CABINET

10 FEBRUARY 2026

COUNCILLOR GAYNOR AUSTIN
FINANCE & RESOURCES PORTFOLIO HOLDER

KEY DECISION? YES

REPORT NO. FIN2603

GENERAL FUND BUDGET 2026/27 & MEDIUM TERM FINANCIAL STRATEGY 2026/27 to 2029/30

SUMMARY AND RECOMMENDATIONS:

This report sets out the draft General Fund Budget for 2026/27 and Medium-Term Financial Strategy (MTFS) up to 2029/30. The MTFS sets out the financial context of the council in the next two years and beyond into the new council after Vesting Day on 1st April 2028. The council's revenue deficit within the MTFS is ongoing with depleting reserves. This will require careful management and clear communication to the new council as early as possible to agree actions in 2027/28 in preparation to join the new council.

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 mitigate the 2026/27 and 2027/28 MTFS deficit.
2. General Fund Revenue Budget Estimates Summary 2026/27 Appendix 1.
3. the Council Tax Requirement of £8,324,717 for this Council.
4. the Council Tax level for Rushmoor Borough Council's purposes of £246.87 for a Band D property in 2026/27 (an increase of £7.17).
5. the Capital Programme as per Appendix 1; and
6. The Strategy for the Flexible use of Capital Receipts as per paragraph 3.16 below.

Cabinet is recommended to

1. Approve the requested earmarked reserves and delegations as per paragraph 3.05 to 3.07 of this report. Specifically;
2. Supplementary approvals in respect of legal, finance and planning expenditure that may not be managed within existing budget, such as Interim professional capacity, advice and consultation up to a total of £400k from useable reserves, delegated to the Senior Leadership Team in consultation with the relevant Portfolio Holder.
3. Supplementary approvals in respect of activity to deliver the Council Delivery Plan priorities amounting to £237k to be funded as one off activities from useable reserves, delegated to the Senior Leadership Team in as per the itemised schedule in Appendix 1.

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 2026/27 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. The council has a statutory duty to prepare a rolling 4-year Medium Term Financial Strategy (MTFS), although it has only two years remaining before being absorbed into a new unitary council. This is therefore the last budget and MTFS that this council will approve without external oversight in compliance with the Structural Change Order (SCO) expected in the summer / autumn of this year (2026) and subsequently the conditions set out in a Section 24 Direction. The government (MHCLG) has set out expectations of the council prior to the SCO that directly affect the council's considerations when approving this revision of its MTFS.

2.2. Before the Section 24 Direction is received, the government recognises that the council will continue to deliver essential services and that statutory duties such as those relating to the Best Value Duty and setting a balanced budget remain unchanged. It expects decisions regarding ongoing service delivery and the MTFS to not compromise the future sustainability of the new council and that councillors and statutory officers be cognisant that decisions taken now could fetter the future decisions of the new council and to act accordingly.

2.3. Examples of those decisions include but are not limited to the sale of significant assets, construction or investment in assets, transfer of local assets, entering into new contracts for service delivery including leisure and IT procurement, major service restructures, undertaking job evaluation, permanent appointments to senior positions, increasing borrowing, spending of reserves, and major changes to arrangements such as the local council tax support scheme and council tax exemption scheme. These examples are explicitly relevant to this council's proposed plans.

2.4. The expectation is that the council will continue to operate in accordance with the plans set out in the currently approved MTFS (February 2025) and Financial Recovery Plan and defer the implementation of any significant changes to service delivery other than where this would cause a gap or cessation of a key service or impact the council's ability to achieve financial sustainability.

2.5. Once the Section 24 Direction is received it will impose a requirement to obtain consent from the new council Executive in respect of a wide range of matters of public interest, effectively this will constrain the activities, expenditure and published plans of the council in the period to Vesting Day (1st April 2028) and become part of the council's proper decision-making process including amendments to the council's Financial Procedures Rules.

2.6. The current year's 2025/26 approved budget and MTFS is in deficit, supported by a Financial Recovery Plan (FRP) that was agreed in October 2024 and revised in February 2025. The current years' required budget reduction (i.e., revenue savings £1.784m) has been achieved, through mostly short term/one off savings. The council had planned to identify at least a £2m net budget reduction predominantly from the £14m staffing budget. The service review process did get underway during the year, and it very quickly became clear that the council does not have the capacity or advantage of scale to achieve a net £2m budget reduction within a sensible payback period without a significant impact on service provision within the two remaining years of operation prior to reorganisation. That would not be in the public's interest or aid organisational stability during such a period of change. Furthermore, as part of the new council there will be significant economies of scale available to achieve efficiency savings and minimise adverse impact on service levels and reduce the risk of costly staff exits. In observance of the government's expectations, it is appropriate for the new council to align services with its priorities, and the ongoing structural deficit can be addressed at that point.

2.7. The proposed 2026/27 MTFS therefore has an ongoing recurrent annual deficit going beyond Vesting Day. This a significant matter that must be brought to the attention of the new council's Shadow Executive as soon as possible this year to agree actions ahead of the February 2027 budget and MTFS approval (i.e., the Shadow Council year).

2.8. The 2026/27 budget and revised MTFS is set out in detail in **appendix 1.**

2.9. Without any ongoing mitigation (i.e. capital receipts or expenditure reductions) the council cannot rely upon reserves alone to set a legally compliant budget in the remaining two years of the council, i.e., the 2026-2028 deficit is £4.813m (including supplementary expenditure) drawing from an available £5.147m estimated reserve resulting in £334k of reserves available to fund a certain, but not yet fully ascertained, additional recurrent expenditure in 2027/28 of circa £500k to £1m identified in appendix 1 as risks. In addition, the council is proposing to progress the Farnborough Leisure Centre with a net revenue expenditure impact in the short-term 2026-2028 of £806k, including additional borrowing interest and Minimum Revenue Provision (MRP). The projected revenue position in respect of the Leisure Centre improves considerably in the period after 2028 to provide net income.

2.10. In mitigation, the council is relying upon the sale of some assets to be completed in 2026/27 to reduce borrowing costs and drawdown of reserves of £3.05m between 2026-2028. With the planned asset sales, the council is projecting to have £3.384m useable reserves on Vesting Day, as mentioned above, before taking account of significant likely additional costs of between £500k to £1m in 2027/28 relating to property and waste contract matters that have not been sufficiently concluded at this stage to include in the budget estimates, and the additional revenue expenditure impact of the new Farnborough Leisure Centre.

2.11. There are sufficient reserves to set a balanced budget this year and to cover off risks in the next two years, dependent upon the timely achievement of the capital receipts. The proposed MTFS is therefore focused on delivering the Corporate Plan priorities and getting the council ready for transition to the new council rather than further implementation of the service review resulting in a level of service reductions and therefore the MTFS does not include an ongoing revenue savings target other than the sale of assets to reduce borrowing costs. Should there be any further slippage in the timing and value of capital receipts during 2026/27, the council will have to compensate by an appropriate level of in year expenditure reductions.

2.12. The council has had an unplanned underspend on its budget in the last three years and expects to do so again this current year 2025/26 as reflected in the numbers in Appendix 1. The challenges within the service budgets have been set out clearly over the last two years, and progress on accurate service budgeting and forecasting has proven challenging due to an unpredictable and volatile environment making accurate financial forecasting challenging for service management who are provided with a high level of financial autonomy. The overall level of over budgeting has been reduced incrementally in the last two years by identification of savings based upon outturn figures. This process will happen again in May 2026 once the outturn for 2025/26 is finalised.

2.13. The council has a detailed insight into its ongoing service revenue budget challenges and areas of financial weakness through a robust MTFS supported by regular in year financial progress reports. The MTFS demonstrates a very strong consistency and continuity in the council's strategic financial management flowing through consecutive MTFS revisions and reviews resulting in no surprises. The October 2025 Mid-Year review identified and quantified progress on capital receipts, savings and key risks. These have been fully reflected within the current MTFS.

2.14. The council has benefited from a better-than-expected three-year Financial Settlement from the government, and this gives a level of certainty on that significant income stream and moves away from the one-year settlements in previous years. The full detail of the numbers is demonstrated in appendix 1 slide 17 "Central Government support, Council Tax and retained Business Rates". The level of council tax being assumed is the maximum increase permissible under the government's 2.99% increase referendum limits. The Finance Settlement assumes the council will apply this uplift in the fair funding calculations.

2.15. Business Rates (NNDR) continues to be an important element of the funding envelope for local councils. Despite its importance, the figure that the Council can reliably enter into the MTFS is contingent on a number of elements that require forecast and mitigation action. In any year the figure retained is the sum of what local businesses pay, less what must be paid back following successful appeals and a final assessment made as to how the total sum must be distributed between Councils and the Government. For 2026/27 the main elements of the system have all been updated. Every business has received a new rateable value (a revaluation) and the formula for retaining or paying over rates collected has been revised and the thresholds used reset. This has made this year's estimates difficult to forecast and must present a more significant risk of variation than in previous years due to the amount of change in the system. At the point of writing the report the Government were announcing further amendments to this year's changes to assist particularly the hospitality sector which may in turn impact the final figures. One of the upsides of a revaluation is the effect of a line being drawn under the period for appeals against previous valuations and thus risk of backdated refunds being paid. This has created a one-off opportunity to reduce the risk provision for old appeals which is reflected in appendix 1 slide 17.

2.16. Work on the Financial Service capacity and capability has been ongoing. The team has now got 4 senior qualified and experienced Chartered Accountants since February 2025, compared to two in September 2023 which included an interim S151, both with short tenure. Significant progress has been made (with net favourable financial benefit) on resolving the 4-year backlog of unaudited accounts, the council's published Financial Statements up to date, and the audit concluded. The council is now benefiting from a deep insight into and management of its significant need to borrow, minimising the net borrowing cost, and has a much tighter control over the various capital projects' financial impact on the revenue budgets (i.e., Union Yard, Aldershot Crematorium, Farnborough Civic Quarter, Alpine Centre Ski Slope, The Meads Shopping Centre).

Role of the Chief Finance Officer and Section 25 Report

2.17. The council's Chief Finance Officer (Section 151 Officer) has a statutory duty to set out his justification for the robustness of the estimates included in the budget and the adequacy of the financial reserves in a Section 25 report **(appendix 3)** to accompany this budget report. 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).

2.18. The council's Chief Finance Officer (Section 151 Officer) has a statutory duty to consider the requirement to 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.

2.19. As proposed in this report, the council can balance the 2026/27 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. The MTFS and related risks will be kept under constant review during the year and will be brought to the new council's attention at the earliest opportunity to draw attention to the 2028/29 financial projection, which otherwise will, based upon these projections, require a S114(3) if the council were delayed or not to be absorbed into a new council on 1st April 2028.

3. Medium term Financial Plan 2025/26 to 202829

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 2026/27 budget and MTFS has been set in the context of the current Local Government Reorganisation on the basis that the council will be absorbed into a new council on 1st April 2028 and is able to balance its budget and MTFS without external financial assistance prior to that date. 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 2029/30 has been updated to include the latest General Fund assumptions and projections including the use of reserves to be drawn upon to meet the MTFS budget shortfall. 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 **£11.94m** 2026/27 to 2029/30. Planned asset disposals will reduce this to £3.962m. The report discusses these and other strategies for addressing the financial challenges to protect vital services and enable the council to achieve Vesting Day with an appropriate level of reserves remaining. The MTFS summary is set out on **Appendix 1.**

Earmarked Reserves

3.5. A detailed schedule of all useable revenue earmarked reserve movements and balances is on **Appendix 2.**

3.6. The 2026/27 budget includes £400k of funding to support supplementary approvals in respect of legal, finance and planning expenditure that may not be managed within existing budget, such as Interim professional capacity, advice and consultation. 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 delegate authority to commit any spend to the Senior Leadership Team in consultation with the relevant Portfolio Holder.

3.7. In addition, the budget also includes a schedule of activity to deliver the Council Delivery Plan priorities amounting to £237k to be funded as one off activities from useable reserves. The detail is listed on a schedule in **appendix 1**. Members are requested to delegate authority to the Senior Leadership Team in as per the schedule.

Treasury Management Strategy

3.8. The council as part of its previous strategy for funding prior year capital programmes will have a need to borrow £149m by the end of 2026/27 before the application of capital receipts, this will be borrowed from other local Authorities and the Public Works Loan Board (PWLB), except for where the Council can use its own surplus cashflow to avoid external borrowing. The council will have £74m of external borrowing mature during 2026/27 that will have to be replaced with new borrowing.

3.9. 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 2026/27 MTFS assumes an interest rate of 4.5%. The council's treasury advisors recommend a strategy to extend borrowing maturity towards 5-year maturity, with the expectation that the rates will settle at 4.5% as can be seen on the interest projection slide on appendix 1.

3.10. Treasury management operation is monitored and managed daily, with a strategic officer oversight panel reviewing market forecasts against the borrowing and cashflow forecasts. The Finance Portfolio holder will be briefed regularly on the overall position and strategy going forward. Audit and Governance Committee receive quarterly updates.

Capital Programme

3.11. The council's Capital Strategy and Capital Programme are considered over multiple years. 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 1.**

3.12. Work on scoping the cost of a leisure centre on the Civic Quarter site is still underway and nearing completion. A proposal will be considered by Cabinet in March 2026. The budget proposals do not include any assumptions on the revenue impact of the proposal at this time, and the budget and Treasury Management Strategies will have to be adjusted at the point Cabinet decide to recommend to Full Council on proceeding to RIBA stage4/build contract.

3.13. Refurbishment of the Aldershot Crematorium was completed this year and is now in operation with the revenue implications adjusted within the budget.

3.14. The Capital Programme includes £800k per year supporting the refurbishment of the council's-built estate, 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.

3.15. The forward programme now includes £200k per year funding to refurbish playgrounds across the borough. This recognises that many playgrounds are nearing end of useful life and incurring increasing emergency maintenance costs. Refurbishment will be funded from existing capital receipts.

Flexible use of Capital Receipts

3.16. 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 provisional finance settlement has extended this directive to end in 2030.

3.17. Where the council incurs costs to make significant changes to its service provision including efficiencies, the Flexible us of Capital Receipts Directive avoids pressure on revenue reserves by using capital receipts and makes the required council resolution to enable this to be done. It is the Council's proposed strategy for 2026/27 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)

3.18. 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 was recommended to Council under report FIN2501 adopting a full entitlement to CTS for qualifying individuals. The council is not proposing to change any of these terms, it aligns with our near neighbours and proposes that the current scheme remains unchanged.

External review and oversight

3.19. 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.

Alternative Options

3.20. 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

3.21. All Members of the Council are invited to a budget briefing seminar prior to the February 2026 Full Council to discuss the budget proposals and the full budget report is available online.

3.22. 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 full schedule and analysis of risk is given on **Appendix 4**. A summary of the key risks over the MTFS period are included below:

- Local Government Review delay beyond April 2028 will require significant budget savings to be implemented to address the adverse projections identified in this report.
- 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.
- Timing and value of capital receipts are a material element of achieving the budgeted reduction in borrowing interest and MRP and capacity to resource

the work required has proven to be challenging for the council. Specific oversight is in place to assess the capacity and performance of this work.

- Assumptions on interest rates may not materialise as planned. Securing cost certainty to Vesting Day is a key priority.
- 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) negotiations to extend the contract have not been concluded. 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. A provision for cost risk has been included in the MTFS forecast.
- Local Government Reorganisation capacity cost to prepare the council during 2026/27 is budgeted at £300k. Work is now underway with the KPMG data Hub, the true capacity requirement will become clear by the end of April 2026.
- 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.
- Vacancy margin annual establishment savings target requires active management to achieve £400k, from staff turn-over.
- There is a contingent liability on the grant funding for the Civic Quarter, One Public Estate, with a potential repayment of £0.8m if grant conditions are not met by 31st March 2027. In addition, the Rushmoor Development Partnership (RDP) holds £750k representing the council's share of 50:50 development agreement costs on RDP balance sheet, if written off will be funded by useable revenue reserve.
- If the divestment of Union Yard 82 PRS units is delayed beyond May 2026 there will be an unbudgeted cost of circa £44.5k per month consisting of council tax, utilities, service charge.

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 2026/27 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

£11.94million deficit in the period to 31 March 2030. 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.

4.8. What cannot and should not be underestimated is how precariously balanced the financial position currently is, and the implications of just one of the risk factors coming to fruition. It will be vital for officers to highlight to the s151 officer (via SLT) any early indications of risks developing into reality.

Financial Implications

4.9. The priority focus on developing the longer-term FRP Service review has been affected by the need to participate in the development of the Local Government Review business plan, subsequent preparation for Vesting Day, development of the Corporate Delivery Plan priorities, changes within the senior leadership team and the impact of the administration moving to "no overall control". The council's officer capacity has been stretched to deliver continuity of services, ramp up work on preparing for the new council and ensure budget plans are delivered.

4.10. The proposed 2026/27 revenue and capital budgets and the revised MTFS include many assumptions, supported by explanations of the risks and implications within the body of this report. From the S151 perspective the budget and MTFS has been set out on an even-handed basis without optimism bias or over prudence. The messages within this report are understandably challenging and not easy to accept or necessarily politically agreed with. It is very important regardless of perspectives that members and officers have confidence and belief in the budget projections and not to propagate alternative spending strategies without further testing and diligence. If necessary, the S151 will seek external diligence on the budget and MTFS by engaging CIPFA as early as possible to complete a review and provide a third-party impartial view of the financial projections to ensure members have as much confidence as possible.

4.11. The S151 has discussed the proposed budget and MTFS with the council's external auditor, Ernst Young (EY). The 2024/25 Annual Audit report was presented to the Audit and Governance committee on 28th January 2026, and being consistent with the previous year's report, raises concerns regarding the council's progress on achieving financial sustainability and resolving its deficit. EY have a duty to consider if it is appropriate to raise a public interest report, with the very grave effect of overriding the democratic control of the council. EY have expressed a continuing concern and will be keeping the councils progress under review. EY attended a member only (i.e., no officers present) pre-meeting session of the committee on the 28th January to raise their concerns.

Resource Implications

4.4 As this report notes, the Council has a significant challenge ahead to prepare the council for Vesting Day and continue delivering services. The resource implications have been factored into the budget.

Equalities Impact Implications

4.5 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.

4.6 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.

4.7 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.

4.8 An equality impact assessment has been completed and is available on request.

5 CONCLUSIONS

The Council can set a balanced budget with the use of reserves to Vesting Day. There is a £11.94million deficit over the MTFS term. To resolve this, the budget will require capital receipts to reduce capital charges in the revenue account whilst drawing down reserves to fund the balance of the deficit of £3.962m. The new council Executive will have to be informed of the MTFS position as early as possible before February 2027 Budget Council.

LIST OF APPENDICES:

Appendix 1: Medium Term Financial Strategy 2025/26 to 2028/29
Appendix 2: Earmarked Reserves schedule
Appendix 3: Section 25 report
Appendix 4: Risk Register

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.
Budget Council agenda 27th February 2025: including the MTFS and Capital strategy reports.
MTFS 2025/26 to 2028/29 – Mid Year review: Cabinet agenda item 4 14th October 2025
Budget management – Month 8: 13th January 2026 Cabinet agenda item 3.

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APPENDIX 1

MTFS 2026/27 – 2029/30

Financial Overview

2026-27 MTFS	2025-26 `000	*Forecast `000*	2026-27 `000	2027-28 `000	2028-29 `000	2029-30 `000
Deficit (surplus) before savings	**5,623**	***5,623***	**(226)**	**4,002**	**3,809**	**4,352**
Planned budget reductions:						
Interest saving on expected capital receipts	(418)	*0*	(812)	(1,196)	(1,304)	(1,332)
MRP savings from expected capital receipts	0	*0*	(30)	(1,012)	(1,017)	(1,271)
Service savings	(1,784)	*(2,070)*	0	0	0	
Total: Planned budget reductions	**(2,202)**	***(2,070)***	**(842)**	**(2,208)**	**(2,321)**	**(2,603)**
Deficit (Surplus) funded from reserves	**3,421**	***3,553***	**(1,068)**	**1,794**	**1,488**	**1,748**
Reserves available to fund deficit:						
Available to fund deficit:	10,931	9,608	5,147	5,497	1,828	(897)
Supplementary approvals	(1,128)	*(908)*	(400)	(400)		
Budget deficit	(3,421)	*(3,553)*	1,068	(1,794)	(1,488)	(1,748)
Delivery plan	0		(237)			
Risk Items: Serco and Property voids				*(750)*	*(1,000)*	*(1,000)*
Leisure Centre revenue impact			*(81)*	*(725)*	*(237)*	*0*
Reserves remaining	**6,382**	***5,147***	***5,497***	***1,828***	***(897)***	***(3,645)***
Reserves remaining excluding risk and Leisure centre			***5,578***	***3,384***	***1,896***	***148***
Reserves supporting specific initiatives:						
Reserves supporting specific initiatives		*3,472*	2,455	*2,656*	*2,958*	*3,229*
In year reserve movement to revenue account		*(1,017)*	201	302	271	273
Reserves remaining		***2,455***	***2,656***	***2,958***	***3,229***	***3,502***
Working Balance:		***2,000***	**2,000**	**2,000**	**2,000**	**2,000**

() implies a negative number, deduction from reserves

Financial Overview

The financial overview table shows the budget deficit on the revenue account over the MTFS period starting with the current year's approved budget and forecast outturn (i.e., February 2025 MTFS). Without any ongoing mitigation the council cannot rely upon reserves alone to set a legally compliant budget in the remaining two years of the council, i.e., 2026/27 revenue surplus £226k less supplementarys' £637k = net deficit £411k drawing from an available £5.147m estimated reserve, the following year 2027/28, the last year of the council, the deficit is £4.002m plus supplementary £400k with £4.736m of reserves i.e., reserve headroom of £334k. Before accounting for risks and the leisure centre project.

The council does have an asset disposal programme underway which is expected to deliver £842k reduction in capital costs (i.e., interest on borrowing and MRP) in 2026/27 and a further £2.2m reduction in 2027/28. Any further slippage in this programme will put the council's budget sustainability at serious risk.

The deficit, planned savings and reserves projections indicate that the council will end on Vesting Day with circa £3.384m of remaining useable reserves available to fund a deficit, excluding the risk and leisure centre and £1.828m including these items, plus £3.5m of reserves held to fund specific activity and the £2m working balance. The first year of the new council the reserves will be overdrawn.

There are several significant risks within the annual deficits that are described within this budget pack, there is a high probability that in 2027/28 the budget will be impacted by circa £500k to £1m of property and operational contract changes. Whilst the council is projecting to set a legally balance budget with the use of reserves in 2027/28, the following year it cannot after taking account of the risk and leisure centre and therefore this must be brought to the attention of the Shadow Unitary's attention as early as possible after the Structural Change Order is issued in the Summer.

The reserves also account for one off costs of next years Corporate Delivery Plan objectives, detailed on the following slide. In addition to this there will be some call upon reserves to fund the development of a new Local Plan. There is a high-level costing for the work to be undertaken of £345k in the next two years, in addition to the £200k of additional staffing included within the budget estimates. The specific purpose and timing of the expenditure is not certain enough at this point to earmark this expenditure within the reserve drawdown and will be reviewed in-year as work progresses and then under the Shadow authority in 2027/28 where the Unitary may wish to take a wider view on the production of the plan. The council is also relying upon interim staff to fill key posts such as legal, finance and regeneration. A delegation will be requested to draw upon reserves as required.

Corporate Delivery Plan

Corporate Delivery Plan one off revenue items	2026-27 `000
Aldershot and Farnborough Growth Partnership	10
Community Partnership Projects	25
Events Programme	29
Health Inequalities Projects	32
Physical Activity Projects	25
Pride-in-Place Educational and Engagement Activities	6
Pride-in-Place Street Art Projects	3
Resident Survey	20
Rushmoor Together Projects	36
Urban Realm Improvement Projects	25
What's on calendar	26
Total: Revenue one off items	**237**

The budget includes £237k of one-off items supporting the Corporate Delivery Plan to be funded from reserves and not forming part of the ongoing base budget. There is also a proposal to increase the Place Protection officer's capacity at circa £160k per year to be built into base budget. This proposal can only go ahead once an equivalent permanent revenue saving is achieved to fund this change in base budget, it would not be appropriate to fund an increase in base budget from reserves. Detailed project proposals have been developed to support each item on the Corporate Delivery Plan cost schedule and are available on request.

In addition to these revenue items, the capital programme includes £200k per year to support playground refurbishment funded from existing capital receipts repurposed from the 2025/26 capital programme underspend.

Summary of Key Changes by year

2026-27 MTFS high level of changes in base budget	2025-26 `000	2026-27 `000	2027-28 `000	2028-29 `000	2029-30 `000	
Budget deficit	3,421	(1,068)	1,794	1,488	1,748	
Required Savings	1,784					
Total: deficit	**5,205**	**(1,068)**	**1,794**	**1,488**	**1,748**	
Budget changes for the following year :						
Total: Service Budgets	***(333)***	*(112)*	*(28)*	***(499)***		*Includes £614k pay inflation*
Net interest	***(600)***	*(227)*	***17***	*100*		*See separate slide for analysis*
Interest delay in Union Yard	***418***	0	*0*	*0*		*Delayed sale to end of May 2026*
Interest on expected Cap Receipts	***(812)***	***(384)***	*(108)*	*(28)*		*£29.6m over MTFS*
Minimum Revenue Provision	***129***	***64***	*2*	***46***		*Crematorium borrowing on CFR*
MRP expected reduction	*(30)*	***(982)***	*(5)*	*(255)*		*Impact of £21m in 26/27 affected in 27/28*
Pooled Fund provision	***(1,000)***	*0*	*0*	*0*		*Reversal of provision no longer required*
Pay inflation provision	*0*	***480***	***489***	***499***		*26/27 is costed into service*
Contract Inflation provision	*80*	***748***	***582***	***418***		*See separate schedule*
LGR provision	***300***	***500***	*(800)*	*0*		*Structural Change Order requires a contribution to the Shadow*
Local Plan Preparation	***200***	*0*	*0*	*0*		*Additional officer capacity*
Union Yard PRS holding costs provision	*(89)*	***(132)***	*0*	*0*		*£221k in 25/26 : assumes sale completes by end of May 2026*
Disposal of Civic Quarter Assets	*0*	***0***	*(415)*	*0*		*Assumes capital receipt equates to the outstanding borrowing*
Council Tax precept	*(290)*	*(257)*	*(302)*	*(312)*		*Growth in tax base and 2.99% max uplift*
Retained Business Rates	*(640)*	*2,879*	*57*	*0*		*Released £2.5m 2023 appeals provision and 2024/25 surplus*
Finance Settlement	***(2,741)***	*183*	*236*	*290*		*See separate slide for analysis*
Extended Producer Receipts	*(479)*	*0*	*0*	*0*		*assumes same level of income each year from 2026/27*
Earmarked Reserves funding	*(386)*	*101*	*(30)*	*2*		*See separate slide for analysis*
Total changes :	**(6,273)**	**2,862**	**(306)**	**260**		
Following year budget Surplus() and deficit:	**(1,068)**	**1,794**	**1,488**	**1,748**		

() implies improvement/income

Budget summary

2026-27 MTFS Summary	Budget 2025/26	*Change 26/27*	Budget 2026/27	*Change 27/28*	Budget 2027/28	*Change 28/29*	Budget 2028/29	*Change 29/30*	Budget 2029/30
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Economy, Skills & Regeneration	(5,388)	*(514)*	(5,901)	*285*	(5,617)	*216*	(5,400)	*(276)*	(5,676)
Finance & Resources	3,454	*(304)*	3,150	*(3)*	3,147	*3*	3,150	*(3)*	3,147
Healthy Comm & Active Lives	2,893	*210*	3,103	*(46)*	3,058	*(47)*	3,011	*(48)*	2,962
Housing & Planning	3,337	*162*	3,499	*(27)*	3,472	*(29)*	3,443	*(29)*	3,414
Leader	(28)	*8*	(20)	*0*	(20)	*0*	(20)	*0*	(20)
Policy, Perform & Sustain	450	*359*	809	*(4)*	805	*(4)*	800	*(4)*	796
Pride in Place /N'hood Service	6,918	*(254)*	6,664	*(317)*	6,347	*(168)*	6,179	*(138)*	6,040
Total: Service Budgets	**11,636**	***(333)***	**11,303**	***(112)***	**11,192**	***(28)***	**11,163**	***(499)***	**10,664**
Total: Net Borrowing cost	**7,165**	**(895)**	**6,270**	**(1,528)**	**4,742**	**(94)**	**4,648**	**(137)**	**4,511**
Total: Corporate Costs	**1,540**	**(508)**	**1,031**	**1,596**	**2,627**	**(144)**	**2,483**	**917**	**3,400**
Total: Government determined funding	**(15,724)**	**(4,151)**	**(19,874)**	**2,805**	**(17,069)**	**(9)**	**(17,078)**	**(22)**	**(17,100)**
Earmarked Reserves funding	587	(386)	201	101	302	(30)	271	2	273
Required Savings	(1,784)	1,784	0	0	0	0	0	0	0
Surplus(), Deficit funded from reserves	**3,421**	**(4,489)**	**(1,068)**	**2,862**	**1,794**	**(306)**	**1,488**	**260**	**1,748**

() implies improvement/income

This is the high-level summary of the key elements of the council's budget requirement. The council was pursuing a service review process to delivery future savings beyond 2026/27. Service review was focused predominantly on the staffing capacity cost as the last remaining unscrutinised element of the base budget. Reshaping services has a long lead in time to drive out cost, with only two years left of the council's existence, there is insufficient time to realise savings beyond quick wins such as deletion of vacant posts. Significantly more work and close collaboration of all members and officers would be required to achieve a meaningful reduction in staff cost; it will be very challenging in the next two years to support and robustly deliver any savings target built into the budget in a managed way. Therefore, no ongoing savings target will be included in the budget. Based upon the last three years outturn, it is possible that there could be an underspend resulting from a culture of over budgeting/optimism within the services. The new unitary council will be in a much stronger position to reframe the Rushmoor financial contribution through economies of scale and new priorities, therefore the deficits beyond 2027/28 are not a significant challenge for a unitary to resolve and the council can rely upon reserves for the next two years to fund the annual deficits if sufficient capital receipts achieved.

Service budgets: summary of changes

2026-27 MTFS: analysis of changes in service budgets	Budget 2025/26	*Change 26/27*	Budget 2026/27
	£'000	£'000	£'000
Total: Service Budgets	11,636	*(333)*	11,303
<u>Budget change analysis:</u>			
Pay award 3.5%		*386*	
2025/26 additional pay award, budget assumed 2.5%, settlement was 3.2%		*131*	
Pay contractual increment drift		*97*	
Pension employer contribution reduction: pension fund overfunded		*(340)*	
Net changes in posts and grades during the year		*(69)*	
Total Establishment change		*206*	
Business rates payable: result of business rates reset new multipliers and rateable values		*384*	
Savings: Budget reductions before virement to new expenditure		*(1,301)*	
Growth between 25/25 and 26/27 excluding virement and inflation: i.e. new expenditure		*689*	
Growth: 2025/26 inflation allocated to services from the inflation provision		*362*	
Change in Government grants included within services		*15*	
Increase in fees and charges		*(689)*	
Total change in service budgets:		*(333)*	

() implies improvement/income

The change in net service budgets between 2025/26 (i.e., this financial year) and next year (2026/27) is £333k reduction. The table provides a high-level summary of the key components. Full schedules of the changes are available to review outside of this report. The savings and growth lines are predominantly service management level changes in budget. Rushmoor has a culture of significant autonomy at service level with limited oversight, despite financial procedure and delegation limits within the constitution. The budget outturn in the last three years has been a significant underspend compared to the service forecasts, indicating that there is a level of over budgeting and insufficient attention to actual costs compared to budget. Going forward it is proposed that the Quartey budget reporting is presented by the Executive Heads of Service to Overview and Scrutiny committee before Cabinet consideration.

Net Borrowing Cost

2026-27 MTFS Summary	Budget 2025/26	*Change 26/27*	Budget 2026/27	*Change 27/28*	Budget 2027/28	*Change 28/29*	Budget 2028/29	*Change 29/30*	Budget 2029/30
Net interest	5,450	(600)	4,850	(227)	4,623	17	4,640	100	4,739
Interest on planned Cap Receipts	(418)	(394)	(812)	(384)	(1,196)	(108)	(1,304)	(28)	(1,332)
Minimum Revenue Provision	2,133	129	2,263	64	2,327	2	2,329	46	2,375
MRP planned reduction	0	(30)	(30)	(982)	(1,012)	(5)	(1,017)	(255)	(1,271)
Total: Net Borrowing cost	**7,165**	**(895)**	**6,270**	**(1,528)**	**4,742**	**(94)**	**4,648**	**(137)**	**4,511**

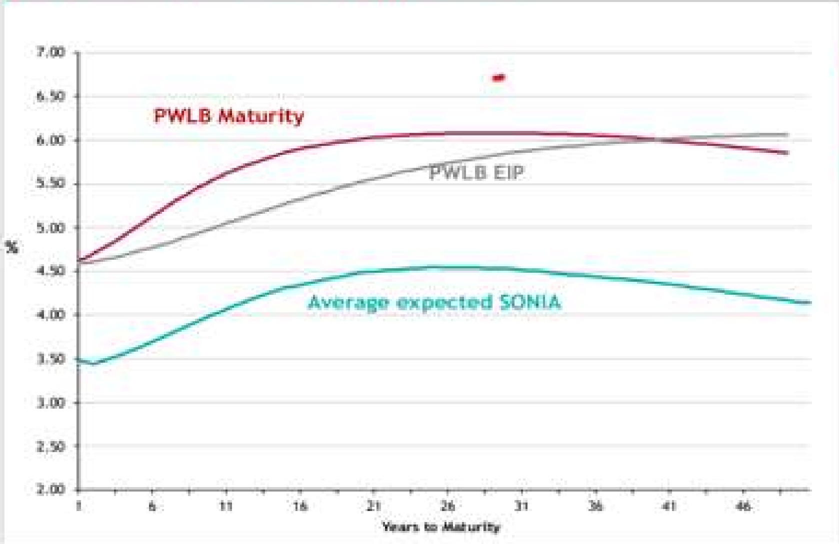
Net Interest Summary	Budget 2025/26	*Change 26/27*	Budget 2026/27	*Change 27/28*	Budget 2027/28	*Change 28/29*	Budget 2028/29	*Change 29/30*	Budget 2029/30
Borrowing Interest Payable	6,852	9	6,861	(248)	6,613	(116)	6,497	22	6,519
Interest from Money Market investments +Pooled Funds	(955)	(731)	(1,686)	0	(1,686)	0	(1,686)	0	(1,686)
Interest from loan to RHL	(94)	0	(94)	0	(94)	0	(94)	0	(94)
Interest on Farnborough International loan	(294)	63	(231)	21	(210)	133	(78)	78	0
Capitalised Interest	(59)	59	0	0	0	0	0	0	0
Total: Net interest	**5,450**	**(600)**	**4,850**	**(227)**	**4,623**	**17**	**4,640**	**100**	**4,739**

() implies improvement/income

Borrowing strategy is to gain cost certainty with borrowing maturity circa 3 years, budget assumes 4.5% on borrowing replacement. Net interest assumes that the council will minimise its external borrowing by careful cashflow management using as much surplus cash as possible. The timing of capital receipts has an impact on the amount reborrowed to replace maturing borrowing. The overall target interest rate on borrowing has been reduced from 4.78% to 4.5% going forward, in line with market projections and the continuing need for cost certainty within the next two years. The level of interest earned on surplus cash has been projected as a flat amount over the MTFS, this is entirely dependant upon the levels of surplus cash, affected by capital receipts timing, performance of the Pooled Funds and the interest rates available on the Money Market funds. The Farnborough International Loan (FIL) will be repaid in tranches, as planned, and this will reduce interest earned on the principal, and is factored into the borrowing interest reduction as borrowing is reduced by the cash received from the repayment of the FIL loan.

Borrowing Interest Rate data: Council policy is to borrow on maturity profiles between 1yr and 4.5yr, ideally 3+yr to give cost certainty

PWLB Interest Rates/Yields 16/01/2026 PM

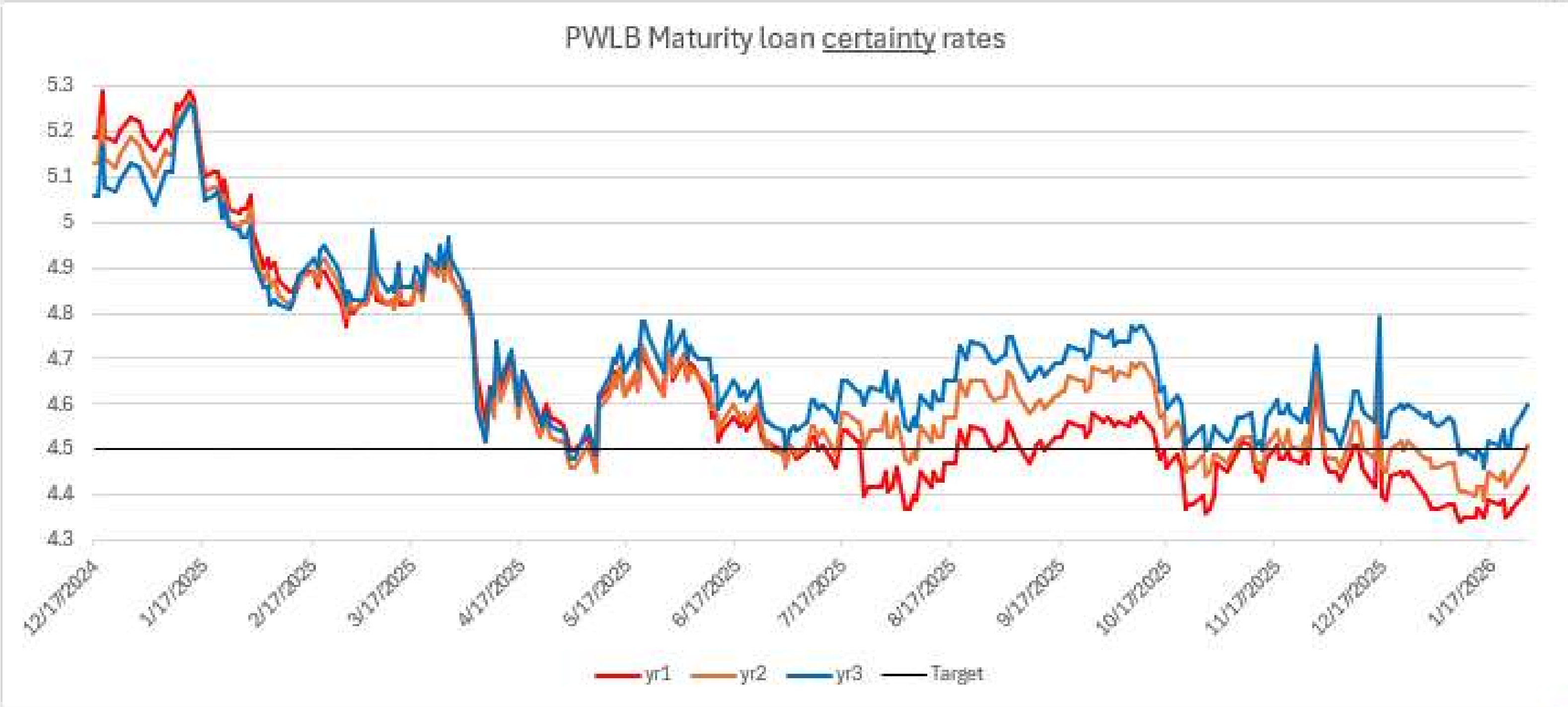


PWLB BORROWING (MATURITY)				
Maturity	16 January 2026	MINIMUM 2025-26	MAXIMUM 2025-26	AVERAGE 2025-26
1 YR	4.58	4.54	5.04	4.71
4.5 - 5 YR	4.90	4.82	5.19	5.00
6.5 - 7 YR	5.13	5.05	5.43	5.24
9.5 - 10 YR	5.45	5.37	5.82	5.58
14.5 - 15 YR	5.81	5.72	6.26	5.98
29.5 - 30 YR	6.08	6.00	6.65	6.29
49.5 - 50 YR	5.85	5.66	6.34	6.01

The council borrows at the PWLB certainty rate, 20 basis points lower than the rates in the table above (i.e. subtract 0.2)

The graph above demonstrates the interest rate on borrowing across a range of maturities on the 16th January. The council borrows Maturity from the PWLB to give interest rate certainty for the duration of the borrowing. The EIP line assumes the council will prepay borrowing in instalments. This would require the council to reborrow to finance the instalments and therefore be exposed to interest rate changes. The table on the right provides the rate on the 16th for one and 4.5 ½ year borrowing as well as the minimum and maximum rate for those terms year to date. The council's average cost of borrowing is 4.73% with 50% of the borrowing being for maturities longer than one year. The MTFS assumed 4.78% and this has been adjusted to 4.5%.

PWLB rates over last 12 months: for maturities between 1 and 3 years – certainty rate i.e. gilt plus 80 basis points (i.e. add 0.8), already adjusted on the chart.



The graph demonstrates the daily interest rates on borrowing for 1,2 and 3 year maturities. The trend over the last 12 months has been downward with in year volatility. Going forward the council will, within its remaining two years, look to borrow for as longest maturity as possible up to 4.5% interest. The graph indicates that 3-year maturities may be more difficult to achieve. During 2025/26 the target rate included in the MTFS was 4.78%, 3-year maturity were available during the year.

Borrowing interest projection: look at the 5 year gilt and add 0.8 to the figures

	Current	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
Official Bank Rate													
Upside risk	0.00	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central Case	3.75	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
Downside risk	0.00	0.00	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
3-month money market rate													
Upside risk	0.00	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central Case	3.82	3.55	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.30	3.35	3.35	3.35
Downside risk	0.00	0.00	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
5yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	3.96	3.85	3.80	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.80	3.80	3.80
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
10yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.52	4.40	4.35	4.30	4.30	4.30	4.30	4.30	4.30	4.30	4.35	4.35	4.35
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
20yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	5.16	5.00	4.95	4.90	4.90	4.90	4.90	4.90	4.90	4.90	4.95	4.95	4.95
Downside risk	0.00	-0.50	-0.60	-0.[illegible]0	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85
50yr gilt yield													
Upside risk	0.00	0.40	0.45	0.50	0.55	0.60	0.65	0.70	0.70	0.70	0.70	0.70	0.70
Central Case	4.74	4.65	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.65	4.65	4.65
Downside risk	0.00	-0.50	-0.60	-0.70	-0.80	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85

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%; National Wealth Fund Rate (Maturity Loans) = Gilt yield + 0.40%

- In line with our long-held forecast, Bank Rate was cut to 3.75% in December.
- Continuing disinflation, rising unemployment, softening wage growth and low confidence suggests that monetary policy will continue to be loosened.
- Arlingclose expects Bank Rate to be cut to 3.25% by middle of 2026. However, near-term upside risks to the forecast have increased.
- Medium and long-term gilt yields continue to incorporate premia for UK government credibility, global uncertainty and significant issuance. These issues may not be resolved quickly and we expect yields to remain higher than would normally be consistent with Bank Rate expectations.

This table presents the forecast rates for borrowing as well as investing surplus cash. The relevant borrowing rate for the council is the 5-year gilt, the shorted time projection given. The council will be looking to borrow around 3-year maturity, so below the projected figure. The projection depicts a stable rate in the next 2.5 years, with some upside and downward volatility as seen in the previous graph.

Borrowing projections: including impact of planned capital receipts, linked to the Treasury Management Strategy

Borrowing projection over MTFS period	Mar-26		Mar-27		Mar-28		Mar-29		Mar-30	
Borrowing profile	`£m	Ave Rate	`£m	Ave Rate	`£m	Ave Rate	`£m	Ave Rate	`£m	Ave Rate
Contracted borrowing: PWLB and other councils	149	4.73%	75	4.57%	65	4.55%	25	4.56%	0	0%
Future borrowing forecast	0	0.0%	74	4.5%	81	4.5%	118	4.5%	141	4.5%
Total: Borrowing assumed in MTFS & interest cost	149	7.0	149	6.8	146	6.6	143.0	6.5	141	6.3
Planned capital receipts in MTFS:										
Meads Block 3: March 2027 £2m			(2.0)	0.0	(2.0)	(0.1)	(2.0)	(0.1)	(2.0)	(0.1)
Union Yard: PRS £14.4m: end of May 26			(14.4)	(0.5)	(14.4)	(0.6)	(14.4)	(0.6)	(14.4)	(0.6)
Optrex: Feb 2026 £1.5m			(1.5)	(0.1)	(1.5)	(0.1)	(1.5)	(0.1)	(1.5)	(0.1)
Hawley April 2026 £3.6m			(3.6)	(0.1)	(3.6)	(0.2)	(3.6)	(0.2)	(3.6)	(0.2)
Devereux House: May 2026 £1.5m			(1.5)	(0.1)	(1.5)	(0.1)	(1.5)	(0.1)	(1.5)	(0.1)
168 High Street Guildford: March 2027 £2m			(2.0)	0.0	(2.0)	(0.1)	(2.0)	(0.1)	(2.0)	(0.1)
FIL loan 2: funded by cap rec June 26			(2.1)	(0.1)	(2.1)	(0.1)	(2.1)	(0.1)	(2.1)	(0.1)
FIL loan 2: funded by cap rec June 28							(2.5)	(0.1)	(2.5)	(0.1)
Total: Capital receipts and interest saved	0		(27)	(0.9)	(27)	(1.1)	(30)	(1.2)	(30)	(1.2)
Net borrowing projection and interest in MTFS	0		122	5.9	119	5.5	113	5.3	111	5.2
Over borrowed:	1		-1		0		0		0	
Capital Financing Requirement (CFR)	2026		2027		2028		2029		2030	
Liability benchmark (i.e. minimum borrowing to avoid bank overdraft)	148		123		119		113		111	
Loans CFR: capital expenditure funded by borrowing less cap receipts and MRP	171		145		142		136		134	
Internal borrowing: Temp use of surplus cash to avoid external borrowing	23		22		22		23		23	
Investments (cash float £5m + pooled funds £13m)	19		18		18		18		18	
Balance sheet resources: Debtors less creditors and add useable reserves	(41)		(40)		(40)		(41)		(41)	
Should be zero	*1*		*0*		*0*		*0*		*0*	

The top panel demonstrates the maturity profile of existing borrowing and the need to reborrow, prior to capital receipts, along with the average interest. The middle panel shows the reduction in borrowing and interest saved. The bottom panel reconciles the projected borrowing to the councils Liability Benchmark, i.e., the least amount of borrowing the council will require to ensure it doesn't run out of money. Whilst the council has circa £40m of cash within its balance sheet, it also handles cash belonging to the government and HCC during the year resulting in surplus cash in the bank, available to delay borrowing in year or temporarily invest.

Planned Capital Receipts

Impact of planned capital receipts	MRP Policy	Capital Receipts	2026-27	2027-28	2028-29	2029-30
Planned MRP reduction		£'000	£'000	£'000	£'000	£'000
Meads Block 3: March 2027 £2m	Annuity	(2,000)	0	(9)	(9)	(10)
Union Yard: PRS £14.4m: end of May 26	Annuity	(14,400)	0	(61)	(64)	(67)
Optrex Feb 2026 £1.5m	Annuity	(1,500)	(30)	(31)	(32)	(33)
Hawley April 2026 £3.6m	10 yr straight line	(3,600)	0	(351)	(351)	(351)
Devereux House: May 2026 £1.5m	10 yr straight line	(1,500)	0	(150)	(150)	(150)
168 High Street Guildford: March 2027 £2m	10 yr straight line	(2,000)	0	(200)	(200)	(200)
FIL loan 2: funded by cap rec June 26	10 yr straight line	(2,105)	0	(211)	(211)	(211)
FIL loan 2: funded by cap rec June 28	10 yr straight line	(2,500)	0	0	0	(250)
Total: Planned MRP reduction		**(29,605)**	**(30)**	**(1,012)**	**(1,017)**	**(1,271)**
Interest saving on planned capital receipts 4.5%:						
Meads Block 3: March 2027 £2m		(2,000)	0	(90)	(90)	(90)
Union Yard: PRS £14.4m: end of May 26		(14,400)	(540)	(648)	(648)	(648)
Optrex: Feb 2026 £1.5m		(1,500)	(68)	(68)	(68)	(68)
Hawley April 2026 £3.6m		(3,600)	(149)	(162)	(162)	(162)
Devereux House: May 2026 £1.5m		(1,500)	(56)	(68)	(68)	(68)
168 High Street Guildford: March 2027 £2m		(2,000)	0	(90)	(90)	(90)
FIL loan 2: funded by cap rec June 26		(2,105)	0	(71)	(95)	(95)
FIL loan 2: funded by cap rec June 28		(2,500)	0	0	(84)	(113)
Total: Interest on planned capital receipts		**(29,605)**	**(812)**	**(1,196)**	**(1,304)**	**(1,332)**

() implies improvement/income

Capital receipts from assets that the council is not carrying any borrowing are allowed to reduce the annual MRP charge by 1/10th of the receipt each year. This is a significant advantage for the budget deficit. Hawley is specifically important to the budget estimates. Union yard is significant for its interest saving but doesn't attract much MRP.

Minimum Revenue Provision

Minimum Revenue provision (MRP)	2024/25 CFR	2025-28 Capital receipts	2025/26 MRP	2026/27 MRP	2027/28 MRP	2028/29 MRP	2029/30 MRP
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Civic Quarter	7,357	0	64	80	82	84	86
Crematorium	3,145	0	0	91	96	101	107
Meads	10,467	0	47	49	52	55	58
Meads Block 3: March 2027 £2m	0	(2,000)	0	0	(9)	(9)	(10)
Operational	13,577	0	400	415	424	368	356
RHL	694	0	16	16	17	17	17
Union Yard	53,805	0	423	440	456	472	488
Union Yard: PRS £14.4m end of May 26	0	(14,400)	0	0	(61)	(64)	(67)
Commercial property	82,006	0	1,201	1,231	1,263	1,295	1,328
Frimley £3.3m received April 2025	0	(3,300)	0	(60)	(61)	(63)	(64)
Optrex Feb 2026 £1.5m	0	(1,500)	0	(30)	(31)	(32)	(33)
Devereux House: May 2026 £1.5m	0	(1,500)	0	0	(150)	(150)	(150)
168 High Street Guildford: March 2027 £2m	0	(2,000)	0	0	(200)	(200)	(200)
Hawley April 2026 £3.6m	0	(3,600)	0	0	(351)	(351)	(351)
FIL loan 1: funded by borrowing	2,200	0	0	0	0	0	0
FIL loan 1: funded by borrowing June28 +Sept 28	0	(2,200)	0	0	0	0	0
FIL loan 2: funded by cap rec June 26	0	(2,105)	0	0	(211)	(211)	(211)
FIL loan 2: funded by cap rec June 28	0	(2,500)	0	0	0	0	(250)
Total: MRP	**173,252**	**(35,105)**	**2,150**	**2,233**	**1,315**	**1,312**	**1,104**
MRP before planned capital receipts			**2,150**	**2,263**	**2,327**	**2,329**	**2,375**
MRP on planned capital receipts			**0**	**(30)**	**(1,012)**	**(1,017)**	**(1,271)**

() implies improvement/income

Corporate Costs

2026-27 MTFS: Corporate costs	Budget 2025/26	Change 26/27	Budget 2026/27	Change 27/28	Budget 2027/28	Change 28/29	Budget 2028/29	Change 29/30	Budget 2029/30
Pooled Fund provision	1,000	(1,000)	0	0	0	0	0	0	0
Insurance	356	36	393	0	393	0	393	0	393
Pay inflation provision	0	0	0	480	480	489	969	499	1,468
Contract Inflation provision	362	44	406	748	1,154	582	1,736	418	2,153
LGR provision	0	300	300	500	800	(800)	0	0	0
Local Plan Preparation	0	200	200	0	200	0	200	0	200
Union Yard PRS holding costs provision	221	(89)	132	(132)	0	0	0	0	0
Disposal of Civic Quarter Assets	0	0	0	0	0	(415)	(415)	0	(415)
Vacancy Target	(400)	0	(400)	0	(400)	0	(400)	0	(400)
Total: Corporate Costs	**1,540**	**(508)**	**1,031**	**1,596**	**2,627**	**(144)**	**2,483**	**917**	**3,400**

Pay inflation is costed into the establishment in 2025/26 £419k at 2.5% and 2026/27 3.5% 614k. Pay inflation in 2026/27 higher than usual due to the additional 0.7% awarded in 2025/26 above the 2.5% assumed inflation.

Contract inflation is a mix of specific contractual uplifts and an assumed 3.8% across the MTFS period.

Union Yard 82 PRS units' sale is assumed to be completed by the end of May 2026, this is the monthly cost of council tax and utilities, not capital costs.

Civic Quarter assets were assumed to be sold at a value of circa £12m by the end of 2027/28. The sale proposal is not viable; however, some land will be required to be put to housing development by the end of March 2027 under the terms of the One Public Estate (OPE) grant conditions provided to facilitate site development to prevent repayment of the demolition costs of Pinehurst cark park. The council is in negotiations with OPE to extend this deadline. The valuation assumption is only recognising the amount of land assembly debt on the CFR i.e., £7.4m (see MRP schedule).

LGR provision includes £300k for 2026/27 preparatory work. A Structural Change Order (SCO) is expected in 2026/27 requiring the council to pay towards the cost of setting up the Shadow Unitary, therefore an estimate of an additional £500k has been included, based upon the Surrey SCO. This figure will be confirmed at the time the SCO is made. Costs of LGR preparation in 2027/28 will be reimbursable from this figure by the Shadow in 2027/28.

() implies improvement/income

Contractual Inflation provision

Inflation	Base budget	2025-26	2026-27	2027-28	2028-29	2029-30
	£'000	£'000	£'000	£'000	£'000	£'000
Audit Fees	144.0	11.2	11.6	12.1	12.5	13.0
CCTV contract Runnymede DC	80.0	3.0	3.2	3.3	3.4	3.5
CCTV broadband connection	150.5	5.7	5.9	6.2	6.4	6.6
Clayton Court top up	39.0	1.5	1.5	1.6	1.7	1.7
Airport Lodge	95.0	3.6	3.7	3.9	4.0	4.2
Community Patrol contract	16.0	0.6	0.6	0.7	0.7	0.7
LSH contract	95.0	3.6	3.7	3.9	4.0	4.2
SIAP	100.6	3.8	4.0	4.1	4.3	4.4
Council Tax	12.7	0.5	0.5	0.5	0.5	0.6
Electricity	512.1	19.5	20.2	21.0	21.8	22.6
Gas	183.5	7.0	7.2	7.5	7.8	8.1
Ground Maintenance	152.7	7.6	6.1	6.3	6.6	6.8
Insurance	392.7	0.0	14.9	15.5	16.1	16.7
IT infrastructure and equipment	1,138.6	34.2	44.6	46.3	48.0	49.8
Leisure Centres contract	284.0	10.8	11.2	11.6	12.1	12.5
Members Allowances	380.7	13.3	13.8	14.3	14.8	15.3
Non-Domestic Rates	1,084.6	0.0	21.7	22.1	22.6	23.0
Playground Apparatus contract	64.6	2.5	2.5	2.6	2.7	2.9
Serco	4,861.9	243.1	194.0	562.2	389.4	217.0
Trade Refuse	37.1	0.0	0.0	0.0	0.0	1.4
Water	55.6	2.1	2.2	2.3	2.4	2.5
Misc growth		0.0	32.9	0.0	0.0	0.0
Total: inflation provision		**374**	**406**	**748**	**582**	**418**

Inflation has been assumed at circa 3.8% across the MTFS 2025/26 has been costed into the services future years shown in the budget as a single line provision within the corporate costs schedule. Inflation will only be transferred (vired) to service budgets based upon contractual evidence.

Central Government support, Council Tax and retained Business Rates

2026-27 MTFS Summary	Budget 2025/26	*Change 26/27*	Budget 2026/27	*Change 27/28*	Budget 2027/28	*Change 28/29*	Budget 2028/29	*Change 29/30*	Budget 2029/30
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Council Tax precept	(8,069)	(290)	(8,360)	(257)	(8,617)	(302)	(8,918)	(312)	(9,231)
Retained Business Rates	(5,071)	(640)	(5,711)	2,879	(2,832)	57	(2,775)	0	(2,775)
Finance Settlement	(1,968)	(2,741)	(4,709)	183	(4,526)	236	(4,290)	290	(4,000)
Extended Producer Receipts	(615)	(479)	(1,094)	0	(1,094)	0	(1,094)	0	(1,094)
Total: Government determined funding	**(15,724)**	**(4,151)**	**(19,874)**	**2,805**	**(17,069)**	**(9)**	**(17,078)**	**(22)**	**(17,100)**

() implies improvement/income

Local government finance settlement	2025-26	26/27	27/28	28/27
	£ m	£ m	£ m	£ m
Retained Business Rates Income	**5.071**	**2.930**	**3.158**	**3.404**
Revenue Support Grant	0.132	3.721	3.476	3.210
Domestic Abuse Safe Accommodation Grant	0.039			
New Homes Bonus	0.512			
Recovery Grant	0.118	0.118	0.118	0.118
Homeless Grant	1.015	0.870	0.932	0.967
Employers NI compensation	0.152			
Total grants:	**1.968**	**4.709**	**4.526**	**4.296**
Change in grants:		**2.741**	**(0.183)**	**(0.231)**

Retained Business rates is an estimate pending the finalisation of the NNDR1 return. There has been significant changes in the calculation basis set by the government, the 2nd table compares the Finance Settlement baseline projection to the budget projection, which includes a one-off release of the 2023 appeals provision in 2026/27 and tapering mechanism going forward.

Capital Programme

Capital Programme	2026/27 Budget	2027/28 Budget	2028/29 Budget	2029/30 Budget
	£'000	£'000	£'000	£'000
Union Yard / Meads commercial units lease contributions	449			
CCTV	12			
Food Waste Bins	7	7	7	7
Wheeled Bins	120	120	120	120
Disabled Facilities Grants	1,493	1,493	1,493	1,493
Aldershot pools & gym buildings refurbishment				
Asset Management capital expenditure provision	800	800	800	
IT Equipment Replacement	77	77	77	77
IT Infrastructure Investment - Domain Controllers migration	20			
IT Infrastructure Investment - Firewalls upgrade	100			
North Town Portacabin	35			
Playground refurbishments	200	200		
Princes Hall	160			
Southwood Country Club Store Building	25			
Total	**3,568**	**2,697**	**2,497**	**1,697**

Funded by:				
Developer contribution to Wheeled bins	20	20	20	20
Disabled Facilities Grants	1,493	1,493	1,493	1,493
Capital Receipts	2,055	1,184	984	184

There will be some project budgets reprofiled form 2025/26 financial year once the outturn is finalised at the 31st March year end. These will be additional reprofiled approved budgets added to this programme.

Earmarked Reserve movements in the revenue account

2026-27 MTFS Earmarked Reserve movements in the Revenue Account	2025-26 £`000	2026-27 £`000	2027-28 £`000	2028-29 £`000	2029-30 £`000
Rowhill SANG	0	73	(21)	(21)	(21)
Skilled Up	(12)	0	0	0	0
Domestic abuse	(32)	0	0	0	0
Homes for Ukraine support	(34)	(47)	0	0	0
Community Recovery Fund	0	(53)	0	0	0
New Burdens Elections	0	(4)	0	0	0
Southwood 2 (Woodlands in Perpetuity)	0	109	(16)	(16)	(16)
Guillemont Tree Maintenance s106	0	(1)	0	0	0
Sports Pitch Land Commuted Sum	0	(7)	0	0	0
Amenity Areas s106	0	(4)	0	0	0
Climate Emergency Reserve	(48)	(13)	0	0	0
Southwood Country Park SANG Earmarked Reserve	0	9	(9)	(9)	(9)
Extended Producer Receipts: glass recycling	0	199	199	199	199
SANG/SAMM/S106	(91)	(61)	153	123	125
Total: Earmarked reserve movements	**(218)**	**201**	**306**	**276**	**278**

Brackets () means income to the revenue account

Financial risks and contingencies

- Armed forces day £100k underwritten cost
- Timing of capital receipts, key concerns – Hawley and Union Yard are both singularly significant to the next two years budget providing a total of 2026/27 £689k savings and 2027/28 £1.214m saving.
- Commercial property: Bridge house lease ends in September 2027 full lease is £464k per year, with an assumption of 6 months vacancy (optimistic) and the void costs. £264k reduction reflected in the budget.
- Ashbourne House tenancies are reducing impacting income and incurrng future void costs
- Serco contract extension negotiation under way: +£500k per year additional to what is already in the budget and inflation provision.
- Reported forecast surplus (budget underspend) this year 2025/26 is likely to be wrong, historically, the year-end position is always different to the service manager forecasts.
- Interest on borrowing is assumed at no more than 4.5% and interest on TM investments (MMF + LA's) at 4%
- Extended producer receipts are included on a flat 4 year profile, this is likely not to be the case.
- Retained business rates – significant change, not settled down, higher cost impact, recoverability may be an issue when businesses are under pressure.
- Further risk analysis included in the budget report.

APPENDIX 2

Schedule of Earmarked Reserves

Earmarked Reserves	At 31 March 2024 £'000	At 31 March 2025 £'000	Forecast 31 March 2026 £'000	Forecast 31 March 2027 £'000	Forecast 31 March 2028 £'000	Forecast 31 March 2029 £'000	Forecast 31 March 2030 £'000
Reserves available to fund deficit							
Total: Revised useable reserves	**(11,263)**	**(10,517)**	**(9,608)**	**(5,147)**	**(5,497)**	**(1,828)**	**(897)**
Reserves supporting specific initiatives							
Mercury abatement	(528)	(553)	0	0	0	0	0
Community Recovery Fund	0	(489)	(84)	(32)	(32)	(32)	(32)
Homes for Ukraine support A	(320)	(362)	(276)	(229)	(229)	(229)	(229)
Asylum Dispersal	(144)	(298)	(364)	(364)	(364)	(364)	(364)
Flexible Housing Support Grant	(812)	(414)	(414)	(414)	(414)	(414)	(414)
Other grants (below £45k)	(154)	(225)	(118)	(118)	(118)	(118)	(118)
Tennis Court Sink Fund	0	(168)	(168)	(168)	(168)	(168)	(168)
Budget carry fwds	0	(129)	0	0	0	0	0
Deprivation reserve	(106)	(86)	(86)	(86)	(86)	(86)	(86)
LAHF	(42)	(80)	(68)	(68)	(68)	(68)	(68)
Climate emergency reserve	(124)	(67)	(13)	0	0	0	0
Afghan relocation scheme	(24)	(33)	(33)	(33)	(33)	(33)	(33)
Cyber security	(27)	(17)	0	0	0	0	0
Homes for Ukraine support B	(19)	(11)	(11)	(11)	(11)	(11)	(11)
Supp & Temp Accom. Work	(7)	(7)	(7)	0	0	0	0
A331 Air Quality Project	(213)	(5)	0	0	0	0	0
Control outbreak	(8)	(3)	0	0	0	0	0
Covid Council tax hardship	(43)	0	0	0	0	0	0
UK shared prosperity fund	(7)	0	0	0	0	0	0
Total: Reserves supporting specific initiatives	**(2,578)**	**(2,947)**	**(1,642)**	**(1,523)**	**(1,523)**	**(1,523)**	**(1,523)**
Reserves legally restricted - commuted sums							
Insurance Reserve	(253)	(253)	(253)	(253)	(253)	(253)	(253)
Developer contributions	(5,934)	(7,968)	(8,146)	(8,265)	(8,372)	(8,449)	(8,528)
Pipeline env imp res	(134)	(138)	(130)	(130)	(130)	(130)	(130)
Farnborough airport env Fund	(129)	(134)	(134)	(134)	(134)	(134)	(134)
Workforce Reserve	(312)	0	0	0	0	0	0
Total: Reserves legally restricted - commuted sums	**(6,762)**	**(8,493)**	**(8,663)**	**(8,782)**	**(8,889)**	**(8,966)**	**(9,045)**
Total Earmarked Reserves	**(20,603)**	**(21,957)**	**(19,913)**	**(15,452)**	**(15,909)**	**(12,317)**	**(11,465)**

APPENDIX 3

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 2026/27 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 £11.96million budget deficit as described in the report. 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 2026/27 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 £3.384m of useable reserves on 1st April 2026, before risk items and Farnborough Leisure centre is decided. 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) to fund the forecast deficit.

10. The level of reserves shown in appendix 1 of the report indicates that the Council has sufficient reserves to set a legal budget for 2026/27, and potentially 2027/28, depending upon how the assumptions play out and progress made in achieving the planned capital receipts in the coming months.

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 2026/27 and the need to ensure reserves remain adequate over the medium-term.

Peter Vickers
Executive Head of Finance and Section 151 Officer

25th January 2026

APPENDIX 4

Risk Register

Ref	Risk category	Risk description	Inherent risk: Likelihood	Inherent risk: Severity	Inherent risk: Risk Score	Mitigations currently in place	Residual risk: Likelihood	Residual risk: Severity	Residual risk: Risk Score	Action required	Owner of further action	Target date for further action
1	Financial Statements	As the external audit of the Council's Financial Statements was disclaimed back to 2020/21 assurance cannot be provided on the opening balances of the Council's reserves. Full audit assurance cannot be achieved until the 2026/27 financial accounts, where opening reserve balances would have been assured, which is due to be completed by Feb 2029. Therefore, at any point during this period there is a risk that the reserve balances could be affected impacting the availability of reserves.	3	3		Building up stronger balance sheet controls and increase capacity/ technical capability within the finance team. (See risk 2) EY building up audit assurances over the next few years to have a clean audit report.	1	1	**Low**	The team has increased qualified financial capacity to lead the council through the next year end and audit with continuity in staff from last year end. Specific management review is now in place to ensure adequate working papers and balance sheet control.	Peter Vickers, Executive Head of Finance	Done

2	Staffing, skills and capacity	There is insufficiently experienced capacity within the Finance team to support the Council through its current MTFS challenges and achieve a balanced MTFS without the use of reserves.	4	2	**High**	The finance team now has four qualified accountants in place for the last 12 months. A refocusing of the wider team is happening organically as priorities are being identified and resolved.	1	1	**Low**	The key priority is to focus on the financial support for service managers to help them improve their budget and forecasting accuracy and compliance with the Financial Procedure Rules (i.e., financial governance), an area identified as a significant weakness.	Peter Vickers, Executive Head of Finance	March-27
3	Financial Sustainability	Capital receipts are not achieved on time or at the value set out in the MTFS, which will have a material impact on the Council achieving the budget reduction in borrowing and MRP.	3	4	**High**	Two weekly reviews with Statutory Officers to sense check progress.	3	4	**High**	Monthly reporting of progress to Cabinet, escalating issues and resolutions.	Tim Mills, Executive Head of Property and Growth	March-27

4	Treasury Management	Assumptions on interest rates and inflation reductions do not materialise as planned.	3	4	**High**	The Council utilise Arlingclose for specialist advice on market assumption around interest and inflation rates. A strategic Treasury Management panel are in place in the Council who meet monthly to review positions from a strategic point of view with officers in place reviewing more regularly with an aim to lock in rates in line with the MTFS over the longer term when they materialise to provide more certainty over the MTFS period.	3	4	**High**	The requirement to borrow is managed through daily cashflow projection. Interest rates are monitored and borrowing is taken out at the most optimum time to align to gain cost certainty over as long a maturity period as possible.	Peter Vickers, Executive Head of Finance	Ongoing review

5	Property portfolio	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.	3	3	**High**	Some work has been progressed on the identification and needs to be completed to inform the Revenue budget. The Capital programme has £800k per years earmarked for capitalisable works.	2	3	**Medium**	An agreed planned maintenance schedule that is risk assessed and funded within the MTFS and actively managed.	Tim Mills, Executive Head of Property and Growth	Apr-27
6	Financial Sustainability	There is an unsecured loan to Farnborough International Limited (FIL) of £6.482m due for repayment in tranches in the next three years. There is a risk of the loan not being repaid.	2	3	**Medium**	The financial stability of FIL is reviewed quarterly by S151 to understand their trading and cashflow position and the risk to the council.	2	3	**Medium**	Continue engagement	Peter Vickers	Ongoing review
7	Financial Sustainability	Vacancy margin annual establishment savings target is not achieved as set out in the MTFS.	3	3	**High**	Carry out service reviews to reduce establishment cost in line with the target set within the MTFS.	2	3	**Medium**	Active management to ensure the council achieves the £400k saving.	Peter Vickers	Ongoing review

8	Financial Sustainability/ Treasury Management	Borrowing interest rates are higher than assumed within the MTFS. A 0.5% increase is an additional circa £300k per year	3	3	**High**	Borrowing is actively managed and longer-term borrowing is being taken out whilst also ensuring the cost is in line with the MTFS.	3	3		Daily oversight of PWLB rates and cashflow requirements	Peter Vickers	Ongoing review
9	Financial Statements	The Government could request repayment of grants due to conditions on grant funding not being met within timescales. This will require new borrowing and will have revenue implications currently not included within the MTFS.	3	4	**High**	Detailed analysis of the respective legal agreements, dialogue with the funders and conversation with the respective services re meeting the conditions.	3	4	**High**	Regeneration team gain confirmation of an extension of time with One Public Estate and not spend any further grant monies without the confirmation.	Peter Vickers	Ongoing review
10	Financial Sustainability	Divestment of Union Yard 82 PRS units is delayed beyond May 2026 will create circ. £44.5k per month council tax, utilities, service charge etc which have not been factored into the MTFS.	3	3	**High**	Cabinet have agreed the sale and conveyancing is underway. There is a political challenge to the sale that could result in significant delay and cost.	3	3	**High**	Complete the diligence on the options appraisal. Seek Political approval for the agreed action.	Karen Edwards	May 25

Rating Consistency Guidance

	Likelihood of Occurrence (L)	Severity of Outcome (S)
1	**Very unlikely** Very unlikely to occur, (no history or near misses etc). Less than 5% probability.	**Minor** Risk to specific role. Legal action unlikely. No significant illness or injury. Negative customer complaint. Financial impact negligible.
2	**Unlikely** Unlikely but may occur (may have happened, but not within past 5 years). Is not expected to happen in next 5 years, less than 25% probability	**Moderate** Risk to normal continuation of service. Legal action possible but defendable. Short term absence/minor injury. Negative customer complaints widespread. Financial impact manageable within existing Service budget.
3	**Likely** Likely to occur (or already happened in the past 2 to 5 years). Is expected to happen in the next 2 to 5 years, 25 - 50% probability	**Significant** Partial loss of service. Legal action likely. Extensive injuries or sickness. Negative local publicity. Significant fine. Financial impact manageable within existing Corporate budget - but not Service.
4	**Very likely** Very likely to occur (or has already happened in the past year), may occur frequently. Is expected to happen in the next year, more than 50% probability	**Major** Total loss of service. Legal action likely & difficult to defend. Death or life threatening. Negative National publicity. Imprisonment. Financial impact not manageable within existing funds.