

CABINET

5th AUGUST 2025

**COUNCILLOR A.H. CRAWFORD
FINANCE & RESOURCES PORTFOLIO HOLDER
REPORT NO. FIN2513**

KEY DECISION? NO

BUDGET MANAGEMENT – MONTH 3 (Q1)

SUMMARY AND RECOMMENDATIONS:

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

CABINET is recommended to:

- i. Note the Revenue budget forecast as set out in Section 3.1 of the report

1. INTRODUCTION

- 1.1. The Budget is a major decision for the Council and setting and maintaining a balanced budget is a statutory requirement. This report provides an update on the forecasted outturn position against approved budget for the current financial year 2025/26 based upon service manager information as at the end of June 2025 with additional finance due diligence. Heads of Service, Service Managers and the Finance Team work collaboratively to produce robust forecasts and validate forecast assumptions.

2. BACKGROUND AND EXECUTIVE SUMMARY

- 2.1. The Council has a statutory obligation to set and maintain a balanced budget. In February 2025 the Council identified a significant challenge to its future financial sustainability (as set out at the February 2025 Budget Council).
- 2.2. The forecast outturn for 2025/26 is on track with the full £1.8million savings requirement achieved.
- 2.3. The level of external borrowing has reduced through careful cashflow management delaying and reducing the need to borrow externally. Whilst the council has utilised more of its cashflow to avoid external borrowing, the overall reduction in level of borrowing required in the MTFS can only be achieved through capital receipts.

3. CURRENT YEAR FINANCIAL PERFORMANCE

Revenue Account

- 3.1. The original net General Fund Revenue budget for 2025/26 was approved by Council at their meeting in February 2025. The latest approved budget also includes budget carry forwards of £101k as noted in the July Outturn report. The quarter 1 forecast outturn is presented in the table below.

	2025-26 Original Budget £'000	2025-26 Approved Budget £'000	2025-26 Forecasted Outturn £'000	2025-26 Forecast Variance £'000
Economy, Skills & Regeneration	(4,868)	(5,068)	(5,678)	(611)
Finances & Resources	3,873	4,216	3,869	(347)
Healthy Communities & Active Lives	3,730	3,777	3,924	147
Housing & Planning	2,613	2,671	2,718	47
Leader/Communications	25	113	(99)	(14)
Policy, Performance & Sustainability	578	923	1,025	101
Pride in Place & Neighbourhood Services	7,929	7,990	7,993	3
Subtotal	13,879	14,622	13,950	(673)
Less: Reversal of Accounting Entries	(2,957)	(2,944)	(2,944)	-
Net Service Revenue Expenditure	10,922	11,679	11,006	(673)
<u>Corporate Income & Expenditure</u>				
Minimum Revenue Provision (MRP)	2,133	2,133	2,133	(0)
Interest Receivable	(1,402)	(1,402)	(1,464)	(63)
Interest Payable	6,490	6,490	6,503	14
Vacancy Savings	(400)	(400)	-	400
Recurrent Savings	(1,784)	306	306	-
Pooled Funds	1,000	-	-	-
NI Compensation Grant	(152)	(152)	(137)	15
Union Yard Holding Hosts Provision	221	0.2	-	(0)
Contract Inflation	362	162	162	(0)
Irrecoverable VAT	0	0	97	97
RCCO	-	35	35	-
Movement in Earmarked Reserves	587	(774)	(774)	-
Movement in General Reserves	(3,421)	(3,520)	(3,520)	-
Net General Fund Revenue Budget	14,556	14,556	14,347	(210)
Funded by:				
Council Tax	(8,039)	(8,039)	(8,039)	-
Business Rates	(5,071)	(5,071)	(5,071)	-
Collection Fund	(31)	(31)	(31)	-
New Homes Bonus	(512)	(512)	(512)	(0)
Local Restrictions Support Grant	(615)	(615)	(615)	-
Other Grant Income	-	(39)	(39)	0
Funding Guarantee	(118)	(118)	(118)	-
Revenue Support Grant	(170)	(131)	(131)	-
Total Funding	(14,556)	(14,556)	(14,556)	0
Core (Surplus)/Deficit	-	-	(209)	(210)

- 3.2. Details of the Month 3 forecast variance by nature is provided below. This table brings the vacancy margin into a service savings total to give a complete service position.

	Economy, Skills & Regenerati on	Finance & Resources	Healthy Communi ties & Active Lives	Housi ng & Plann ing	Leader/ Commu nicatio ns	Policy, Performance & Sustainability	Pride in Place & Neighbourhoo d Services	Grand Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Staff Costs	(239)	(341)	87	(46)	(13)	56	(124)	(620)
Contracted Services	56	(2)	57	11	-	8	(11)	119
Utilities & Business Rates	(139)		(16)				5	(150)
Professional Consultancy	1	33				40		74
IT		(1)						(1)
Equipment							1	1
Maintenance							5	5
Other Costs	13	-	13	5	-	-	5	36
Fees and Charges	-	(11)	-	51	-	-	131	93
Property Related Income	(306)						(18)	(324)
Property Service Charges								-
Grant	5	(24)	5	27	-	(3)	14	24
Other Income								-
Service Sub-Total	(609)	(346)	146	48	(13)	101	8	(673)
Vacancy Margin								400
Total								(273)

Delivery of Target

- 3.3. Full Council on 27th February 2025 approved the 2025/26 revenue and capital budget and the 2025-28 Medium Term Financial Strategy (MTFS). The council set a 2025-26 balanced budget with a planned reserve drawdown of £3.4m and a savings target of £1.8m of net budget reduction in 2025-26. As reported in the July Outturn Report, the latest forecast shows the savings target has been achieved.
- 3.4. The service cost review aimed to achieve temporary budget reduction by identifying where expenditure can be held back during 2025-26. The focus was on expenditure that could be stopped in year without a significant or immediate impact on services received by residents. The process has resulting in £1.095m being identified and reduced the in-year savings target.
- 3.5. The 2025-26 budget also included a one off £1m provision for book losses on Treasury Management long term pooled fund investments. The government delayed the requirement to make this provision until April 2029. Therefore, the full £1.784m savings requirement for 2025-26 has been achieved.

- 3.6. Work will continue as planned to identify long term sustainable savings to achieve financial sustainability and resolve the £2.784m savings requirement for 2026-27 and £3.781m for 2027-28 as set out in the MTFS. Work is also ongoing to revise the February 2025 MTFS with the latest available information and update the savings requirement based upon the latest information to achieve financial sustainability. This will be brought to the September Cabinet.

Key Service Variations

- 3.7. Each of these variances are being worked through to evaluate the certainty of the forecast and impact on the MTFS budget requirement.
- 3.8. Staff savings of over £620k are forecast to be achieved in year which is beyond the £400k vacancy margin built into the budget, providing a net £220k saving. An overspend for legal resources is forecast at circa £100k, and further report will be made to committee on this at a future date.
- 3.9. Property income overall is a positive outlook, with lease increases in a number of sites improving the income position by a net £306k. These include up to £200k additional forecast at Frimley 4 Business Park.
- 3.10. Utilities and business rates are delivering savings particularly in the property area. Energy prices have reduced within this financial year for the Council, and savings due to disposals and reduced vacancies have been achieved.
- 3.11. Hampshire County Council leaving the Rushmoor Office Buildings has left a shortfall within the fees and charges of £90k.
- 3.12. Interest rate assumptions within the approved budget are 5%, however rates below this have been achieved within this financial year. If capital receipts delivery is achieved to target timescales, further savings may be achievable, however anticipated delays have minimised the forecast savings at this stage. As confidence builds throughout the financial year, interest performance may improve.
- 3.13. In addition, interest costs are to be capitalised for the Crematorium until handover of the completed project. This reduced net interest costs within revenue by circa £35k in the current financial year. This accounting treatment increases the overall cost and borrowing requirement of each project, however it enables us to remove the interest impact from the revenue account in the short term.

Capital

- 3.14. The original Capital Programme estimate for 2025/26 was approved by Council at their meeting in February 2025 totalling £4.8million.

- 3.15. Cabinet also considered slippage requests in July 2025 of £3.6million, and supplementary budgets of £365k, creating an approved budget of circa £8.8million.
- 3.16. The current anticipated outturn forecast for 2025/26 amounts to a spend of £10.3m – an overspend of £1.5million.
- 3.17. In the main, this consists of an anticipated overspend of £1.6million on the Crematorium Refurbishment. This overspend is detailed in a separate report on this agenda.
- 3.18. Details of forecast project expenditure and funding are detailed below.

Scheme	2025/26 Budget	Budget Carry Forward	Additional Approved Schemes	Total Revised Budget	Forecast Outturn	Over / (Under) Spend
	£	£	£	£	£	£
Union Yard commercial units fit out lease contributions	850,000	175,000		1,025,000	1,025,000	-
Union Yard Right to light	400,000			400,000	400,000	-
Leisure and Civic Hub (CQ Plot B)			1,135,000	1,135,000	1,135,000	
Southwood Park (S106 / SANG)	-	285,000		285,000	285,000	-
Crematorium	366,000	1,636,000		2,002,000	3,752,000	1,750,000
Ashbourne House	-	74,000		74,000	74,000	-
Hotel Civic Quarter (CQ Plot D)	-			-	-	-
CQ Pinehurst Car Park Demolition / CQ Infrastructure		605,000		605,000	605,000	-
Food Waste	7,000			7,000	7,000	-
Wheeled Bins	120,000			120,000	120,000	-
Disabled Facilities Grants	1,111,000			1,111,000	1,111,000	-
Aldershot Pools Solar panels	-	71,000		71,000	71,000	-
Asset Management Capital expenditure provision	800,000			800,000	800,000	-
ICT Services Capital Schemes	140,800	650,000		790,800	525,000	(265,800)
Ceremonial Asset Construction		13,000		13,000	13,000	-
Various S106 projects (S106 funded)	-	115,000	364,900	479,900	479,900	-
REFCUS: Service review capitalised costs provision	1,000,000			1,000,000	1,000,000	-
TOTAL	4,794,800	3,624,000	364,900	8,783,700	10,267,900	1,484,200

Funded by:						
Developer contribution to Wheeled bins	20,000			20,000	20,000	-
S106/ SANG Grant (Southwood Park)	-	285,000		285,000	285,000	-
S106 (Play Areas etc)	-	115,000	364,900	479,900	479,900	-
Disabled Facilities Grants	1,111,000			1,111,000	1,111,000	-
LUF - Leisure HUB				-	-	-

OPE Grant - Pinehurst Demolition / CQ Infrastructure	-	605,000	-	605,000	605,000	-
Community Grant		13,000		13,000	13,000	-
Swimming Pool Fund		71,000		71,000	71,000	-
Revenue Contribution				-	-	-
Capital Receipts	1,990,800	825,000	-	2,815,800	2,550,000	(265,800)
Borrowing	1,673,000	1,710,000	-	3,383,000	5,133,000	1,750,000
Total funding:	4,794,800	3,624,000	364,900	8,783,700	10,267,900	1,484,200

Alternative Options

- 3.19. The Council has a legal obligation to produce a balanced budget and therefore there is not a 'Do Nothing' option. The Council must achieve its revenue and capital receipt targets, through implementation of the Financial Recovery Plan.
- 3.20. Progress on identifying and implementing measures is being financially monitored, the council does have the option to introduce targeted or broader temporary expenditure control to hold back expenditure and reduce the drawdown on reserves if the financial situation warrants. The Executive Head of Finance will consult at the earliest indication of this option being required.

Consultation

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

4. IMPLICATIONS

Risks and Uncertainties

- 4.1. The cost of borrowing remains a risk to the council at present. The majority of borrowing has now been put in place for this financial year, but some will likely be required in the final months. Interest rates have begun to fall and were lower than anticipated early in the year. However, the interest rate reductions forecast are likely to be slower than anticipated for the latter part of the year and remain a risk.
- 4.2. External borrowing was minimised throughout 2024/25. However, the value of borrowing the council holds remains high. This continues to provide a risk to the council is borrowing interest costs.
- 4.3. The staff pay uplift has not yet been agreed, for the 2025/26 financial year. The assumption built into the budget is a 2.5% increase for all staff. Initial settlement proposals are 3.2%, therefore are above the budgeted assumption. If agreed at these levels, this will have an additional cost to the council of around £50,000.
- 4.4. Property portfolio rental streams are a sizable contributor to the council's income, supporting the funding of debt costs. Properties remain at risk of

vacancies which both prevent income achievement but can incur additional costs of rates, maintenance, and security.

- 4.5. Delays to the Crematorium refurbishment project are having a negative ongoing impact on the income position of the council within 2025/26. This is mitigated somewhat within the revenue account due to interest capitalisation charges made to capital, however these charges are impacting the overall project cost negatively.
- 4.6. Additionally, the Crematorium project has created a partial exemption breach in 2025/26. Subject to ongoing discussions with HMRC the project may see an additional cost of the project of circa £498k of VAT. In addition, this will impact the recoverability on the Council's revenue activities, incurring a potential cost of £97k within General Fund Revenue. Officers are being supported by Tax Consultants to challenge this position, however the risk currently remains.

Legal Implications

- 4.7. Under the Council's Finance Procedure Rules, the Executive Head of Finance is responsible for the proper administration of the Council's financial affairs and advising on the corporate financial position. It is the responsibility of Executive Directors, Heads of Service, Corporate Managers and Service Managers to consult with the Executive Head of Finance and seek approval on any matter liable to affect the Council's finances materially, before any commitments are incurred.

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

Financial and Resource Implications

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

Equalities Impact Implications

- 4.9. No direct impact.

Other

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

5. CONCLUSIONS

- 5.1. The council set a 2025-26 balanced budget with a planned reserve drawdown of £3.4m and a savings target of £1.8m of net budget reduction in 2025-26. The latest forecast shows the savings target has been achieved.

- 5.2. If the in-year financial situation determines, cost controls can be implemented to slow down the rate of expenditure until the situation is resolved.
- 5.3. Overall, the financial position over the MTFS period continues to be challenging, progress is being made and officers will continue to monitor closely and report updates regularly to councillors.

BACKGROUND DOCUMENTS:

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

CONTACT DETAILS:

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

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