

CABINET

14TH OCTOBER 2025

KEY DECISION? NO

**COUNCILLOR GAYNOR AUSTIN
FINANCE & RESOURCES PORTFOLIO HOLDER
REPORT NO. FIN2516**

BUDGET MANAGEMENT – MONTH 5

SUMMARY AND RECOMMENDATIONS:

This report sets out the forecasted financial position for 2025/26 as at the end of August 2025.

CABINET is recommended to:

- i. Review the Revenue budget forecast as set out in Section 3 of the report.
- ii. Review the Capital budget forecast as set out in Section 4 of the report.

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 2025/26 based upon service manager information as at the end of August 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 2025 Budget Council).
- 2.2. The forecast outturn for 2025/26 is on track with the full £1.8million savings requirement achieved.
- 2.3. 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 2025/26 was approved by Council at their meeting in February 2025. The latest approved budget also includes budget carry forwards of £101k as noted in the July Outturn report. The month 5 forecast outturn is presented in the table below.

	2025-26 Original Budget £'000	2025-26 Approved Budget £'000	2025-26 Forecasted Outturn £'000	2025-26 Forecast Variance £'000
Economy, Skills & Regeneration	(4,868)	(5,058)	(5,382)	(324)
Finances & Resources	3,873	4,407	4,066	(342)
Healthy Communities & Active Lives	3,730	3,792	3,854	61
Housing & Planning	2,613	2,669	2,893	224
Leader/Communications	25	13	16	3
Policy, Performance & Sustainability	578	1,226	1,129	(97)
Pride in Place & Neighbourhood Services	7,929	8,052	8,161	109
Subtotal	13,879	15,102	14,736	(366)
Less: Reversal of Accounting Entries	(2,957)	(2,883)	(2,883)	-
Net Service Revenue Expenditure	10,922	12,219	11,852	(366)
Corporate Income & Expenditure				
Minimum Revenue Provision (MRP)	2,133	2,133	2,133	-
Interest Receivable	(1,402)	(1,401)	(1,747)	(346)
Interest Payable	6,490	6,489	6,734	245
Vacancy Savings	(400)	(400)	-	400
Recurrent Savings	(1,784)	94	-	(94)
Pooled Funds	1,000	-	-	-
NI Compensation Grant	(152)	(152)	(137)	15
Union Yard Holding costs provision	221	-	-	-
Capital Contributions	-	(60)	(60)	-
Irrecoverable VAT	-	-	97	97
Contract Inflation	362	150	-	(150)
RCCO	-	35	35	-
Capital Receipts Flexibility	-	(311)	(311)	-
Movement in Earmarked Reserves	587	(872)	(922)	(50)
Movement in General Reserves	(3,421)	(3,368)	(3,368)	-
Net General Fund Revenue Budget	14,556	14,556	14,306	(250)
Funded by:				
Council Tax	(8,039)	(8,039)	(8,039)	-
Business Rates	(5,071)	(5,071)	(5,071)	-
Collection Fund	(31)	(31)	(31)	-
New Homes Bonus	(512)	(512)	(512)	-
Local Restrictions Support Grant	(615)	(615)	(615)	-
Other Grant Income	-	(39)	(39)	-
Funding Guarantee	(118)	(118)	(118)	-
Revenue Support Grant	(170)	(131)	(131)	-
Total Funding	(14,556)	(14,556)	(14,556)	(0)
Core (Surplus)/Deficit	-	-	(250)	(250)

- 3.2. Details of the Month 5 forecast variance by nature is provided below. This table brings the vacancy margin into a service savings total to give a complete service position.

	Economy, Skills & Regeneration	Finance & Resources	Healthy Communities & Active Lives	Housing & Planning	Leader/ Comms	Policy, Performance & Sustainability	Pride in Place & Neighbourhood Services	Grand Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Staff Costs	-238	-303	71	-112	3	-122	-91	-792
Contracted Services			-80				-8	-88
Utilities & Business Rates	-102		-2				3	-101
Maintenance	-1		8	2			7	16
Other Costs	93	-6	137	17		49	35	325
Fees and Charges	8	-11	-78	294		-1	175	387
Property Related Income	-89						-19	-108
Grant		-22				-19		-41
Other Income	5		5	24		-4	6	36
Service Sub-Total	-324	-342	61	225	3	-97	108	-366
Vacancy Margin								400
Total								34

Delivery of Target

- 3.3. Full Council on 27th February 2025 approved the 2025/26 revenue and capital budget and the 2025-28 Medium Term Financial Strategy (MTFS). The council set a 2025-26 balanced budget with a planned reserve drawdown of £3.4m and a savings target of £1.8m of net budget reduction in 2025-26. As reported in the July Outturn Report, the latest forecast shows the savings target has been achieved through temporary service budget reductions and pooled fund dispensations being extended by government.

Key Service Variations

- 3.4. Staff savings of over £592k are forecast to be achieved in year which is beyond the £400k vacancy margin built into the budget, providing a net £192k saving.
- 3.5. Property income overall is a positive outlook, with lease increases in several sites improving the income position by a net £90k. This forecast now includes updated forecasts regarding the Union Yard Energy Centre which has not yet hit maturity with the residential units being empty, further information will be shared on the overall quantum of budget overspend of the energy centre once ascertained.
- 3.6. Union Yard residential properties block C and D sale was scheduled to complete by the end of August and is delayed into later this financial year. Additional unbudgeted holding costs are being incurred on council tax, utility

and energy centre to maintain the empty properties as well as additional borrowing interest on the delayed circa £14m capital receipt.

- 3.7. Planning development management income is lower than anticipated, currently forecasting a £220k shortfall in income. This will require a review of the service metrics and alignment to the corporate priorities and financial resources.
- 3.8. Utilities and business rates are delivering savings particularly in the property estate. Energy prices have reduced within this financial year for the Council, and savings due to disposals and reduced vacancies are being forecast.
- 3.9. Hampshire County Council unexpectedly exited Rushmoor Office Buildings cancelling their licence resulting in a budget shortfall of £90k. There is little likelihood of the vacant space being occupied soon. Other impacts within fees and charges are reduced forecasted income from the Crematorium and reduced income from glass recycling.
- 3.10. The council has maximised the use of all available cashflow through detailed and careful cash management to avoid external borrowing, resulting in an overall reduction in net interest reduction.
- 3.11. Capitalised interest costs for the Crematorium continue to be charged until handover of the completed project. This has reduced net interest costs within revenue by circa £35k in the current financial year.

4. Capital

- 4.1. The original Capital Programme estimate for 2025/26 was approved by Council at their meeting in February 2025 totalling £4.8million.
- 4.2. Cabinet approved budget slippage in July 2025 of £3.6million, and supplementary budgets of £365k. Additional project approvals for the Leisure Centre site and Crematorium create a total 2025-26 capital programme budget of £11.6m.
- 4.3. The current anticipated outturn forecast for 2025/26 amounts to a spend of £9m – an underspend of £2.7m mostly to be carried forward for project completion in 2026-27.
- 4.4. These savings are made up of several projects. Details of forecast project expenditure and funding are detailed below.

Scheme	2025/26 Budget	Additional Slippage	Additional Approved Schemes	Total Revised Budget	Forecast Outturn	Variance	Carry forward Request	Over/(Under) spend
Union Yard / Meads commercial units lease contributions	850,000	175,000		1,025,000	576,000	-449,000	449,000	
Union Yard Right to light	400,000			400,000	200,000	-200,000	200,000	
Leisure and Civic Hub (CQ Plot B)			1,135,000	1,135,000	1,090,682	-44,318	44,318	
Southwood Park (s106 / SANG)	0	285,000		285,000	285,000	0		
Crematorium	366,000	1,636,000	1,612,000	3,614,000	3,614,000	0		
Hawley Lane	0			0	30,686	30,686		30,686
Ashbourne House	0	74,000		74,000	0	-74,000	74,000	
CQ Pinehurst Car Park Demolition / CQ Infrastructure Enabling Works		605,000		605,000	0	-605,000	605,000	
CCTV	0			0	22,554	22,554		22,554
Food Waste	7,000			7,000	7,000	0		
Wheeled Bins	120,000			120,000	120,000	0		
Disabled Facilities Grants	1,111,000			1,111,000	1,111,000	0		
Aldershot Pools Solar panels	0	71,000		71,000	71,000	0		
Asset Management Capital expenditure provision	800,000			800,000	500,000	-300,000	300,000	
ICT Services Capital Schemes	140,800	650,000		790,800	347,000	-443,800	423,800	(20,000)
Meads block 4 contract costs UKSPF			95,400	95,400	95,400	0		
Ceremonial Asset Construction		13,000		13,000	10,368	-2,632		(2,632)
Various S106 projects (s106 funded)	0	115,000	364,900	479,900	366,682	-113,218	113,218	
REFCUS: Service review capitalised costs provision	1,000,000			1,000,000	500,000	-500,000	500,000	
TOTAL	4,794,800	3,624,000	3,207,300	11,626,100	8,947,372	-2,678,728	2,709,336	30,608

Funded by:	2025/26 Budget	Additional Slippage	Additional Approved Schemes	Total Revised Budget	Forecast Outturn	Variance	Carry forward Request	Over/(Under) spend
Developer contribution to Wheeled bins	20,000			20,000	20,000	0		
S106/ SANG Grant (Southwood Park)	0	285,000		285,000	285,000	0		
S106 (Play Areas etc)	0	115,000	364,900	479,900	366,682	-113,218	113,218	
Disabled Facilities Grants	1,111,000			1,111,000	1,111,000	0		
LUF - Leisure HUB			1,135,000	1,135,000	1,090,682	-44,318	44,318	
OPE Grant - Pinehurst Demolition / CQ Infrastructure	0	605,000	0	605,000	0	-605,000	605,000	
Community Grant		13,000		13,000	10,368	-2,632		(2,632)
Swimming Pool Fund		71,000		71,000	71,000	0		
UKSPF			95,400	95,400	95,400	0		
Capital Receipts	3,050,000	825,000	0	3,875,000	2,123,000	-1,752,000	1,872,800	(20,000)
Borrowing	613,800	1,710,000	1,612,000	3,935,800	3,774,240	-161,560	74,000	53,240
Total funding:	4,794,800	3,624,000	3,207,300	11,626,100	8,947,372	-2,678,728	2,709,336	30,608

4.5. Key items to note include:

- Union Yard fit out contributions depend on lease negotiations and requirements of potential tenants.
- The Asset Management provision and Service Review provision is subject to separate approvals and asset requirements that arise
- The Union Yard Right to Light budget is subject to claims submitted and negotiations
- Pinehurst Car Park has no further spend on site expected within this financial year
- ICT Capital Schemes are forecast to deliver reduced spend as projects are deferred due to Local Government Reorganisation

5. Capital Receipts Delivery

- 5.1. The table below outlines the delivery of capital receipts, detailing the sources, values, and timing of receipts received or anticipated during the reporting period.

	Budgeted Value	Budgeted Disposal Month	Forecast Value	Forecast Disposal Month	Change in Value	Delay in months
	£		£		£	
Devereux House	1,500,000	May-25	1,500,000	May-26	-	12
Hawley Lane	3,600,000	Jul-25	3,600,000	Dec-25	-	5
Optrex Lane	1,500,000	Sep-25	1,600,000	Jan-26	100,000	4
Meads Block 3	2,000,000	Oct-25	2,000,000	Mar-27	-	17
Union Yard - 82 units	15,000,000	Sep-25	14,500,000	Nov-25	- 500,000	2
Farnborough International Loan repayment			6,800,000	Mar-26	6,800,000	-

6. Alternative Options

- 6.1. 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.
- 6.2. 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.

7. Consultation

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

8. IMPLICATIONS

Risks and Uncertainties

- 8.1. Interest rate volatility on borrowing remains a risk to the council at present. Further borrowing will be required in the final months of the year. In the last month, interest rates have been increasing, the trajectory implies that the council is unlikely to be able to replace debt maturing between October 2025 and June 2026 (in total £64m) within its assumed interest rate of 4.78% and longer than one year maturity and will be reliant on the Inter Authority borrowing market which predominantly offers maturities less than 2 years and is usually cheaper than PWLB. This will increase the council's exposure to interest rate increase at a time when the council is under pressure to achieve financial sustainability.
- 8.2. Delays to disposals of capital receipts are having an impact on borrowing costs in year. Further delays will continue to negatively impact the 2025/26 financial year. If delays fall into the 2026/27 financial year, both interest costs and MRP savings reported in the MTFS will not be achievable in the 2026/27 financial year.
- 8.3. In addition, the financial performance of the energy centre at Union Yard is impacted by the disposals of residential units block C and D, and take up of the service by commercial tenants.
- 8.4. 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.
- 8.5. Delays to the Crematorium refurbishment project are having a negative ongoing impact on the income position of the council within 2025/26. This is mitigated somewhat within the revenue account due to interest capitalisation charges made to capital, however these charges are impacting the overall project cost negatively.
- 8.6. The Crematorium refurbishment project has created a VAT partial exemption breach in 2025/26 preventing the full recovery of VAT incurred by the council. This is forecast to be £498k of VAT cost for capital and £97k of revenue. Officers are being supported by Tax Consultants to challenge this position; however, the risk currently remains, and a final position will not be known until the end of the financial year. This will increase the capital cost of the project, and the revenue impact is likely to be funded by a first call on the CAMEO reserve.

Legal Implications

- 8.7. 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.

Commented [RP1]: To check with Amanda B

Comments approved by Interim Monitoring Officer & Corporate Manager, Legal Services

Financial and Resource Implications

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

Equalities Impact Implications

- 8.9. No direct impact.

Other

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

9. CONCLUSIONS

- 9.1. The council set a 2025-26 balanced budget with a planned reserve drawdown of £3.4m and a savings target of £1.8m of net budget reduction in 2025-26. The latest forecast shows the savings target has been achieved.
- 9.2. If the in-year financial situation determines, cost controls can be implemented to slow down the rate of expenditure until the situation is resolved.
- 9.3. Overall, the financial position over the MTFS period continues to be challenging, progress is being made and officers will continue to monitor closely and report updates regularly to councillors.

BACKGROUND DOCUMENTS:

- Budget Management - Outturn 2024/25– 8th July 2025
- General Fund Budget 2025/26 and Medium Term Financial Strategy 2025/26 to 2028/29 - Council – 27th February 2025

CONTACT DETAILS:

Report Author – Rosie Plaistowe-Melham rosie.plaistowe@rushmoor.gov.uk

Head of Service – Peter Vickers peter.vickers@rushmoor.gov.uk