

REVENUE BUDGET MONITORING REPORT 2020/21

SUMMARY:

This report sets out the anticipated financial position for 2020/21, based on monitoring exercise carried out with budget officers during February and early March 2021.

RECOMMENDATIONS:

CABINET is recommended to:

- i. note the latest revenue forecasts and financial impact from Covid-19
- ii. approve the establishment of Lease Surrender reserve and note the reserve movements proposed to support the General Fund in 2020/21
- iii. approve the proposed changes to the repayment profile of the Council's loans to Farnborough International Limited as set out in paragraphs 3.8 to 3.11

1 INTRODUCTION

- 1.1 Covid-19 is having a widespread impact on local authority budgets nationally and has been particularly significant for district and borough councils with a significant loss of income from services being a particular pressure.
- 1.2 This report provides members with an update on the impact on the Council's finances and incorporates the final monitoring position statement for the financial year 2020/21. The purpose of this report is to notify members of any known significant variations to budgets for the current financial year, highlight any key issues, and to inform members of any action to be taken if required.
- 1.3 A risk-based approach to budget monitoring has been undertaken with a review of forecasts by Heads of Service and Service Managers in February and March 2021. The forecasts for service revenue budgets reflect assumptions made at the time and may not reflect the full impact from the Covid restrictions in place since December 2020. Therefore, further fluctuations should be expected in the outturn position when reported to Cabinet.

- 1.4 The updated forecast for the General Fund is a net adverse variation of £0.287m (2.17% of the Net Revenue budget) which represents a slight worsening in the financial position when compared to the Latest Budget
- 1.5 Due to the volume of information contained in the report, 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 REVENUE BUDGET FORECAST

- 2.1 The original net General Fund Revenue budget for 2020/21 was approved by Council at their meeting in February 2020 of £11.290m.
- 2.2 Council agreed the revised budget at their meeting in February 2021 and no further changes have been made to the budget. Therefore, the current budget is now £13.261m. A reconciliation between the original budget and latest budget is shown in the table below.

Table 1: General Fund Revenue Budget reconciliation

General Fund Revenue Budget	(£'000)
Original Budget, Council Feb 2020	11,290
Add: Additional Reserve Transfers	347
Add: Carry Forwards from 2019/20	547
Funded from Reserves	(547)
Add: Supplementary Estimates	16
Add: Revised Estimate changes	1,608
Latest Budget as at 28 February 2021	13,261

Note: Revenue budget is unchanged since Council approved the Revised Estimates at the meeting on 25 February 2021

- 2.3 An initial forecast of the financial impact of Covid-19 was provided to Cabinet in June 2020 and highlighted a net adverse variation of £0.633m and was based on an initial review of high-risk budgets. The Q1 budget monitor report to Cabinet in August 2020 highlighted a net adverse variation of £0.789m., with the Q2 budget monitor report to Cabinet in December 2020 showing an adverse variance of £0.678m.
- 2.4 Forecasts and assumptions for high-risk budgets have been reviewed for this report and some reliance has been placed on other monitoring and

management processes around major contracts (e.g. Domestic Refuse and Recycling, Street Cleansing, Ground Maintenance, Leisure). However, all forecasts are subject to risk and uncertainty given the continued impact from Covid-19 in 2021.

- 2.5 The updated forecast for the General Fund is a net adverse variation of £0.287m (2.17% of the Net Revenue budget) which represents a slight worsening in the financial position when compared to the Latest Budget.
- 2.6 The level of Government Funding for Covid-19 expenditure and income pressures has increased from £2.162m reported in Q2 to a projected £2.349m. The additional funding has helped to mitigate some of the financial pressures on the Council. However, the overall position on the General Fund remains positive given the impact from Covid-19, as shown in Table 2.

Table 2: General Fund Revenue Budget Forecast

	2020/21 Original Budget (£'000)	2020/21 Latest Budget (£'000)	2020/21 Outturn Forecast (£'000)	2020/21 Variation (£'000)
General Fund Revenue Budget				
Corporate Services	5,289	5,470	5,470	0
Customer Experience & Improvement	19	88	87	(1)
Major Projects & Property	(4,928)	(4,473)	(4,305)	168
Operational Services	7,847	10,768	11,058	290
Planning & Economy	2,548	2,470	2,250	(220)
ICE Programme	496	556	556	0
SUBTOTAL	11,272	14,880	15,117	237
Less: Reversal of Accounting entries	(2,519)	(2,519)	(2,519)	0
Net Service Revenue Expenditure	8,753	11,926	12,163	237
Corporate Income & Expenditure	3,227	2,243	2,243	0
C19 Expenditure Pressures	0	0	0	0
C19 Risk	0	0	0	0
Movement in Reserves	746	(463)	(284)	179
Savings Plan	(1,436)	(446)	(388)	58
Net General Fund Revenue Budget	11,290	13,260	13,734	474
Funded by:				
Council Tax	6,705	6,705	6,705	0
Business Rates	3,767	3,767	3,767	0
New Homes Bonus	1,169	1,169	1,169	0
Covid-19 Emergency Funding	0	1,478	1,478	0
Covid-19 Income Loss	0	684	871	187
Other Funding	(3)	(270)	(270)	0
TOTAL Funding	11,637	13,533	13,720	187
Core (Surplus) or Deficit	(347)	(273)	14	287
Balanced by:				
General Fund Balance				0
Service Improvement Fund	297	0	0	0
Workforce Reserve	50	0	0	0
Stability & Resilience Reserve	0	273	(14)	(287)
Core Surplus or Deficit after Transfers	0	0	0	0

Note 1: The Original budget, as approved by Council in February 2020, included Additional Items which were subsequently included with Service budgets.

Note 2: The Original budget, as approved by Council in February 2020, allocated the £347k surplus to Service Improvement Fund and the Workforce Reserve. These budgeted reserve transfers are now included within the Movement in Reserves line.

2.7 The main material variations within Services are summarised in the tables below. Given the risk-based approach taken to reviewing budgets, the variations as reported should be viewed as indicative of the Council's financial

position against the revised budget approved by Council in February 2021. Cabinet will receive updates on the 2020/21 revenue outturn position in June and July 2021.

Table 3: Key Service variations

Significant Budget Variations	Portfolio	2020/21 Latest Budget (£'000)	2020/21 Outturn Forecast (£'000)	2020/21 Variation (£'000)
Council Offices/Facilities	CE&I	(10)	15	25
IT	CE&I	0	40	40
IT Technical Services - C19	CE&I	155	189	34
IT Technical Services - Cyber Security	CE&I	0	(100)	(100)
Commercial Property - Industrial Estates	MP&P	(926)	(901)	25
Commercial Property - Bellevue	MP&P	129	74	(55)
Commercial Property - Town Centres	MP&P	(642)	(642)	0
Commercial Property - Rushmoor Properties	MP&P	664	389	(275)
Commercial Property - Investment Properties	MP&P	(4,957)	(4,707)	250
Lease Surrender (Victoria Rd, Aldershot)	MP&P	0	(109)	(109)
Estates Support Service	MP&P	0	80	80
Regeneration (Revenue)	MP&P	197	447	250
Markets & Car Boot Sales **	MP&P	67	69	2
Car Parks **	OPS	242	297	55
On-Street Parking **	OPS	89	119	30
Leisure (FLC, AIP, Lido)	OPS	1,762	1,762	0
Crematorium	OPS	(705)	(530)	175
Cemeteries	OPS	18	48	30
Princes Hall - Culture Recovery Fund	P&E	166	129	(37)
Development Management	P&E	718	620	(98)
Building Control (Fees)	P&E	77	52	(25)
Economic Development	P&E	399	389	(10)
Town Centre Management	P&E	238	188	(50)
Subtotal		1,826	2,063	237

** Claims made for eligible losses under the C19 Income Loss scheme

2.8 The main variations on the revenue budget are due to a shortfall in income from Sales, Fees & Charges. Covid-19 has had a significant impact with material variations on both on-street and off-street car parking income, planning fees, and income from events and performances at Princes Hall.

2.9 The section below sets out the narrative from Heads of Service and Service Managers on the significant budget variations.

Corporate Services – no material variations

Customer Experience & Improvement – no material variations

Whilst the budget monitoring forecasts across the portfolio is broadly in-line with the revised budget, there are 2 specific areas of variation that are worth highlighting in this report.

- **IT Technical Services (Cyber Resilience Grant):** The Council was awarded a grant of £100k in March 2021 to support the delivery of the Council's Cyber Treatment Plan which was submitted in support of the funding application. This funding will be transferred to a new earmarked reserve to fund expenditure in 2021/22.
- **IT Technical Services (Covid-19):** £34k additional expenditure incurred in relation to the upgrade and replacement of elements of the Council's IT estate to ensure Windows 7 devices remain secure prior to the rollout of Windows 10 later in 2021. Further software licences have also been required to enable continued home working.
- **IT Staffing costs (Application Support, Service Desk, Technical Support):** £40k additional expenditure on senior IT Service Desk Engineers to facilitate work on Covid-19 response and recovery.
- **Council Offices (Temporary Staffing):** £25k additional expenditure for temporary cleaning staff required during office opening hours to provide enhanced cleaning ensuring a Covid-secure working environment.

Major Projects & Property – £168k net income shortfall

Forecasting the outturn position across the Council's Commercial Property portfolio has been challenging. As reported to members in December, the broad assumption on rental income was for an adverse variation of £0.250m by the end of the financial year with the Commercial Property reserve funding any shortfall.

At the time of writing this report, the following outturn position has been forecast across the Commercial Property portfolio. There remains a number of uncertainties in terms of rental income, particularly around town centre properties (e.g. 168 High Street Guildford, Wellington Centre Aldershot) and multi-let properties (Ashbourne House Guildford, Frimley Business Park).

- **Industrial Estates:** £25k net adverse variation largely due to a projected income shortfall
- **Bellevue Industrial Estate:** £55k net underspend on General repairs and maintenance given proactive work by the Property Team.

- **Rushmoor Properties:** £275k net underspend on the Repairs and Maintenance budget in 2020/21 due to a delay in commissioning works following changes to the PWLB Lending Terms. It is expected that a portion of the underspend will be carried forward to fund planned expenditure but will be subject to the overall General Fund revenue outturn position.
- **Investment Properties:** £250k Income shortfall across the portfolio. A report on options for 168 High Street Guildford is being considered by Cabinet at their meeting on 20 April 2021.
- **Lease Surrender (14-40 Victoria Road, Aldershot):** £122k payment has been received from the tenant in respect to the surrender of the 99 year lease. After accounting for fees and other costs associated with the surrender, the net payment of £109k will be transferred to a new earmarked reserve. This will provide funding in 2021/22 to mitigate holding and development costs associated with the site.
- **Estates Support Service:** £80k income shortfall

Expenditure of £250k is forecast on the Regeneration budget in respect of the due diligence work with Grant Thornton, Lambert Smith Hampton, and Gleeds on the Union Street regeneration scheme. This is funded from the Regeneration Due Diligence reserve.

Operational Services - £290k net income shortfall

As reported to members through the Q1 and Q2 budget monitoring reports, the Council has seen a significant reduction in the level of income from both Off-street and On-street parking. Income budgets were adjusted in the revised estimates approved by Council in February 2021 but the impact of Lockdown restrictions from late December 2020 have increased the income losses.

- **Car Parks:** £55k net income shortfall in car parking income offset in part due to lower salary costs.
- **On-Street Parking:** £30k net income shortfall from on-street parking charges. The final outturn position will be dependent on negotiations with Hampshire County Council concerning apportionment of income losses and any funding received from MHCLG.
- **Crematorium:** £175k income shortfall due to a 12% reduction in the number of cremations during the second-half of the year. Part of the reduction can be attributed to a reduced operational capacity.
- **Cemeteries:** £30k net income shortfall. Although the service has performed well this year the level of activity was not as high as predicted

when budgets were revised, although total income is significantly above the original budget level.

No material variations have been forecast across the Council's major contracts.

Members will be aware of the additional contract payment of £0.484m to Places Leisure in September 2020 to enable leisure facilities to reopen. Whilst leisure facilities were required to close in December 2020, it is not expected to give rise to a material variation.

The Council has been in regular discussions with SERCO as changes were made to Waste and Recycling services in response to Covid-19. Whilst the service changes have not resulted in any additional cost to the Council, it is expected that a reconciliation of income and expenditure across the contract will be required to confirm the outturn position for 2020/21.

Planning & Economy - £220k net income surplus

The key variations across the portfolio are listed below with minor variation forecast against Building Control (£25k).

- **Princes Hall (Culture Recovery Fund):** £37k underspend against the fund which will be carried forward to 2021/22. At the start of August, theatres and other organisations were invited to apply to the Government's new 'Culture Recovery Fund Grants Programme' which offered financial support to cultural organisations that were 'financially stable before Covid-19, but at imminent risk of failure'. The Princes Hall applied in the first round, and the application for £166k was successful. The balance of the fund will enable works to be completed to allow for the reopening of the venue – ventilation works, carpets and flooring, electrical works.
- **Development Management:** £98k net income surplus due to fees from Farnborough International and two schemes on Wellesley coming through earlier than anticipated.
- **Town Centre Management:** £50k net underspend with committed expenditure in relation to Digital Heritage Trail (£15k), Cultural Strategy and Compact (£17k), and Events (£6k).

2.10 Table 4a sets out the variations in Corporate Income and Expenditure. These are related to the Council's Treasury Management functions which are

explained in detail in Section 3 of this report. No material variations are expected across CI&E budgets.

Table 4a: Corporate Income & Expenditure

	2020/21 Original Budget (£'000)	2020/21 Latest Budget (£'000)	2020/21 Outturn Forecast (£'000)	2020/21 Variation (£'000)
Corporate Income & Expenditure				
Minimum Revenue Provision (MRP)	2,180	2,180	2,180	0
Interest Receivable	(1,600)	(1,090)	(1,090)	0
Interest Payable	1,370	785	785	0
Other CI&E	342	342	342	0
Additional Items/Growth	935	26	26	0
TOTAL CI&E	3,227	2,243	2,243	0

2.11 A key variation included in the Q2 monitoring position was a risk allowance of £0.500m, largely due to uncertainty around the impact of further restrictions on service forecasts of income and expenditure. Given the timing of this report, this risk allowance has been removed but a degree of uncertainty remains with the forecasts completed in February and early March.

2.12 Section 4 of the report outlines the forecast on the Council's Savings Plan, with Section 6 of the report providing members with an overview of the movement in reserves.

3. TREASURY MANAGEMENT – INVESTMENT INCOME AND BORROWING

3.1 As previously reported to members in the Covid-19 Impact report (FIN2017), Treasury management income likely to be reduced in 2020/21 reflecting the uncertainty in global financial markets. 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 Markey Funds (where balances are held for short periods until required) and Pooled Funds.

- 3.3 The Bank of England cut the base rate on 11 March 2020 from 0.75% to 0.25%, and again on 19 March 2020 from 0.25% to 0.10%. Whilst the base rate cut has reduced investment returns from Money Market Funds, it has not had a material impact on the Council's investment income.
- 3.4 The Council holds a more significant element of its surplus balances in Pooled Funds. Early advice from the Council's Treasury Management advisors suggested the Council should be prepared for lower income from bond, equity income, multi-asset and property funds. A prudent forecast position was to recognise downward adjustments of:
- Bond funds and property funds: 20% lower income
 - Multi-asset funds: 25% lower
 - Equity income funds: 50% lower
- 3.5 At the time of writing the budget monitoring report, the performance of the Pooled Funds has improved, and this is reflected in the table below which illustrates the changes in performance across the Pooled Fund portfolio. However, given the uncertainty around the economy and impact from Covid-19 and Brexit, this remains a risk.

Table 5: Treasury Management Investment Performance

Pooled Fund Performance	2020/21 Original Budget Return (%)	Q1 Forecast Returns (%)	Q2 Forecast Returns (%)	Forecast Returns to 28/02/2021 (%)
Property	5.30	4.20	6.40	4.00
Multi-Asset	4.90	3.50	4.70	4.46
Bonds	3.30	2.40	2.70	2.65
Equity	10.63	3.80	6.80	8.58
Average Rate of Return	5.80	3.40	4.80	4.49

- 3.6 The budget monitoring outturn forecast includes a revised forecast on the Council's Treasury Management income and is in-line with the revised budget position of £1.090m (but does represent a shortfall in income of £0.510m against the original budget).
- 3.7 The fall in income is partially offset by a fall in interest payable on external borrowing that supports the capital programme, which has a forecast further slippage of £0.680m to 2021/22. The revised budget assumed a reduction of

£0.585m on borrowing costs for the year and performance at the end of February was in-line with this expectation.

- 3.8 Members will recall that the Council, along with the other funding consortium partners (Barclays, Hampshire County Council, Enterprise M3 LEP) agreed to defer interest payments on loans to provide cashflow support to by Farnborough International Limited (FIL) following the cancellation of the 2020 Airshow.
- 3.9 At the recent funding consortium meeting in March 2021 a revised term sheet of proposed amendments to the Facility Agreement dated 16 December 2016 was put forward by Barclays. This set out revised financial covenants and other changes to the terms and conditions including formalising the revised repayment profile and treatment of deferred interest.
- 3.10 Under the draft terms, the public sector funding partners would receive deferred interest payments in June 2022, December 2022 and March 2024. Subject to covenant tests, repayment of the £4.6m of capital would be in June 2026 (£2.1m) and June 2028 (£2.5m). This represents a delay in the date of each repayment of 2 years. The Council's additional lending outside of the Facility Agreement (£2.2m) is subject to separate arrangements and is not due to be repaid until September 2028.

Capital repayment	Repayment Date	Revised Repayment Date
£2,105,000	30 June 2024	30 June 2026
£2,500,000	30 June 2026	30 June 2028

- 3.11 If the position regarding the payback period remains as set out above, the Council will need to reflect the longer payback period in the forecast of reserves and balances over the medium-term period. The Council will need to make an assessment of the fair value of the loans to FIL and may need to make an adjustment to the stated balance sheet value and disclosure within the 2020/21 Statement of Accounts.

4. SAVINGS PLAN

- 4.1 The Savings Plan for 2020/21 was revised in light of the changes to PWLB Lending Terms and the impact from Covid-19. The Table below outlines the revised level of savings agreed by Cabinet and Council in February 2021.

Table 6a: Savings Plan Forecast

	2020/21 Original Budget (£'000)	2020/21 Latest Budget (£'000)	2020/21 Outturn Forecast (£'000)	2020/21 Variation (£'000)
Savings Plan				
2019/20 Savings	(81)	0	0	0
Reversal of 2019/20 Additional Items	(130)	(100)	(100)	0
Rental Income from Property	(887)	0	0	0
Service Loans to Housing Company	(88)	(99)	(41)	58
Workforce/Modernisation Savings				
ICE Programme (Workstreams 1-3)	(150)			0
ICE Programme (Workstream 4)	(50)			0
Salaries monitoring	(50)	(247)	(247)	0
Subtotal	(250)	(247)	(247)	0
TOTAL Savings Plan	(1,436)	(446)	(388)	58

Note on Savings Plan:

ICE Programme WS3 savings and Salaries Monitoring – to avoid any potential double counting of underspends/salary savings these are currently all shown against the salaries monitoring line.

- 4.2 Workforce savings and the reversal of 2019/20 additional items have already been achieved and were reported to Cabinet in the Q2 Budget Monitoring report in December 2020.
- 4.3 Income from Service Loans to the Housing Company will not be realised at the budgeted level as the drawdown of lending from the Council to Rushmoor Homes did not take place until 15 March 2021. It is estimated that gross interest plus recharges to the Housing Company will be £41k.
- 4.4 Table 6b below provides members with a summary of the salary underspends/savings across the broad portfolio headings and represents the savings as reported to members in December 2020 and confirmed in the revised estimates in February 2021. The outturn position on salary savings will be reported to members in due course.

Table 6b: Breakdown of Salary Savings by Portfolio

	2020/21 Original Budget (£'000)	2020/21 Latest Budget (£'000)	2020/21 Outturn Forecast (£'000)	2020/21 Variation (£'000)
Salaries Monitoring				
Corporate Services	3,945	3,983	3,906	(77)
Customer Experience & Improvement	1,935	1,935	1,836	(98)
Major Projects & Property	989	989	926	(63)
Operational Services	4,235	4,235	4,012	(223)
Planning & Economy	1,883	1,883	1,829	(54)
Adjustments **			270	270
SUBTOTAL	12,987	13,025	12,778	(247)

** Adjustments include provision for the cost of the 2020/21 pay award above the budgeted level, project management costs that are revenue in nature that are currently charged against capital schemes.

5. GOVERNMENT FUNDING, COUNCIL TAX AND BUSINESS RATES

- 5.1 The Government has provided £4.6bn of emergency funding in four tranches to Local Government recognising the cost and income pressures facing councils. The first tranche of funding (£1.6bn) was announced on 19 March 2020, with the second tranche (£1.594bn) announced on 18 April 2020, the third tranche (£0.494bn) announced on 02 July 2020, and the fourth tranche was announced in late October 2020. Rushmoor has received £1.434m of funding in 2020/21.
- 5.2 In addition to the Emergency funding, the government has reimbursed Councils for lost income. Where losses are more than 5% of a Council's planned income from sales, fees and charges, the Government will cover 75% of these losses.
- 5.3 The Government have confirmed payments to Rushmoor under this scheme of £0.456m (for the period April to July) and £0.215m (for the period August to December). A further claim will be made in April 2021 (for the period December 2020 to March 2021). For the purposes of this report it is assumed a further claim of £0.200m will be made.
- 5.4 Covid-19 has a number of implications for the Council's Council Tax and Business Rate income during 2020/21.

- 5.5 The Government has provided funding to support individuals who may struggle to meet council tax payments due to fluctuations in household incomes. Through the Covid-19 Hardship Fund allocation (£0.542m), the Council has provided additional support to recipients of working age local council tax support by way of a credit to their council tax account. It is expected that an unspent balance of £0.108m and subject to any grant conditions will be available to support Council Tax Support cases in 2021/22.
- 5.6 At the time of writing this report, the Council Tax collection rate to the end of year was 96.8%, with the equivalent figure from 2019/20 being 97.8%. The collection rate has improved significantly during the second half of the year as the Revenues team worked proactively with council taxpayers to ensure payments were refiled and affordable.
- 5.7 The impact of reduced collection rates 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). An estimate of the deficit was included in the 2021/22 budget and MTFs approved by Council in February 2021.
- 5.8 Additional business rates reliefs were announced by the Government in the Budget in March 2020, which were extended in response to Covid-19. The Retail and Hospitality and Leisure reliefs awarded to local businesses total £23.525m, with the Government fully funding the reduction in business rates income through section 31 grant. It has been more difficult to predict the likely impact on business rates income due to the relief changes, with the collection rate to the end of year being 95.8% (97.4% in 2019/20). The level of business rates forecast for 2020/21 already assumed a reduction in the business rates base in part due to the regeneration of Aldershot and Farnborough town centres.

6. RESERVES AND BALANCES

- 6.1 As highlighted in Table 7, the emergency funding provided by Government does not cover all the income and expenditure pressures forecast. The Council will need to consider an appropriate range of options to ensure any shortfall is managed.
- 6.2 It is worth noting the impact of Covid on balances and reserves. Whilst the transfer from the Stability and Resilience Reserve balances the budget, there are other reserves that are being drawn upon due to Covid-related adverse variations.
- 6.3 When taken together, the total level of reserves deployed against the General Fund is £0.645m, as set out in the table below.

Table 7a: Reserves and Balances deployed against GF

	2020/21 Outturn Forecast (£'000)
Transfers To (From) Reserves	
General Fund Balance	0
<u>Earmarked Reserves</u>	
Stability & Resilience	14
Commercial Property Reserve	250
Treasury Reserve	290
CPE Rolling Fund	91
Subtotal GF Support	645

- 6.4 Further reserve movements are likely 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 subject to the final outturn.
- 6.5 The table below shows the forecast of transfers to/from key reserves supporting the General Fund revenue budget.

Table 8b: Reserves and Balances

	2020/21 Original Budget (£'000)	2020/21 Latest Budget (£'000)	2020/21 Outturn Forecast (£'000)	2020/21 Variation (£'000)
Transfers To (From) Reserves				
General Fund Balance	0	0	0	0
Earmarked Reserves				
Stability & Resilience				
Service Improvement Fund	0	0	0	0
Commercial Property Reserve	50	(250)	(250)	0
Regeneration Reserve	(170)	(183)	0	183
ICE Reserve	(212)	(297)	(297)	0
Climate Emergency Reserve	250	216	216	0
Deprivation Reserve	100	100	100	0
Pension Reserve	669	669	669	0
Regeneration Due Diligence Reserve	0	0	(250)	(250)
NEW - Lease Surrender	0	0	109	109
Workforce Reserve	0	0	0	0
Treasury Reserve	0	(180)	(180)	0
CPE Rolling Fund	169	(91)	(91)	0
Budget Carry Forwards 2019/20	0	(301)	(301)	0
NEW Draft Budget Carry Forwards 2020/21			137	137
Elections Reserve	0	87	87	0
SANG/s106	0	0	0	0
Other Earmarked Reserves/Prior yr grants	(109)	(233)	(233)	0
TOTAL Transfers	746	(463)	(284)	179

7. RISKS AND UNCERTAINTIES

- 7.1 There is a degree of uncertainty in the outturn forecasts provided by budget holders particularly due to the impact of Covid-19. There are a number of risks and uncertainties in the outturn forecasts, which are set out below.
- 7.2 As highlighted in this report, the forecasts are based on assumptions which were subject to change along with budget holders and the finance team reviewing transactions to ensure an accurate outturn position is presented. For clarity, the key assumptions are listed below:
- Lockdown/Restrictions remained largely in place from December 2020 until the end of March 2021.
 - Commercial Property – any shortfall in 2020/21 funded from Commercial Reserve. Any longer-term impact dealt with through budget setting process.

- Council Tax & Business Rates collection shortfalls over and above the January 2021 estimated position are contained within the collection fund but will need to be incorporated into the 2022/23 budget.

7.3 The over-riding risk is that Rushmoor (as a Borough and/or as a Council) does not recover from the impact of Covid-19. This would lead to a weakening of the local economy longer-term impact on the financial sustainability of the Council reduce the ability for the Council to meet the needs of residents and businesses, and to fulfil the Council's statutory obligations.

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 budget monitoring exercise and 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 2020/21 outturn update reports to Cabinet in June and July 2021 will set out any further resource implications.

9.3 The Council will also need to carefully consider the financial impact of spending decisions and ensure that any unnecessary expenditure is avoided where possible.

10. CONCLUSIONS

10.1 There will always be variances reported in-year against budgets due to the Council adapting its priorities to manage inevitable changes in demand pressures and having a flexible approach to changing circumstances.

10.2 The forecast variation of £14k can be funded from reserves in the short term. It is important that the Council considers an appropriate range of options to ensure any shortfall is managed. Any utilisation of reserves in 2020/21 will need to be reviewed as part of the 2020/21 Revenue Budget Outturn and addressed in the new MTFS period to ensure balances and reserves remain adequate.

10.3 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 Cost Reduction and Efficiencies 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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