-25			
Pooled funds CCLA March 2025 (not capital)			3.3
Frimley		3.3	
Vivid	2.2		
Long Leasehold - assume funds asset maint plan	0.5		
2025-26			
Long Leasehold - assume funds asset maint plan	0.8		
Xxxxx Sept 2025		1.5	
XXXX Aug 2025		3.6	
XXXX Sept 2025		1.5	
XXX 2025/26		2	
Union Yard Private Rental Units? c.£15m			
2026-27			
Long Leasehold - assume funds asset maint plan	0.8		
FIL loan repayment		2.1	
2027-28			
Civic Quarter (timing and value?) c.£12m			
2028-29			
FIL loan repayment		4.7	
Total:	**4.3**	**18.7**	**3.3**

Union Yard private rental units' disposal is still being evaluated and therefore has been presented separately in the budget working. A sale to RHL will generate a deferred capital receipt (i.e. debtor not cash). This will generate additional interest receivable to net down the cost of borrowing. An external sale with an immediate receipt will be a capital receipt, used to reduce borrowing and reducing the interest on borrowing and MRP charge.

Civic Quarter assets have been evaluated separately due to the uncertainty of timing and value and therefore not included in the interest on borrowing or MRP projections.

Assumptions: Minimum Revenue Provision (MRP)

Minimum Revenue Provision	MTFS capital expenditure `000	2023-24 '000	2024-25 `000	2025-26 `000	2026-27 `000	2027-28 `000	2028-29 `000	2029-30 `000
		Minimum Revenue Provision						
Civic Quarter	7,434	70	6	7	63	79	81	83
FIL loan funded by borrowing	2,200	0	0	0	0	0	0	0
FIL loan repayment: funded by borrowing: loan #2	(2,418)	0	0	0	0	0	0	0
FIL loan repayment: funded from capital receipt loan #1	(4,605)	0	0	0	0	(211)	(211)	(461)
Investment	84,760	1,146	1,175	1,209	1,239	1,271	1,303	1,337
Investment sale of assets funded by borrowing	(3,538)	0	0	(60)	(64)	(65)	(67)	(69)
Investment sale with no underlying debt	(6,362)	0	0	0	(636)	(636)	(636)	(636)
Union Yard	53,443	69	71	427	446	461	477	494
Union Yard Capital receipt	0	0	0	0	0	0	0	0
Operational	19,959	272	357	464	482	494	443	434
RHL	778	15	16	16	16	17	17	17
Leased	93	0	21	23	24	25	0	0
Meads	10,511	0	46	48	51	54	57	59
Meads Cap receipt funded by borrowing	(2,000)	0	0	0	(10)	(11)	(12)	(12)
Total MRP charged to revenue account:	**160,256**	**1,572**	**1,692**	**2,133**	**1,611**	**1,478**	**1,453**	**1,247**

MRP is calculated based upon the expected useful life of the asset (max 50 years) on an annuity basis. Capital receipts generated from the sale of an asset with underlying borrowing is applied to reduce the capital expenditure (i.e. repay the borrowing) using the remaining asset life and annuity rate originally applied.

Capital receipts generated from assets without underlying borrowing that are used to reduce the CFR balance are spread over ten years on a straight-line basis, i.e. 1/10 per year.

FIL loans total £6.8m of which loan 2: £2.2m was funded by borrowing and loan 1: £4.6m funded from capital receipts. Loan 1 is repaid in two tranches in 2026/27 and 2028/29 and applied to the CRF in 10ths. Loan 2 reduced the CFR but no MRP is applicable to the loan so does not generate an MRP reduction.

Reserves balances, including the proposed repurposing of earmarked reserves to fund the revenue deficit

Revenue Reserves	Reserves as at 31/3/2024	2024-25 Budget £'000	2025-26 Projected £'000	2026-27 Projected £'000	2027-28 Projected £'000	2028-29 Projected £'000	Estimated Reserves as at 31/3/2029
Forecast deficit prior to savings plan		5,036	5,205	3,085	4,054	3,808	
In year recurrent savings to be achieved		(398)	**(1,784)**	**(2,784)**	**(3,781)**	**(3,781)**	
Deficit to be funded from reserves		**4,639**	**3,421**	**301**	**273**	**27**	
Reserves that can be repurposed:							
2023-24 Surplus	(1,133)	1,133					-
Stability and Resilience Reserve	(5,852)	2,918	2,934				-
Business rates appeals and backdating	(3,892)	-	487	301	273	27	*(2,804)*
Flexible Housing Grant	(812)	50	-	-	-	-	*(762)*
Regeneration Reserve	(257)	257	-	-	-	-	-
Civil Parking Enforcement Surplus	(206)	206	-	-	-	-	-
Custom Build Reserve	(75)	75	-	-	-	-	-
Reserves applied to fund deficit		**4,639**	**3,421**	**301**	**273**	**27**	
Reserves balance by year	**(12,227)**	**(7,588)**	**(4,167)**	**(3,866)**	**(3,593)**	**(3,566)**	***(3,566)***
Other revenue reserves:							
Reserves supporting specific intiatives	(1,828)	965	(389)	80	70		(1,104)
Reserves not available for deficit relief	(6,762)	(249)	-	-	-		(7,011)
Total: Revenue Reserves	**(20,817)**	**(6,872)**	**(4,557)**	**(3,787)**	**(3,524)**	**(3,566)**	**(11,681)**
Working Balance:	**(2,000)**						**(2,000)**

Material risks to the budget/MTFS

- Level of savings to be achieved without further draw upon reserves. £2.8m in 2025-26, plus £1m in 2026-27 and £1m
- Officer capacity to identify and deliver agreed savings and managing income and costs within budget assumptions.
- Political decision-making not being able to agree proposed savings to be delivered and timing
- Commercial income and costs are managed within current budget – requires higher net income c.£750k by 2027-28
- Fees and charges income track to budget and increases are achieved. C.£220k per year
- Establishment increases are managed within 2.5% allowance, 2025-26 £320k 2026-27 c.£480k
- Vacancy margin annual establishment savings target requires active management to achieve £400k
- Inflation tracks no higher than assumed increases 2025-26 c.2% £362k and 2026-27 c£200k per year
- Capital receipts being achieved to assumed value and timing. 2025-26 **£9.4m** plus Union Yard £**15m** (or RHL interest), 2026-27 £0, 2027-28 Civic Qtr **£12m or sooner**.
- Borrowing interest rates tracking on forecast. 0.5% increase is an additional £620k per year
- Business rates reset reduction in baseline funding being transitioned in less than 3rds. £1.9m assumed reduction in retained business rates.
- Pooled funds values deterioration will further impact revenue account. Currently £1m loss and £14m of value remaining – Mostly invested in Gilts and Stocks(equities).
- Pooled funds technical accounting dispensation may be extended – government is being lobbied Saves £1m reserve use 2025-26
- Contingent liabilities on grant funding for Union Yard, c.£5m HIF, Shaviram Aldershot (the Galleries) c.£1.8m plus balance of the £3.4m agreement once paid all HIF and Civic Quarter c. £1.7m HIF(?), are called in by Government due to conditions on housing targets not being met within timescales. In addition, RDP £750k council's share of 50:50 development agreement costs help on RDP balance sheet.
- Right of light claims on Union Yard cease to be capital expenditure once practical completion, will require revenue reserve to fund c.£400k to £1m – technical accounting matter to be resolved with EY, it's a grey area.
- Divestment of Union Yard 82 PRS units is delayed beyond August 2025. £44.5k per month Ctax, utilities, service charge etc.

Appendix 3: Lines of Enquiry

#	Title	Latest £ - Range	Included in 2025/26 Budget	Status
18	Review fees and charges for potential to increase	£306k	£306k	In progress
32	Insurance contract review and service charges	£108k	£108k	Completed
5	Determine vacancy margin budget	£400k	£400k	Complete
31	Review forecast pay rise position	£200k	£191k	Complete
11	Review reactive property maintenance costs	£150k	£0	Complete
33	Move Local Plan budget to earmarked reserve	£98k	£98k	Complete
34	Add new Extended Producer Responsibility (EPR) payments to the budget	£615k	£615k	Complete
33	Organisational Redesign (restructure)	£179k	£0	In progress
27	Determine Southwood SANG repayment (related to #21)	£1m Capital receipt	£0	In Progress
9	Review council tax and business rates budgets and challenge rateable values	Up to £130k	£90k	Completed
29	Analyse community asset costs and rent reliefs	Up to £50k	£0	In Progress
22	Review spend covered by external grants	TBC	£0	In Progress
23	Review debtor and provision balances	TBC	£0	In Progress
17	Review property service charges	TBC	£0	In Progress
25	Review planned spend from earmarked reserves	TBC	£0	In Progress

#	Title	Latest £ - Range	Included in 2025/26 Budget	Status
30	Review interim and contractor spend	TBC	£0	In progress
10	Align utilities costs and budgets	Up to £69k	£25k	Complete
15	Review and challenge other costs expenditure type	Nil	£0	Complete
15a	Remove unspent budgets	£25k	£25k	Complete
15g	Review property costs	£25K 25/26 £50K 26/27	£25k	Complete
21	Maximise SANG/S106 drawdown	Up to £49k	£49k	Complete
6	Confirm previous budget saving initiatives applied to budget	Nil	£0	Complete
7	Identify revenue impact of capital projects	Nil	£0	Complete
14	Review software requirements	TBC	£0	On Hold
20	Confirm trading accounts cover non-direct costs	TBC	£0	On Hold
26	Review opportunity for community assets disposal	TBC	£0	On Hold
28	Review opportunity to offer trading licences	TBC	£0	On Hold
15d	Review miscellaneous and small cost items	TBC	£0	On Hold
8	Compile list of revenue projects	Nil	£0	Closed
15b	Review costs of CCTV, elections, and homelessness	Nil	£0	Closed
15e	Review community grant spend	Nil	£0	Closed

#	Title	Latest £ - Range	Included in 2025/26 Budget	Status
15f	Review member costs	Nil	£0	Closed
15h	Review Place Protection costs	Nil	£0	Closed
15i	Review other costs/services	Nil	£0	Closed
19	Align property income to budget, identify risks, and set up income smoothing reserve	Nil	£0	Closed
4	Confirm one off and grant funded posts are not in MTFS	Nil	£0	Closed
13	Compile IT contracts inflation schedule	Minimal	£0	Closed
16	Reduce grounds maintenance activity	N/A	£0	Closed
24	Review Farnborough International loan	Nil	£0	Closed
15c	Review Print & Post costs	Nil	£0	Closed
1	Work with Cabinet to understand their priorities and review service levels and affordability	TBC	£0	Not Started
2	Review alternative methods of service delivery where savings could be made (including shared service opportunities)	TBC	£0	Not Started

Appendix 4: Fees and charges adjustments

Fees and charges increases	2024-25 £000	change 2025-26 £000	2026-27 £000	2027-28 £000	2028-29 £000
Princes Hall	(1,436)	(224)	(43)	(45)	(46)
Crematorium	(1,215)	18	(664)	(214)	(163)
Parking	(1,167)	(79)	0	0	0
Development Management	(716)	9	(17)	(18)	(18)
Building Control	(657)	59	(7)	(7)	(7)
Recycling Green Waste	(620)	(49)	(20)	(20)	(21)
Cemeteries	(212)	17	(6)	(6)	(6)
Recycling Glass Sales	(189)	(162)	0	170	0
Domestic Refuse	(122)	2	(4)	(1)	(1)
Bulky Waste Col	(120)	7	(3)	(4)	(4)
Markets and car boot sales	(119)	(25)	(3)	(3)	(3)
Land charges search fees	(112)	30	(2)	(3)	(3)
Elections cost recovery	(100)	96	(0)	(0)	(0)
Parks& Rec	(98)	(14)	(2)	(3)	(3)
Revenue & Benefits costs recovered	(81)	5	0	0	0
Service charges	(73)	8	0	0	0
S106 Income Grounds maintenance	(43)	43	0	0	0
HMO licencing	(40)	(43)	(2)	(3)	(3)
Food, Health & Safety	(25)	19	(0)	(20)	20
Allotments Rental Income	(22)	(0)	(1)	(1)	(1)
Southwood Field centre income	(14)	5	(0)	(0)	(0)
Council Office committee room rental	(12)	11	0	0	0
Military Covenant Fund	(8)	0	4	0	0
Licensing vet Inspection Fee	(2)	2	0	0	0
Emergency planning shared role	0	(39)	0	0	0
Total Fees and charges	**(7,203)**	**(306)**	**(771)**	**(176)**	**(258)**

() are an improvement i.e. increased income or reduction in cost

Appendix 5: Earmarked Reserves schedule

	2024-25		2025-26					2026-27	2027-28	2028-29
	Reserves as at 31/3/24	Projected Closing Balance	Proposed Revenue Use	Use to fund deficit	Proposed Capital Use	Transfers In	Projected Closing Balance	Projected Closing Balance	Projected Closing Balance	Projected Closing Balance
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Reserves that can be repurposed										
Working balance surplus net of budget carry forward	1,133	-					-	-	-	-
Stability & Resilience Reserve	5,700	2,786		-2,786			-	-	-	-
Business Rates Appeals & Backdating	3,892	3,892		-552			3,340	3,039	2,766	2,739
Flexible Housing Grant	812	762					762	762	762	762
Regeneration Reserve	257	-					-	-	-	-
Civil Parking Enforcement Surplus	206	-					-	-	-	-
Other Grants (Individually below (£45k)	154	128	-45	-83			-	-	-	-
Custom Build Reserve	75	-					-	-	-	-
	12,229	**7,568**	**-45**	**-3,421**	**-**	**-**	**4,102**	**3,801**	**3,528**	**3,501**

	2024-25		2025-26					2026-27	2027-28	2028-29
	Reserves as at 31/3/24	Projected Closing Balance	Proposed Revenue Use	Use to fund deficit	Proposed Capital Use	Transfers In	Projected Closing Balance	Projected Closing Balance	Projected Closing Balance	Projected Closing Balance
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Reserves Supporting Specific Initiatives										
Climate Emergency Reserve	124	58	-34				24	-	-	-
A331 Air Quality Project	213	185					185	185	185	185
Mercury Abatement	528	-			-10	10	-	-	-	-
Homes for Ukraine - Support	320	258	-48				210	210	210	210
Budget Carry Forwards - approved July 2024	216	-					-	-	-	-
Asylum Dispersal	144	307					307	307	307	307
Deprivation Reserve	106	84					84	84	84	84
Covid Council Tax Hardship	43	-					-	-	-	-
LAHF	42	144					144	-	-	-
Cyber Security	27	15			-15		-	-	-	-
Afghan Relocation Scheme	24	12					12	12	12	12

	2024-25	2025-26	2026-27	2027-28	2028-29		2024-25	2025-26	2026-27	2027-28
	Reserves as at 31/3/24	Projected Closing Balance	Proposed Revenue Use	Use to fund deficit	Proposed Capital Use		Reserves as at 31/3/24	Projected Closing Balance	Proposed Revenue Use	Use to fund deficit
	£'000	**£'000**	**£'000**	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**	**£'000**
Homes for Ukraine-Expenses	19	19					19	19	19	19
COMF Reserve	8	-					-	-	-	-
UKSPF	7	40					40	-	-	-
Supported and Temp Accom Work	7	7					7	7	7	7
	1,828	**1,129**	**- 82**	**-**	**- 25**	**10**	**1,032**	**824**	**824**	**824**
Reserves not available for deficit relief										
S106/SANG	5,934	6,129	- 91			288	6,326	6,532	6,749	6,953
Pipeline - Env Improvement Reserve	134	81					81	81	81	81
Farnborough Airport Environment Fund	129	129					129	129	129	129
Insurance Reserve - MMI	253	253					253	253	253	253
Workforce Reserve	312	145					145	145	145	145
	6,762	**6,737**	**- 91**	**-**	**-**	**288**	**6,934**	**7,140**	**7,357**	**7,561**

Total Earmarked Reserves	**20,819**	**15,434**	**-218**	**-3,421**	**-25**	**298**	**12,068**	**11,765**	**11,709**	**11,886**
Working Balance	**2,000**	**2,000**					**2,000**	**2,000**	**2,000**	**2,000**

Appendix 6: Detailed capital programme

Capital Programme 2024-25 to 2027-28	2024/25 Approved Feb 2024	2024/25 additional approvals	2023-24 approved Slippage	2024/25 Current budget	2024/25 Q2 Outturn	2024/25 Slippage @Q2	2025/26 Budget	2025/26 Total Budget	2026/27 Budget	2027/28 Budget
Union Yard commerial units fit out lease contributions	-	175	-	175	*175*	-	850	**850**	-	-
Union Yard construction	5,384	-	544	5,929	*5,929*	-	-	**-**	-	-
Union Yard Right to light	-	-	-	-	-	-	400	**400**	-	-
Leisure and Civic Hub (CQ Plot B)	-	-	237	237	*160*	77	-	**77**	-	-
Civic Quarter General	-	-	15	15	*15*	-	-	**-**	-	-
Southwood Park (s106)	450	-	-	450	*150*	300	-	**300**	-	-
Crematorium	4,418	-	363	4,781	*4,396*	385	366	**751**	-	-
Temporary Housing	-	742	-	742	-	742	-	**742**	-	-
Hawley Lane	340	-	11	351	*100*	-	-	**-**	-	-
Frimley Business Park Plots 4.2 and 4.3	222	-	4	226	*125*	-	-	**-**	-	-
Ashbourne House	-	-	74	74	*74*	-	-	**-**	-	-
Hotel Civic Quarter (CQ Plot D)	-	-	40	40	*40*	-	-	**-**	-	-
CQ Pinehurst Car Park Demolition	-	1,725	-	1,725	*1,725*	-	-	**-**	-	-
Civic Quarter Plot I (New Food Store)	-	-	85	85	*85*	-	-	**-**	-	-
The Galleries	-	-	3,400	3,400	-	3,400	-	**3,400**	-	-
CCTV	-	-	185	185	*185*	-	-	**-**	-	-
Food Waste	7	-	-	7	*7*	-	7	**7**	7	7
Wheeled Bins	120	-	-	120	*106*	-	120	**120**	120	120
Disabled Facilities Grants	1,632	-	-	1,632	*1,632*	-	1,111	**1,111**	1,111	1,111
Aldershot Pools Solar panels	-	208	-	208	*208*	-	-	**-**	-	-
Asset Management Capital expenditure provision	109	-	-	109	*50*	-	800	**800**	800	800
ICT Services Capital Schemes	582	-	193	775	*466*	309	141	**450**	156	-
Meeds block 4 contract costs UKSPF	-	333	-	333	*333*	-	-	**-**	-	-
Various S106 projects (s106 funded)	208	-	246	454	*327*	127	-	**127**	-	-
REFCUS: Service review capitalised costs provision	-	-	-	-	-	-	1,000	**1,000**	-	-
TOTAL	**13,473**	**3,183**	**5,399**	**22,055**	***16,289***	**5,341**	**4,795**	**10,135**	**2,194**	**2,038**

All numbers are in £'000

Appendix 6 continued: Detailed capital programme

Capital Programme 2024-25 to 2027-28	2024/25 Approved Feb 2024	2024/25 additional approvals	2023-24 approved Slippage	2024/25 Current budget	2024/25 Q2 Outturn	2024/25 Slippage @Q2	2025/26 Budget	2025/26 Total Budget	2026/27 Budget	2027/28 Budget
Funding										
S106: Developer contribution to Wheeled bins	(20)	-	-	(20)	*(20)*	-	(20)	**(20)**	(20)	(20)
HIF (Union Street)	-	-	(3,400)	(3,400)	-	(3,400)	-	**(3,400)**	-	-
S106/ Grant(Southwood Play Area)	(450)	-	-	(450)	*(150)*	(300)	-	**(300)**	-	-
S106 (Play Areas etc)	(208)	-	(246)	(454)	*(327)*	(127)	-	**(127)**	-	-
LAHF Funding + Ukraine +S106 Commuted	-	(742)	-	(742)	-	(742)	-	**(742)**	-	-
LTA Grant	-	-	-	-	-	-	-	-	-	-
UKSPF	-	(333)	-	(333)	*(333)*	-	-	-	-	-
Swimming Pool Grant	-	(208)	-	(208)	*(208)*	-	-	-	-	-
Homes England	-	(1,725)	-	(1,725)	*(1,725)*	-	-	-	-	-
LEP (Union Street)	-	-	-	-	-	-	-	-	-	-
LUF	-	-	(378)	(378)	*(301)*	(77)	-	**(77)**	-	-
DFG	(1,632)	-	-	(1,632)	*(1,632)*	-	(1,111)	**(1,111)**	(1,111)	(1,111)
Capital receipts reserve: UY lease contributions*	-	(175)	-	(175)	*(175)*	-	(850)	**(850)**	-	-
Capital receipts reserve: IT infrastructure	-	-	-	-	-	(309)	(141)	**(450)**	(156)	-
Capital receipts reserve: Wheeled bins	-	-	-	-	-	-	(107)	**(107)**	(107)	(107)
Capital receipts reserve: REFCUS: Service review capitalised costs*	-	-	-	-	-	-	(1,000)	**(1,000)**	-	-
Long Leasehold extensions capital receipt target*	-	-	-	-	-	-	(800)	**(800)**	(800)	(800)
Vivid Capital receipt	(2,200)	-	-	(2,200)	*(2,200)*	-	-	-	-	-
Borrowing	**(8,963)**	**-**	**(1,375)**	**(10,337)**	***(9,218)***	**(385)**	**(766)**	**(1,151)**	**-**	**-**
Total Financing:	**(13,473)**	**(3,183)**	**(5,399)**	**(22,055)**	***(16,289)***	**(5,341)**	**(4,795)**	**(10,135)**	**(2,194)**	**(2,038)**
*** requires business case and Cabinet approval**										

All numbers are in £'000

Appendix 6 continued: Detailed capital programme

Capital Programme 2024-25 to 2027-28	2024/25 Approved Feb 2024	2024/25 additional approvals	2023-24 approved Slippage	2024/25 Current budget	2024/25 Q2 Outturn	2024/25 Slippage @Q2	2025/26 Budget	2025/26 Total Budget	2026/27 Budget	2027/28 Budget
Borrowing by scheme for the MRP schedule update:										
Crematorium	(4,418)	-	(363)	(4,781)	(4,396)	(385)	(366)	(751)		
Union Yard Right to light				-	-		(400)	(400)		
Union Yard construction	(3,184)	-	(544)	(3,729)	(3,729)					
Food Waste	(7)	-	-	(7)	(7)					
Wheeled Bins	(100)	-	-	(100)	(86)					
Asset Management Capital expenditure	(109)	-	-	(109)	(50)					
ICT Services Capital Schemes	(582)	-	(193)	(775)	(466)					
Hawley Lane	(340)	-	(11)	(351)	(100)					
Frimley Business Park Plots 4.2 and 4.3	(222)	-	(4)	(226)	(125)					
Ashbourne House			(74)	(74)	(74)					
CCTV			(185)	(185)	(185)					
Total borrowing:	**(8,963)**	**-**	**(1,375)**	**(10,337)**	***(9,218)***	**(385)**	**(766)**	**(1,151)**	**-**	**-**

All numbers are in £'000

Appendix 7: Schedule of UKSPF projects

The UK Shared Prosperity Fund (UKSPF) supports the Government's five national missions to deliver its plan for change: pushing power out to communities everywhere, with a specific focus to help kickstart economic growth and promoting opportunities in all parts of the UK. The UK government's Autumn Budget announced a further funding for local investment by March 2026. The Council has been allocated £327,146 for 2025-26, with £60,401 capital funding and £266,745 revenue funding.

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.

Funding allocations 25/26

The proposed 2025-26 funding allocations consist of interventions that continue successful activity from 2024-25 and new activity that support the Council's Delivery Plan priorities. The projects have been reviewed to ensure they will have a lasting impact, can be self-sustaining, and to minimise the use of fixed term contracts.
The total expenditure within the proposed project list is £327,146. Budget over- and under-spends will be managed in accordance with the Council's Financial Procedure Rules. Grant funding interventions can be increased or decreased to achieve a balanced budget.

UKSPF Theme	Total
Communities and Place	£ 287,332.00
People and Skills	£ 20,000.00
Supporting Local Business	£ 10,000.00
Management and administration costs	£ 9,814.00
Grand Total	**£ 327,146.00**

Appendix 8

Local Government Finance Act 2003, Section 25: Budget calculations: report on robustness of estimates

1. Section 25 of the Local Government Finance Act 2003 requires the chief finance officer (CFO) (section 151 of the Local Government Act 1972) of the Council to report to Full Council on the following matters:

- the robustness of the estimates included in the budget
- and the adequacy of the financial reserves in the budget

2. The Act requires councillors to have regard to this Section 25 report in making decisions at the Council's budget setting and council tax setting meeting(s).

3. Section 26 of the Local Government Finance Act 2003 Minimum reserves: requires the CFO to ascertain a minimum level of reserves for the council and to determine the level of reserve at the end of the financial year under consideration, which cannot be less than the minimum set by the CFO.

Robustness of Estimates

4. Budget setting is based on a standstill approach in cash terms, with inflationary provision normally only made for specified expenditure (e.g., Pay Award, contracts with agreed uplift mechanism). The revenue budget is increased by unavoidable budget pressures that cannot be mitigated elsewhere.

5. The basis on which the budget for 2024/25 and the MTFS have been prepared has been set out clearly in this report, including sensitivity testing to specific changes in risk and assumptions. The key financial issues addressed within the budget estimates are described in this report.

7. The MTFS shows a £16.152million budget deficit as described in the report along with a process to address the deficit and bring the revenue account back into balance. The savings target has been set predicated on the assumptions on interest rates, capital receipts and a number of other significant assumptions set out within the MTFS.

Risk

8. As indicated in the reports to Cabinet and Full Council, there are several financial risks that the Council will face over the medium-term. The 2025/26 Budget and the MTFS have been prepared with consideration of the risks summarised in the report. It has not been possible to mitigate these risks through use of reserves alone and a budget recovery plan has been proposed.

Adequacy of the Reserves

9. The Budget Strategy set a target for the General Fund balance (working balance) to be maintained at a minimum of £2m. In addition to the £2million working balance, the Council is projecting to have £7.59m of useable reserves on 1st April 2025. The MTFS presented in appendix 1 forecasts that a significant repurposing of earmarked reserves will be required during 2025/26 (i.e., current year forecast deficit) 2024/25 to fund the forecast deficit.

10. The level of reserves shown in the table on paragraph 2.6 of the report indicates that the Council has sufficient reserves to set a legal budget for 2025/26, and

potentially 2026/27, depending upon how the assumptions play out and progress made in achieving the cost-of-service reduction in the coming months through the implementation of the savings plan described above.

11. Therefore, I am satisfied that the level of reserves the Council holds for the forthcoming year is adequate to support the budget although members should consider the level of reserves utilised in 2025/26 and the need to ensure reserves remain adequate over the medium-term.

Peter Vickers
Executive Head of Finance and Section 151 Officer

29 January 2025