

**CABINET**

**11 MARCH 2025**

**COUNCILLOR ALEX CRAWFORD  
FINANCE & RESOURCES PORTFOLIO HOLDER  
REPORT NO. FIN2508**

**KEY DECISION? NO**

## **BUDGET MANAGEMENT – MONTH 10**

### **SUMMARY AND RECOMMENDATIONS:**

This report sets out the forecasted financial position for 2024/25 as at the end of January 2025.

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 January 2025 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 2025 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 this headline shows a more challenging position which is offset by some more positive news. 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 10 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	2,372	2,374	2
Development & Economic Growth	2,312	2,289	2,387	98
Enabling Services	440	1,438	1,237	(201)
Finance	2,931	3,115	3,015	(101)
Neighbourhood Services	11,167	10,456	10,255	(201)
Policy, Climate & Sustainability	771	511	488	(23)
Regeneration & Property	(4,964)	(5,359)	(5,320)	40
<b>Subtotal</b>	<b>15,335</b>	<b>14,822</b>	<b>14,436</b>	<b>(386)</b>
Less: Reversal of Accounting Entries	(2,957)	(2,944)	(2,944)	-
<b>Net Service Revenue Expenditure</b>	<b>12,377</b>	<b>11,878</b>	<b>11,492</b>	<b>(386)</b>
<u>Corporate Income &amp; Expenditure</u>				
Minimum Revenue Provision (MRP)	1,758	1,771	1,705	(66)
Interest Receivable	(3,776)	(3,776)	(3,680)	96
Interest Payable	8,731	8,729	7,384	(1,346)
Pooled Funds	-	-	931	931
RCCO	-	13	13	(0)
Movement in Earmarked Reserves	119	(200)	(200)	(0)
<b>Net General Fund Revenue Budget</b>	<b>19,210</b>	<b>18,415</b>	<b>17,645</b>	<b>(771)</b>
<b>Funded by:</b>				
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	-	-	(43)	(43)
Services Grant	(14)	(14)	(17)	(3)
Funding Guarantee	(516)	(516)	(516)	-
New Burdens Funding	-	-	(38)	(38)
Revenue Support Grant	(111)	(111)	(111)	-
<b>Total Funding</b>	<b>(13,831)</b>	<b>(13,831)</b>	<b>(14,125)</b>	<b>(294)</b>
<b>Core (Surplus)/Deficit</b>	<b>5,379</b>	<b>4,584</b>	<b>3,520</b>	<b>(1,065)</b>

- 3.2. As previously reported, 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 to secure the financial security of the council looking forward into the MTFS period are being worked on through the Financial Resilience Programme.

		2024-25	2025-26	2026-27	2027-28
		£	£	£	£
<b>Service Opportunities</b>					
<b>Recurrent</b>					
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
<b>Total Recurrent Savings:</b>		<b>- 193,391</b>	<b>- 193,391</b>	<b>- 193,391</b>	<b>- 193,391</b>
<b>Temporary</b>					
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			
<b>Total non recurrent:</b>		<b>- 433,176</b>	<b>- 102,542</b>	<b>-</b>	<b>-</b>
<b>Total</b>		<b>- 626,567</b>	<b>- 295,933</b>	<b>- 193,391</b>	<b>- 193,391</b>
<b>Budget Adjustments</b>					
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
<b>Total</b>		<b>- 177,932</b>	<b>- 177,932</b>	<b>- 177,932</b>	<b>- 177,932</b>
<b>Cumulative Summary</b>					
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
<b>Remaining savings to be found</b>		<b>- 804,499</b>	<b>- 526,135</b>	<b>- 1,128,677</b>	<b>- 1,628,677</b>
<b>Savings achieved beyond target</b>		<b>304,499</b>			

- 3.3. Details of the Month 10 forecast variance by nature is provided below.

	Community & Residents	Development & Economic Growth	Enabling Services	Finance	Neighbour hood Services	Policy, Climate & Sustainability	Regeneration & Property	Grand Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Staff Costs	(12)	(122)	(202)	(31)	(213)	(21)	(137)	(737)
Contracted Services					(20)		(4)	(24)
Utilities & Business Rates	6	(1)	(12)		(52)		(230)	(290)
Professional Consultancy						(5)	(9)	(14)
IT		(1)	(74)	(5)	2	(3)		(81)
Equipment				(1)				(1)
Maintenance		(7)			(15)		(65)	(86)
Other Costs	(24)	(33)	(13)	(19)	(178)		(10)	(276)
Fees and Charges	2	168	24		314			508
Property Related Income			(5)	-	(11)		220	205
Property Service Charges							(144)	(144)
Grant				(46)	(9)			(55)
Other Income	30	93	80	-	(20)	6	419	608
<b>Total</b>	<b>2</b>	<b>98</b>	<b>(201)</b>	<b>(101)</b>	<b>(201)</b>	<b>(23)</b>	<b>40</b>	<b>(386)</b>

### Key Service Variations

- 3.4. Each of these variances are being worked through to evaluate the certainty of the forecast and impact on the MTFS budget requirement.
- 3.5. Salary savings of over £737k 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 are 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. As certainty has improved towards the end of the financial year, a number of smaller savings have been reported by services across the board.
- 3.9. In addition, interest costs are to be capitalised for Union Yard and the Crematorium until handover of completed projects. This reduced net interest costs by circa £1.4m in the current financial year. This accounting treatment increases the overall cost and borrowing requirement of each project, however it enables us to remove the interest impact from the revenue account in the short term.
- 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 £930k loss (£978k

previously reported) 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 continues to be monitored closely alongside 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
Property	£134,000	Reallocation of budget within The Meads Multi-Storey Car Park cost centre, due to greater transparency following a reconciliation from the previous site owner. Increase in service charges RBC owe, versus increase in car park income due to RBC. Net favourable position of £40k.
Operational Services – Parks & Recs	£42,000	Slippage of Rowhill SANG project into 25/26. Spend and associated drawdown from earmarked reserve will be reduced in 24/25.

### **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 now projected at £3,520k due to the overall positive financial performance in year.

### **Capital**

- 3.14. The original Capital Programme estimate for 2024/25 was approved by Council at their meeting in February 2024 totalling £13.473m.
- 3.15. Cabinet also considered slippage requests and virements throughout the year creating an approved budget of circa £22m.

3.16. The current anticipated outturn forecast for 2024/25 amounts to a spend of £15.7m – an underspend of £6.3m. In the main this consists of anticipated slippage into 2025/26 of grant funded expenditure relating to The Galleries (£3.4m), unutilised LAHF and related funding (£742k) and the Crematorium refurbishment project (£781k).

3.17. Details of forecast project expenditure and funding are detailed below.

Capital Programme outturn 2024-25 Portfolio / Scheme	2024/25 Original Budget £'000	2024/25 Adjusted Budget £'000	Quarter 3 Forecast Outturn £'000	Variance	Reprofiled to 2025-26	(Under)/ over spend
Hawley / Frimley	562	577	225	(352)		(352)
Council Offices		59	-	(59)		(59)
Asset Management R&M	109	124	50	(74)		(74)
Civic Quarter Farnborough		333	300	(33)	(33)	
Housing PRS Delivery			36	36		36
The Galleries Development		3,400	-	(3,400)	(3,400)	
Union Yard Aldershot	5,384	6,104	6,104	-		
Affordable Housing - LAHF		742	-	(742)	(742)	
Crematorium	4,418	4,781	4,000	(781)	(781)	
Redan Rd Chapel			-	-		
Improvement Grants	1,632	1,632	1,632	-		
CCTV - Camera & Network		185	185	-		
Refuse/Recycling inc. Food Waste	127	127	113	(14)		(14)
Southwood Sang Country Park	450	450	152	(298)	(298)	
Section 106	208	455	327	(128)	(128)	
IT Projects	582	775	466	(309)	(309)	
CQ Pinehurst Car Park Demolition		1,725	1,553	(172)	(172)	
UKSPF - Amenity Space Provision		333	333	-		
Aldershot Pools - PV Panels		208	208	0		
<b>Total Capital Programme</b>	<b>13,472</b>	<b>22,010</b>	<b>15,684</b>	<b>(6,326)</b>	<b>(5,863)</b>	<b>(463)</b>
<b>Funded by:</b>						
Developer contribution to Wheeled bins	(20)	(20)	(20)	-		
S106/ Grant(Southwood Play Area)	(450)	(450)	(152)	(298)	(298)	
S106 (Play Areas etc)	(208)	(455)	(327)	(128)	(128)	
Disabled Facilities Grants	(1,632)	(1,632)	(1,632)	-		
LUF - Leisure HUB		(333)	(300)	(33)	(33)	
HIF (Union Street)		(3,400)	-	(3,400)	(3,400)	
Capital receipts - Vivid Union Yard	(2,500)	(2,500)	(2,500)	-		
OPE Grant - Pinehurst Demolition		(1,725)	(1,500)	(225)	(225)	
UKSPF Grant		(333)	(333)	-		
LAHF and Reserves		(742)	-	(742)	(742)	
Swimming Pool Fund		(208)	(208)	-		
Borrowing	(8,662)	(10,212)	(8,712)	(1,500)	(1,037)	(463)
<b>Total funding:</b>	<b>(13,472)</b>	<b>(22,010)</b>	<b>(15,684)</b>	<b>(6,326)</b>	<b>(5,863)</b>	<b>(463)</b>

## **Alternative Options**

- 3.18. 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.
- 3.19. 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**

- 3.20. 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. The majority of borrowing has now been put in place for this financial year, but some will likely be required in the final months. 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 throughout the year through close cashflow management. 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 for the following year.
- 4.5. The sale of the CCLA pooled fund investments to mitigate the loss on the UBS pooled fund investment is still subject to two months movements in value. This report includes the latest forecast impact of £930k, 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 – 25<sup>th</sup> July 2024
- Revenue Budget, Capital Programme, and Council tax level – Council – 22nd February 2024

## **CONTACT DETAILS:**

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