

**CABINET  
15 SEPTEMBER 2020**

**COUNCILLOR PAUL TAYLOR  
CORPORATE SERVICES PORTFOLIO HOLDER  
REPORT NO. FIN2024**

**KEY DECISION: YES/NO**

## **GENERAL FUND REVENUE BUDGET OUTTURN 2019/20**

### **SUMMARY:**

This report sets out the provisional outturn position on the General Fund Revenue budget for the 2019/20 financial year (subject to audit).

### **RECOMMENDATIONS:**

CABINET is recommended to:

- (i) note the draft Revenue outturn position for 2019/20
- (ii) approve the carry forward requests from 2019/20 to 2020/21 (as set out in Table 3a)
- (iii) approve the transfers to reserves outlined in the report to support the Council's financial sustainability in light of the impact from Covid-19 (as set out in Table 8a)

## **1 INTRODUCTION**

- 1.1 This report sets out the final outturn position for the 2019/20 financial year and considers changes to balances and reserves. This report is to provide members with an overview of the performance against the General Fund revenue budget.
- 1.2 Given the timing of this report and the impact of Covid-19 on the Council's finances in the current financial year, this report will not provide a detailed analysis of all the outturn variations on the revenue budget. The report focuses on the positive outturn position and how this can be utilised to mitigate the financial impact from Covid-19 in 2020/21 and over the medium term. A detailed list of the outturn variations can be provided if requested.
- 1.3 Due to the complexity of some of the issues highlighted within the report and volume of information, it would be helpful where members have questions on matters of detail if they could be referred to the report author or the appropriate Head of Service before the meeting.

## 2 GENERAL FUND REVENUE BUDGET OUTTURN

- 2.1 The revised General Fund Revenue budget (excluding additional transfers) for 2019/20 was approved by Council at their meeting in February 2020 of £8.894m (£11.797m when the additional transfers are included as a budgeted item)

**Table 1: General Fund Revenue Budget reconciliation**

	<b>Before Additional Transfers (£'000)</b>
<b>General Fund Revenue Budget</b>	
Original Budget, Council Feb 2019	8,752
Add: Carry Forwards from 2018/19	318
Add: Supplementary Estimates	
Add: Revised budget changes	(176)
Adjusted additional transfers	
<b>Final Revenue Budget</b>	<b>8,894</b>
Add: Additional Transfers	2,903
<b>Final Revenue Budget (after additional transfers)</b>	<b>11,797</b>

- 2.2 The Q3 2019/20 Revenue budget monitoring report to Cabinet in April 2020 anticipated the budget remained on target with a projected variation of £12k. The final outturn position is £9.730m resulting in a net underspend of (£0.764m). With a better than expected outturn position on non-service revenue expenditure and funding (£0.385m and £0.182m respectively), there is a variation of (£1.328m) as shown in Table 2.

**Table 2: General Fund Revenue Budget Outturn Summary**

	<b>2019/20 Original Budget (£'000)</b>	<b>2019/20 Latest Budget (£'000)</b>	<b>* 2019/20 Outturn (£'000)</b>	<b>* 2019/20 Outturn Variation (£'000)</b>
Corporate & Democratic Services	5,613	5,422	5,232	(190)
Customer Experience & Improvement	43	21	267	245
Major Projects & Property	(2,668)	(4,471)	(4,507)	(36)
Operational Services	8,547	8,103	6,379	(1,724)
Planning & Economy	2,727	2,830	2,754	(76)
ICE	0	578	388	(189)
Other				0
<b>Subtotal SRE</b>	<b>14,261</b>	<b>12,483</b>	<b>10,513</b>	<b>(1,970)</b>
Less: Capital Charges	(1,964)	(1,802)	(1,810)	(8)
Less: Pension Accounting Adjs	(496)	(187)	(896)	(709)
<b>Portfolio Net Expenditure</b>	<b>11,801</b>	<b>10,494</b>	<b>7,807</b>	<b>(2,687)</b>
Corporate Income and Expenditure	1,936	(635)	(969)	(334)
Reserve Transfers	(578)	(521)	1,405	1,925
Savings Plan Items	(4,407)	(444)	(495)	(51)
<b>Net General Fund Budget</b>	<b>8,752</b>	<b>8,894</b>	<b>7,748</b>	<b>(1,147)</b>
<b>Funding:</b>				
Council Tax	(6,409)	(6,409)	(6,409)	0
Business Rates	(3,836)	(3,836)	(3,935)	(99)
New Homes Bonus	(1,010)	(1,010)	(1,010)	0
Other Funding (Grants)	(36)	(145)	(227)	(82)
Collection Fund Surplus	(396)	(396)	(396)	0
<b>TOTAL Funding</b>	<b>(11,688)</b>	<b>(11,797)</b>	<b>(11,978)</b>	<b>(181)</b>
<b>Core (Surplus) or Deficit</b>	<b>(2,936)</b>	<b>(2,903)</b>	<b>(4,231)</b>	<b>(1,328)</b>

\* Note: The variation on Customer Experience and Improvement is a notional variation on capital accounting charges associated with the Council Offices. Due to the way support services are recharged, it has not been possible to restate this variation.

2.3 The outturn position shown in Table 2 excludes the impact of additional Capital Accounting charges within Service Revenue Expenditure. Whilst this is not consistent with the way in which the outturn has been reported to members in previous years, this approach should provide members with better visibility on the financial performance by removing the impact of notional accounting.

- 2.4 Some notional charges remain within service costs – pension charge variations have not been removed due to their impact on the way in which Support Service Costs are recharged to frontline services. In effect, there is an adverse variation of £0.709m that is then reversed out.
- 2.5 The outturn variation shown in Table 2 is before carry forwards and service-related reserve movements have been taken into account. The main reserve movement is within Operational Services (Parks and Recreation Grounds). Income received during the financial year from s106 and SANG obligations is transferred to the appropriate earmarked reserve. In total, £1.454m of additional s106-related income has been received. When taken alongside other reserve-related variations (e.g. Transfer of On-Street parking surplus to the CPE account), the table can be seen as overstating the underlying service variation by around £1.6m.
- 2.6 The tables below outline the key reserve movements and carry forward requests.

**Table 3a: Carry Forward Requests**

Portfolio	Service Area	Amount (£'000)	Reason
Planning & Economy	Economic Development Grants Gulf Stream	100	Economic Grant for Gulfstream. Gulfstream are still working through identifying the relocation of staff from Luton. It was anticipated that this process would be completed earlier. Gulfstream are aiming to be fully deployed during 2020/21
Operational Services	Farnborough Leisure Centre, Aldershot Leisure Centre, Aldershot Lido	50	Pprocurement of a new Leisure operator has been delayed due to the impact of Covid-19
Major Projects & Property	Rushmoor Properties Responsive Repairs and Maintenance	125	Reduction in spend in 2019/20 due to staff turnover and resourcing. Spend now planning for early 2020/21 once staff resource returned to team and schedule of planned works able to be actioned
Major Projects & Property	36-62 Union Street Aldershot Development General Repairs and Maintenance	26	The development industry has been impacted by the Coronavirus crisis and this will result in timescale delays in relation to site clearance of the existing buildings. The underspend is requested to cover off for any eventualities that may arise from holding the vacant properties for longer than originally anticipated
<b>TOTAL Revenue Carry Forwards</b>		<b>301</b>	

**Table 3b: Reserve Movements within Service Revenue Expenditure**

<b>Reserves and Balances</b>	<b>Transfers To (£'000)</b>	<b>Transfers From (£'000)</b>	<b>Net Transfer (£'000)</b>
<b>s106/SANG/Commuted Sums</b>			
Southwood 2 (Woodlands in Perpetuity)	(1,003)	31	(972)
Rowhill SANG	(449)	47	(402)
Amenity Areas s106	(3)	18	16
Guillemont Tree Maintenance s106	0	3	4
<b>SUBTOTAL s106/SANG</b>	<b>(1,454)</b>	<b>100</b>	<b>(1,354)</b>
<b>Other Earmarked Reserves</b>			
Mercury Abatement Earmarked Reserve	(41)	43	3
Civil Parking Enforcement Surplus	(102)	3	(99)
Budget Carry Forwards	(301)	318	17
Flexible hsg grant	(163)	51	(113)
Planning Delivery Fund	0	95	95
TAG Farnborough Aerodrome s106	(13)	0	(13)
Homeless Reduction Act	(36)	63	26
Additional Planning Income	0	53	53
Gurkha Integration Grant 1	0	4	4
Custom Build Grant 2017/18	(15)	0	(15)
Connecting Communities	0	13	13
Air Quality Grant for A331 Project	(222)	0	(222)
Developing Our Communities	0	7	7
North Lane Lodge	0	13	13
Risk Management Fund	(5)	0	(5)
Gurkha Integration Grant 3	0	1	1
Southwood Jet Aircraft	(0)	0	(0)
National Community Cleanup	0	4	4
Brownfield Sites	0	4	4
<b>SUBTOTAL Other Earmarked Reserves</b>	<b>(898)</b>	<b>673</b>	<b>(225)</b>
<b>TOTAL Reserve Movements</b>	<b>(2,352)</b>	<b>773</b>	<b>(1,579)</b>

2.7 The key variations within Services are summarised in the table below.

**Table 4: Key Service variations**

	2019/20 Original Budget (£'000)	2019/20 Latest Budget (£'000)	2019/20 Outturn Forecast (£'000)	2019/20 Variation (£'000)
<b>Service variations +/- £50k</b>				
<b>Corporate &amp; Democratic Services</b>				
Electoral Registration	169	243	160	(83)
External Audit & Inspection	51	50	159	106
Rent Allowances	498	426	287	(141)
All Other C&DS Budgets	4,895	4,703	4,754	(72)
<b>SUBTOTAL Corporate &amp; Democratic Services</b>	<b>5,613</b>	<b>5,422</b>	<b>5,232</b>	<b>(190)</b>
<b>Customer Experience &amp; Improvement</b>	<b>43</b>	<b>21</b>	<b>267</b>	<b>245</b>
<b>Major Projects &amp; Property</b>				
Bellevue Enterprise Centre	(74)	(62)	(0)	62
Rushmoor Properties	300	375	236	(138)
Ashbourne House, Guildford	(950)	(950)	(893)	58
Voyager House	5	5	77	72
Farnborough Town Centre Regeneration	222	241	163	(78)
All Other MP&P Budgets	(2,171)	(4,079)	(4,090)	(12)
<b>SUBTOTAL Major Projects &amp; Property</b>	<b>(2,668)</b>	<b>(4,471)</b>	<b>(4,507)</b>	<b>(36)</b>
<b>Operational Services</b>				
Health Pollution & Environmental Control	473	315	184	(130)
Housing Advice	1,033	1,051	903	(148)
Parks & Recreation Grounds	708	628	(846)	(1,474)
Crematorium	(629)	(636)	(540)	97
All Other OS Budgets	6,962	6,746	6,677	(68)
<b>SUBTOTAL Operational Services</b>	<b>8,547</b>	<b>8,103</b>	<b>6,379</b>	<b>(1,724)</b>
<b>Planning &amp; Economy</b>				
Development Management	640	652	792	140
Economic Development	227	326	206	(120)
All Other P&E Budgets	1,860	1,852	1,756	(97)
<b>SUBTOTAL Planning &amp; Economy</b>	<b>2,727</b>	<b>2,830</b>	<b>2,754</b>	<b>(76)</b>
<b>ICE Programme</b>	<b>0</b>	<b>578</b>	<b>388</b>	<b>(189)</b>
<b>Service Revenue Expenditure</b>	<b>14,261</b>	<b>12,483</b>	<b>10,513</b>	<b>(1,970)</b>

- 2.8 The underlying variation on Service Revenue Expenditure (after taking into account variations that are subject to carry forward requests or reserve transfers) can be stated as:

	<b>2019/20 Outturn Variation (£'000)</b>
<b>Service Revenue Variation</b>	
Variation as per Table 2	<b>(1,970)</b>
Add back: Reserve Transfers	1,597
Add back: Carry Forwards	301
Less: Pension Adjustment	<b>(709)</b>
<b>Restated Service Revenue Variation</b>	<b>(782)</b>

- 2.9 The table below shows the breakdown on the Corporate Income and Expenditure. Variations on the Council's Treasury Management activities and the Savings Plan are covered in Sections 3 and 4 of this report.
- 2.10 Other Corporate Income and Expenditure – Revenue receipts from surrender of a lease in Union Street Aldershot (£900k), payment in respect of release from social housing covenants (£400k), and income in respect of town centre development (£367k).

**Table 5: Corporate Income & Expenditure**

	<b>2019/20 Original Budget (£'000)</b>	<b>2019/20 Latest Budget (£'000)</b>	<b>* 2019/20 Outturn (£'000)</b>	<b>* 2019/20 Outturn Variation (£'000)</b>
<b>Corporate Income &amp; Expenditure</b>				
Minimum Revenue Provision (MRP)	1,410	1,410	1,410	0
Interest Payable	1,056	880	954	74
Interest Received	<b>(1,358)</b>	<b>(1,600)</b>	<b>(1,686)</b>	<b>(86)</b>
Other Corporate items	45	<b>(1,325)</b>	<b>(1,646)</b>	<b>(321)</b>
Reserve Transfers	<b>(578)</b>	<b>(521)</b>	1,405	1,925
Growth Items	783	0	0	0
Savings Plan Items	<b>(4,407)</b>	<b>(444)</b>	<b>(495)</b>	<b>(51)</b>
<b>Non-Service Net Expenditure (CI&amp;E)</b>	<b>(3,049)</b>	<b>(1,600)</b>	<b>(59)</b>	<b>1,540</b>

- 2.11 Clearly, the net underspend/positive variation of £1.328m provides scope for the Council to mitigate the impact of Covid-19 on the 2020/21 budget. Section

6 of the report sets out the recommendation to transfer the additional surplus from the 2019/20 outturn to the Stability and Resilience Reserve.

### **3. TREASURY MANAGEMENT – INVESTMENT INCOME AND BORROWING**

- 3.1 As outlined in the Treasury Management Strategy, the Council invests its surplus balances generating an income return of over £1m per annum. The Strategy sets out that the Council aims to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.
- 3.2 The Council has two broad classes of investments – Money Market Funds (where balances are held for short periods until required) and Pooled Funds.
- 3.3 Despite the emergence of market volatility as a result of Covid-19, the Council treasury management investments performed in-line with expectations with £1.686m of investment income against the budgeted £1.600m. However, performance in the current year will be significantly impacted by Covid-19.
- 3.4 Interest payable on external borrowing that supports the capital programme, was above the revised budget of £0.880m, with additional costs of borrowing giving rise to a £74k adverse variation. This was due to a higher level of borrowing in the year than assumed when the revised budget was set (impact of the timing of the acquisition of Trafalgar House, Winchester).
- 3.5 When taken together, the net variation on the Council's Investment and Borrowing activity was a net underspend of £8k.

### **4. SAVINGS PLAN**

- 4.1 The outturn position on the Council's Savings Plan was an overachievement of savings of £51k. This was due to a higher level of in-year staff savings than anticipated.
- 4.2 The table below provides more detail on the Savings Plan for 2019/20 and performance during the year. The original budget (as set in February 2019) included a number of Savings Targets concerning rental income expectations from Commercial Property acquisitions. When the revised budget was set, the Savings Target was reduced to reflect the income streams achieved (i.e.

Savings and additional income within services led to a corresponding decrease in the savings requirement).

**Table 6: Savings Plan Outturn**

	2019/20 Original Budget (£'000)	2019/20 Revised Budget (£'000)	2019/20 Latest Budget (£'000)	2019/20 Outturn (£'000)	2019/20 Outturn Variation (£'000)
<b>Savings Plan</b>					
Organsational Redesign, Procurement, Service Cost reduction, Fees & Charges	(891)	(250)	(250)	(278)	(28)
Commercial Property Investment	(3,191)	0	0	0	0
Salaries / Vacancy monitoring	(325)	(194)	(194)	(217)	(23)
<b>TOTAL Savings Plan</b>	<b>(4,407)</b>	<b>(444)</b>	<b>(444)</b>	<b>(495)</b>	<b>(51)</b>

- 4.3. The Savings Plan will continue to be reviewed in the light of Covid-19 and is likely to result in a rephasing of savings. Any reduction in the level of savings planned for 2020/21 will increase the adverse variance on the current year's budget.

## **5. GOVERNMENT FUNDING, COUNCIL TAX AND BUSINESS RATES**

- 5.1 As highlighted in Table 2, the outturn position shows additional funding from Business Rates and other Government Grants with a positive variation of £182k.
- 5.2 Total Grant funding from Government in 2019/20 was £227k giving a variation of £82k. Further funding was received in-year to support the Benefits service with Welfare Reform and the roll-out of Universal Credit, and New Burdens Funding around the impact of exiting the European Union.
- 5.3 In terms of the variation on Retained Business Rates income, the variation is largely due to a reduced levy payment to the Government and additional Section 31 Grant due to the Council to compensate for Government-funded reliefs.
- 5.4 However, the positive outturn on the level of business rates income does not necessarily reflect the true position due to the complex way Business Rates Income is accounted for under the current Business Rates Retention Scheme.
- 5.5 At the time the revised budget was prepared, the forecast for business rates for 2019/20 was for a deficit of £0.926m. The outturn position on the business

rates collection fund is a deficit of £2.797m, in part due to continued uncertainty on appeals and a need to make adequate provision for backdated refunds. Rushmoor's share of any surplus or deficit under the current business rates retention scheme is 40% (equivalent to £1.119m). The actual amount of the deficit that will need to be financed by the Council is also dependent on the level of business rates income retained in 2021/22.

- 5.6 Continued economic and business uncertainty due to the impact of Covid-19 will place additional pressure on business rates, and careful consideration will need to be given when estimating the likely level of business rates income in future years.
- 5.7 Due to the way business rates income is accounted for, Rushmoor's share of the deficit will need to be budgeted for in 2021/22 and 2022/23. It is worth noting that the Government have indicated as part of their support to local authorities concerning the financial impact of Covid-19 Council Tax and Business Rates deficits could be spread over 3 years instead of one.
- 5.8 At the time of writing this report, the Council Tax collection rate for 2019/20 was 98.09%, with the equivalent figure from 2018/19 being 98.49%. The overall level of Council Tax collected is £53.721m, representing an increase of £2.509m over 2018/19. The outturn position on the Council Tax Collection Fund was a surplus of £1.916m with Rushmoor's share being approximately 12% (£0.227m).
- 5.9 Any surplus over the amount the Council budgeted to collect in the year (£6.409m representing Rushmoor's share of the total Council Tax collected is dealt with through the Collection Fund. If the level of Council Tax collected in the year is lower than budgeted, this gives rise to a deficit on the collection fund and will impact on the following year's budget. Any deficit is shared between Rushmoor and the precepting authorities (Hampshire County Council, Police and Crime Commissioner for Hampshire, and Hampshire Fire and Rescue Authority).
- 5.10 The position on business rates is slightly more complex, as set out earlier in this report. Whilst the collection rate figures will give an indication as to how successful the Council was in collecting income, there are a number of other factors that impact the overall surplus or deficit on the business rates collection fund. The collection rate to the end 2019/20 was 97.41% with the equivalent figure from 2018/19 being 99.71%. The overall level of Business Rates collected was £51.795m, representing a decrease of £0.662m over 2018/19.

## **6. RESERVES AND BALANCES**

- 6.1 As highlighted in Section 2 of the report, the project outturn variation (surplus) provides an opportunity to offset financial risks from Covid-19 and other economic factors. It is recommended that the surplus is transferred to the Stability and Resilience Reserve.
- 6.2 This will help to ensure that the reserve balance is adequate to cope with the forecast deficit on the General Fund in 2020/21 and allows the Council to mitigate the expected impact from Covid-19 over the medium-term.
- 6.3 The Q1 2020/21 Budget Monitoring report highlighted a net variation of £0.789m, which would be funded from the Stability and Resilience Reserve. The report also set out a number of risks and uncertainties that were likely to increase this variation (e.g. Leisure, Waste & Recycling).
- 6.2 Table 3b outlined the Service Revenue related reserve movements. The Table below shows all the reserve movements proposed for the year. A significant proportion of these are due to changes in income that are either ring-fenced for use outside of the general fund or have been received in advance for future years' funding and reduction in expenditure due to delays in projects. These amounts are not available for spending on general activities and will be transferred to various reserves as follows:
- £1.354m net additional income in respect of s106/SANG developer contributions. These are ring-fenced for spending on SANGS provision and maintenance of Southwood Woodlands and Rowhill Nature Reserve.
  - £99k net income required to be ring-fenced within the Civil Parking Enforcement account.
  - £222k of additional grant income in respect of the A331 Air Quality programme
  - £113k in respect of the Flexible Housing Grant
- 6.3 The table below shows the impact of the additional transfers on the key reserves supporting the General Fund revenue budget.

**Table 8a: Reserves and Balances as at 31 March 2020**

<b>Reserves and Balances</b>	<b>Balance 01/04/2019 (£'000)</b>	<b>Transfers To (£'000)</b>	<b>Transfers From (£'000)</b>	<b>Balance 31/03/2020 (£'000)</b>
General Fund Balance	(2,000)			(2,000)
<b>Earmarked Reserves</b>				
Stability & Resilience Reserve	(4,869)	(1,805)	0	(6,674)
Service Improvement Fund	(1,001)	0	872	(129)
ICE Reserve`	0	(618)	321	(297)
Commercial Reserve	(475)	(1,525)	0	(2,000)
Climate Emergency *	0	0	0	0
Deprivation Strategy Support *	0	0	0	0
Regeneration Reserve	0	(450)	0	(450)
Regeneration/Commercial Due Dilligence	0	(250)	0	(250)
Workforce Strategy	0	(200)	0	(200)
Treasury Reserve				0
Pension Fund Equilisation (Para 6.16-6.17)	0	0	0	0
s106/SANG/Commutated Sums	(3,088)	(1,454)	100	(4,442)
All Other Earmarked Reserves **	(2,631)	(1,298)	673	(3,257)
<b>Subtotal Earmarked Reserves</b>	<b>(12,065)</b>	<b>(7,600)</b>	<b>1,966</b>	<b>(17,699)</b>
<b>TOTAL Reserves and Balances</b>	<b>(14,065)</b>	<b>(7,600)</b>	<b>1,966</b>	<b>(19,699)</b>

- 6.4 The forecast level of reserves and balances at the end of the 2019/20 financial year is £19.699m, an increase of £5.634m over the previous year end position. Whilst this increase is significant it is worth highlighting that the 2019/20 budget was approved on the basis that the projected surplus of £2.936m would be transferred to reserves.
- 6.5 It is worth considering the impact Covid-19 may have on the Council finances over the medium-term when assessing the proposed level of reserves balances. It is likely that the budgets (both income and expenditure) will remain under pressure as the economic impact will take time to work through. Funding from Council Tax and Business Rates will also be volatile, and the Council may need to revise its projections downwards in the Medium-Term Financial Strategy. Furthermore, the Savings Plan that underpinned the MTFs (February 2020) may be more difficult to achieve.
- 6.7 Table 8b should be viewed as indicative. Broad assumptions have been made around the use of the Stability and Resilience reserve and Commercial Property reserve to support the General Fund budget over the next 2 years. In a sense, the table can be viewed as a 'stress-test' of the Council's financial sustainability over the medium-term.

**Table 8b: Reserves and Balances Forecast**

Reserves and Balances	Balance 31/03/2020 (£'000)	2020/21 Transfers To (£'000)	2020/21 Transfers From (£'000)	Balance 31/03/2021 (£'000)	2021/22 Transfers To (£'000)	Transfers From (£'000)	Balance 31/03/2022 (£'000)	2022/23 Transfers To (£'000)	2022/23 Transfers From (£'000)	Balance 31/03/2023 (£'000)
General Fund Balance	(2,000)			(2,000)			(2,000)			(2,000)
<b>Earmarked Reserves</b>										
Stability & Resilience Reserve	(6,674)	0	1,384	(5,290)	0	2,000	(3,290)	(580)	2,000	(1,870)
Service Improvement Fund	(129)	0	0	(129)	0	129	(0)	0	0	(0)
ICE Reserve`	(297)	0	297	0	0	0	0	0	0	0
Commercial Reserve	(2,000)	(350)	750	(1,600)	0	500	(1,100)	0	100	(1,000)
Climate Emergency *	0	(250)	250	0	0	0	0	0	0	0
Deprivation Strategy Support *	0	(100)	100	0	0	0	0	0	0	0
Regeneration Reserve	(450)	0	170	(280)	0	280	0	0	0	0
Regeneration/Commercial Due Dilligence	(250)	0	150	(100)	0	100	0	0	0	0
Workforce Strategy	(200)	0	0	(200)	0	200	0	0	0	0
Treasury Reserve	0	(580)	290	(290)	0	290	0			0
Pension Fund Equilisation (Para 6.16-6.17)	0	(669)	0	(669)	(818)	0	(1,487)	(960)	0	(2,447)
s106/SANG/Commutated Sums	(4,442)	0	109	(4,333)	0	0	(4,333)	0	0	(4,333)
All Other Earmarked Reserves **	(3,257)	(169)	1,101	(2,324)	0	150	(2,174)	0	0	(2,174)
<b>Subtotal Earmarked Reserves</b>	<b>(17,699)</b>	<b>(2,118)</b>	<b>4,602</b>	<b>(15,216)</b>	<b>(818)</b>	<b>3,649</b>	<b>(12,385)</b>	<b>(1,540)</b>	<b>2,100</b>	<b>(11,825)</b>
<b>TOTAL Reserves and Balances</b>	<b>(19,699)</b>	<b>(2,118)</b>	<b>4,602</b>	<b>(17,216)</b>	<b>(818)</b>	<b>3,649</b>	<b>(14,385)</b>	<b>(1,540)</b>	<b>2,100</b>	<b>(13,825)</b>

6.7 The projection on balances and reserves does not take into account decisions the Council will need to take in the coming months concerning Regeneration schemes (Union Street Aldershot, Civic Quarter Farnborough). The projections also do not take into account the recent decision to provide additional financial support to the Council's Leisure contract (Places Leisure) or any impact from service changes around Waste and Recycling.

## **7. RISKS AND UNCERTAINTIES**

- 7.1 The most significant financial risk facing the Council is the impact of Covid-19 on the Council's 2020/21 budget and Medium-Term Financial Strategy.
- 7.2 The proposed treatment of the 2019/20 outturn surplus and transfer of £1.806m to the Stability and Resilience reserve will help to mitigate the financial impact and allow the Council to take a considered approach to future budget options.

## **8. LEGAL IMPLICATIONS**

- 8.1 No additional legal implications arise from this report.

## **9. FINANCE AND RESOURCE IMPLICATIONS**

- 9.1 The finance and resource implications from the 2019/20 outturn and the way in which the positive variation can help mitigate the impact of Covid-19 are set out within this report.
- 9.2 Any additional financial implications will be addressed through normal Council procedures and processes. The Budget Strategy report to Cabinet in October 2020 and will set out any further resource implications.

## **10. CONCLUSIONS**

- 10.1 The figures contained within this report are provisional and subject to external audit's review of the Council's financial statements and may lead to changes in the outturn position. Members will be updated on the final outturn position should there be any material change.
- 10.2 There will always be variances against budgets due to the Council adapting its priorities to manage inevitable changes in demand pressures and having a flexible approach to changing circumstances. The degree of variation on service revenue expenditure should be considered as part of the budget setting process to ensure that budgets are set against realistic expectations of delivery and performance. Given the outturn position for the 2018/19 financial year was in the region of an underspend of £1m (after carry forwards), there is a risk that the Council is not taking the opportunity to revise budgets to a lower level based on past performance.

- 10.3 The outturn variation of £1.328m allows the Council to transfer an additional amount of funding to the Stability and Resilience Reserve (£1.805m in total) to mitigate the impact of Covid-19 on the 2020/21 budget and allows the Council to recover from the financial effects of Covid-19 over the medium-term.
- 10.4 However, as highlighted in the Q1 report, it is important that the Council is not overly reliant on its reserves and balances to mitigate any budgetary shortfall (deficit). The Council will need to consider an appropriate range of options to ensure any ongoing deficit is managed effectively. Any utilisation of reserves in 2020/21 will need to be addressed in the budget strategy to ensure balances and reserves remain adequate.
- 10.5 Over the MTFS period, declines in Council Tax and Business Rates income may put additional pressure on the Council's financial position. The achievement of the Savings Plan is integral to the MTFS forecast and will need to be reviewed in terms of savings profile and whether the savings can be delivered in the current economic climate. It is likely that further savings will be required over the MTFS period in order to balance the budget.

**BACKGROUND DOCUMENTS:**

None

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