

Notice of Meeting

Cabinet

Date: Wednesday 31 January 2024

Time: 5.30 pm

Venue: Conference Room 1, Beech Hurst, Weyhill Road, Andover SP10 3AJ

For further information or enquiries please contact:

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Legal and Democratic Service

Test Valley Borough Council,
Beech Hurst, Weyhill Road,
Andover, Hampshire,
SP10 3AJ

www.testvalley.gov.uk

This is formal notice under The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 that part of this meeting may be held in private because the agenda and reports for the meeting may contain exempt information under Part 1 of Schedule 12A to the Local Government Act 1972 (as amended) and that the public interest in withholding the information outweighs the public interest in disclosing it.

PUBLIC PARTICIPATION SCHEME

If members of the public wish to address the meeting they should notify the Legal and Democratic Service at the Council's Beech Hurst office by noon on the working day before the meeting.

Membership of Cabinet

MEMBER	WARD
Councillor P North (Chairman)	Bourne Valley
Councillor N Adams-King (Vice-Chairman)	Blackwater
Councillor P Bundy	Chilworth, Nursling & Rownhams
Councillor D Drew	Harewood
Councillor M Flood	Anna
Councillor A Johnston	Mid Test
Councillor N Lodge	Andover Downlands
Councillor T Swain	Chilworth, Nursling & Rownhams

Cabinet

Wednesday 31 January 2024

AGENDA

The order of these items may change as a result of members of the public wishing to speak

- 1 Apologies**
- 2 Public Participation**
- 3 Declarations of Interest**
- 4 Urgent Items**
- 5 Minutes of the previous meeting 5 - 8**

To approve, as a correct record, the minutes of the meeting held on 20 December 2023.
- 6 Recommendations of the Overview and Scrutiny Committee**

There were no recommendations from the Overview and Scrutiny Committee.
- 7 Land Disposal Options 9 - 17**

To consider options for the disposal of two sites owned by the Council.
- 8 Corporate Financial Monitoring 18 - 51**

To compare actual revenue income and expenditure against profiled budget.
- 9 2024/25 Budget Update 52 - 64**

To provide an update on the revenue budget setting process for 2024/25.

10 **Exclusion of the Public** **65 - 66**

The following item is confidential.

11 **Contractual Matters** **67 - 72**

To update members on contractual matters.

ITEM 5

Minutes of the **Cabinet**
of the **Test Valley Borough Council**
held in The Annexe, Crosfield Hall, Broadwater Road, Romsey
on Wednesday 20 December 2023 at 5.30 pm

Attendance:

Councillor P North (Chairman)

Councillor P Bundy

Councillor D Drew

Councillor M Flood

Councillor N Adams-King (Vice-Chairman)

Councillor A Johnston

Councillor N Lodge

Councillor T Swain

Also in attendance

Councillor N Gwynne

369

Apologies

There were no apologies for absence.

370

Public Participation

There was no public participation.

371

Declarations of Interest

There were no declarations of interest.

372

Urgent Items

There were no urgent items.

373

Minutes of the previous meeting

The minutes of the Cabinet meeting held on 15 November 2023 were proposed by Councillor P North and seconded by Councillor Adams-King.

Resolved:

That the minutes of the meeting held on 15 November 2023 be confirmed and signed as a correct record

374 **Recommendations of the Overview and Scrutiny Committee**

There were no recommendations to consider from the Overview and Scrutiny Committee.

375 **Council Tax Support Scheme 2024/25**

Consideration was given to a report of the Finance and Resources Portfolio Holder which set out the Council's Council Tax Support Scheme for the forthcoming 2024/25 financial year.

The cost-of-living crisis has affected households throughout the borough. CTS is one way that the Council can offer support in the form of a discount from the full impact of Council Tax.

Due to the volatility in the wider economy at this time, it is recommended that a continuation of the current CTS scheme, uprated to take account of latest regulations, be approved.

Having considered the options and for the reasons set out in the report, the recommendations were proposed by Councillor Flood, seconded by Councillor P North and Cabinet agreed to the following:

Recommended to Council:

- 1. That the Council Tax Support scheme for 2024/25, as shown in the Annex to the report, be approved.**
- 2. That the Head of Finance and Revenues, in consultation with the Finance and Resources Portfolio Holder, be authorised to make any necessary changes to the Scheme that are required by the Council Tax Reduction Schemes (Prescribed Requirements) Regulations 2024 when they are confirmed by the Department for Levelling Up, Housing and Communities.**
- 3. In the event that any new government initiatives are introduced that result in receipt of a grant or an increase in Universal Credit or other government benefits, that the Head of Finance and Revenues, in consultation with the Finance and Resources Portfolio Holder, be authorised to disregard these awards as income in accordance with government guidelines.**

376 Authority to spend for New Theatre/Cultural Hub Architectural Services

Consideration was given to the report of the Strategic Regeneration and Partnerships (North) Portfolio Holder and the Finance and Resources Portfolio Holder which sought approval of the funding which would enable the Council to commit up to £3.74M of expenditure on architectural and technical services relating to the delivery of a new theatre and cultural hub in Andover Town Centre.

In November 2023 the Council was notified that it had been successful in being awarded funding of £18.3M from the Government's Levelling Up Fund (LUF), the majority of which would be used to deliver the new theatre and cultural hub. It was expected that the full costs of the works would be rechargeable to the LUF funding.

Having considered the options and for the reasons set out in the report, the recommendations were proposed by Councillor Flood, seconded by Councillor P North and Cabinet agreed to the following:

Recommended to Council:

- 1. That £3.74M be added to the Capital Programme to deliver the project outlined in the report, to be funded from the Capital Receipts Reserve.**
- 2. That the transfer of £1M to the Capital Receipts Reserve for the reasons set out in paragraphs 7.4 and 7.5 of the report, be approved.**

377 Fees and Charges

Consideration was given to a report of the Finance and Resources Portfolio Holder which presented the proposed Fees and Charges for 2024/25.

As far as was possible, increases in charges within the control of the Council had been minimised. Details of increases were set out in the report.

Having considered the options and for the reasons set out in the report, the recommendations were proposed by Councillor Flood, seconded by Councillor P North and Cabinet agreed to the following:

Resolved:

- 1. That the fees and charges for 2024/25, as set out in the annexes to the report, be approved.**
- 2. That Heads of Service be authorised to increase relevant fees and charges in line with statutory levels should they change following this report.**

378

Great Crested Newt Licensing

Consideration was given to the report of the Planning Portfolio Holder which considered the introduction of an additional route for Great Crested Newt (GCN) licensing in relation to new development proposals across the borough.

At present, where a proposed development was likely to impact GCN, developers required a licence that could only obtain from Natural England. The District Licensing System would offer a simpler and potentially more cost-effective option for developers to satisfy their obligations in Test Valley.

Having considered the options and for the reasons set out in the report, the recommendations were proposed by Councillor Bundy, seconded by Councillor P North and Cabinet agreed to the following:

Resolved:

- 1. That the Council becomes part of the District Licensing System for Great Crested Newts subject to the Head of Planning and Building being satisfied with the detailed terms and conditions of implementation and thereafter operation of the system.**
- 2. That NatureSpace be authorised to apply to Natural England on the Council's behalf for a license under the District Licensing System.**

(The meeting terminated at 6.02 pm)

ITEM 7

Land Disposal Options

Report of the Finance and Resources Portfolio Holder

Recommended:

- 1. To the extent that such actions fall outside existing delegations, that the Head of Property and Asset Management in consultation with the Finance and Resources Portfolio Holder, the Head of Legal and Democratic Services and the Head of Finance and Revenues be authorised to appoint professional advisors to assist in establishing options for the disposal of the assets set out in this report.**
- 2. That the funding, set out in paragraph 7.1 of the report, for the professional fees required to finalise disposal options be approved, and be financed from the Regeneration Reserve.**

SUMMARY:

- The sites referred to in this report are occupied for agricultural purposes. Their potential, alternative uses offer greater returns to the Council.
- This report recommends formulating disposal options for the two sites if the allocations are made so that this will contribute towards evidence in the Local Plan process that the delivery of development can be better demonstrated.

1 Introduction

- 1.1 This report considers the options available to the Council for the disposal of two pieces of land that the Head of Property and Asset Management (PAM) considers to be surplus to requirements.

2 Background

- 2.1 The sites set out in this report have been included within the Test Valley Borough Council Strategic Housing and Economic Land Availability Assessment (SHELAA) for possible inclusion within the Council's Local Plan.
- 2.2 Including a site within the SHELAA does not mean that the sites will be acceptable or allocated for development; that will ultimately be a decision for Council.
- 2.3 The Council's recommended timetable for the Local Plan 2040 is set out within the Local Development Scheme. The Regulation 18 Part 2 document was approved by Council on 17 January 2024 and consultation will commence on 6th February 2024. This is, therefore, an opportune time for confirming that these sites can be considered for disposal.

- 2.4 Given the potential benefits of providing capital receipts, helping to meet the Borough's housing needs and contributing to the Borough's Gypsy and Traveller need on sustainable sites, there are clear merits in confirming the sites are available for disposal and progressing disposal options for consideration.

3 Bailiff's Bottom, Andover

3.1 Introduction

The wedge-shaped site (see Annex 1) is located close the junction of the A303 and the A3093 (see Annex 2) and is approximately 28 acres in size.

Currently, the site is used by a local farmer.

The site was transferred to Test Valley District (Borough) Council on reorganisation in 1974 by Andover Borough Council.

3.2 Background

In 2007/8 the Council sold a strip of land to Persimmon Homes for them to build a roundabout to service what is now Picket Twenty from the A3039. This in turn provided access to the Council's retained land.

As part and parcel of establishing disposal options, it is recommended that the Head of PAM explores options with relevant third parties so that any opportunities or issues which they present can be included in the disposal options for consideration.

3.3 Recommended Approach - Progression Towards Disposal

1. Approving steps towards disposal would aid the case to demonstrate that the site is deliverable as part of the housing allocation in the Local Plan process.
2. A full legal title check will be carried out so that the Council understands any issues that need to be resolved before any disposal process begins.
3. As this is a site that the Council has been advised has significant value as a potential development site, it is important that development and legal advice is procured to consider issues such as adjoining owners including accesses, implications of different sale methods, timing, negotiation position etc. This will help inform the most beneficial form of disposal.

- 3.4 An assessment of the cost of the initial advice is set out in the Financial Implications section, below.

- 3.5 A further report will be brought to Cabinet with disposal options, once formulated.

4. Bunny Lane, Timsbury

4.1 Introduction

The site is approximately 7.6 acres and Annex 3 attached shows the site. Its location is shown on Annex 4 between the villages of Timsbury and Braishfield. The site is adjacent waste facilities and agricultural land.

4.2 Background

The Council-owned site was formerly a landfill site. Currently the site is grassed and for grazing with the licence currently being renewed.

Consideration was given to allocating the site as a gypsy and traveller site location at the time of the adoption of current local plan, but this did not progress. As set out above, the site has now been put forward for consideration for allocation as a Gypsy and Traveller site in the developing local plan.

4.3 Recommended Approach - Progression Towards Disposal

1. It is recommended that movement towards disposal will:

- aid the case to demonstrate that the site is deliverable as part of the housing allocation in the Local Plan process.
- make an inroad into the shortage of Gypsy and Traveller sites within the proposed Local Plan.

2. Input into the disposal/operational options is from the Hampshire County Council Gypsy and Travellers Officer so that how the site will be delivered is clearly understood. This will establish whether there is the potential for value to be derived from a transfer.

5. Options

5.1 The options for consideration are:

5.2 Option 1 – Approve the recommendations set out in this report, which, subject to the approval of Council funding, will result in a fully informed set of disposal options for consideration and future decision-making.

5.3 Option 2 – Not approve the recommendation to move towards disposal.

6. Options Appraisal

6.1 For the reasons set out above, the development of disposal options for both sites is recommended.

6.2 Given the complexities of the Bailiff's Bottom site, it is recommended that professional advice is obtained, and discussions held with any relevant third parties in order to arrive at a set of disposal options which will inform future decisions.

6.3 Both potential disposals would contribute positively towards the Council's financial position, housing and Bunny Lane will improve Gypsy and Traveller site provision.

6.4 Therefore Option 1 is the recommended option.

7. Resource Implications

7.1 The initial costs are expected to be as follows:

Initial studies (ground, ecology, geophysical, utility capacity etc)	£20,000
Development Advice (strategy, initial negotiations, viability etc)	£50,000
Total	£70,000

If it is decided to sell Bailiff's Bottom additional costs for detailed development and legal advice will need to be considered.

7.2 The Council has established an earmarked reserve to fund activities related to the regeneration programmes in Andover and Romsey. The professional advice identified in this report would help facilitate a land disposal, the proceeds of which are expected to be a key pillar of the funding strategy for those programmes.

7.3 Therefore, it is considered appropriate that the regeneration reserve is a suitable source to meet the costs identified in this report. The Head of Finance and Revenues has confirmed that there is a sufficient balance on the reserve to accommodate this.

7.4 The costs of disposal of Bunny Lane are not expected to be significant and this will most likely be dealt with by internal resource and existing budgets.

8 Legal implications

8.1 The Council has power to dispose of land pursuant to section 123 of the Local Government Act 1972 ('the Act'). The Council is required by the Act to dispose of land only for the best consideration reasonably obtainable. Disposal at undervalue may be permitted by General Disposal Consent (England) 2003 or authorised by the Secretary of State.

9. Risk Management

9.1 Following the receipt of the advice outlined above an assessment of risks of identified actions will be provided as part of a further report to Cabinet.

9.2 No significant risks exist of taking the actions proposed in this report.

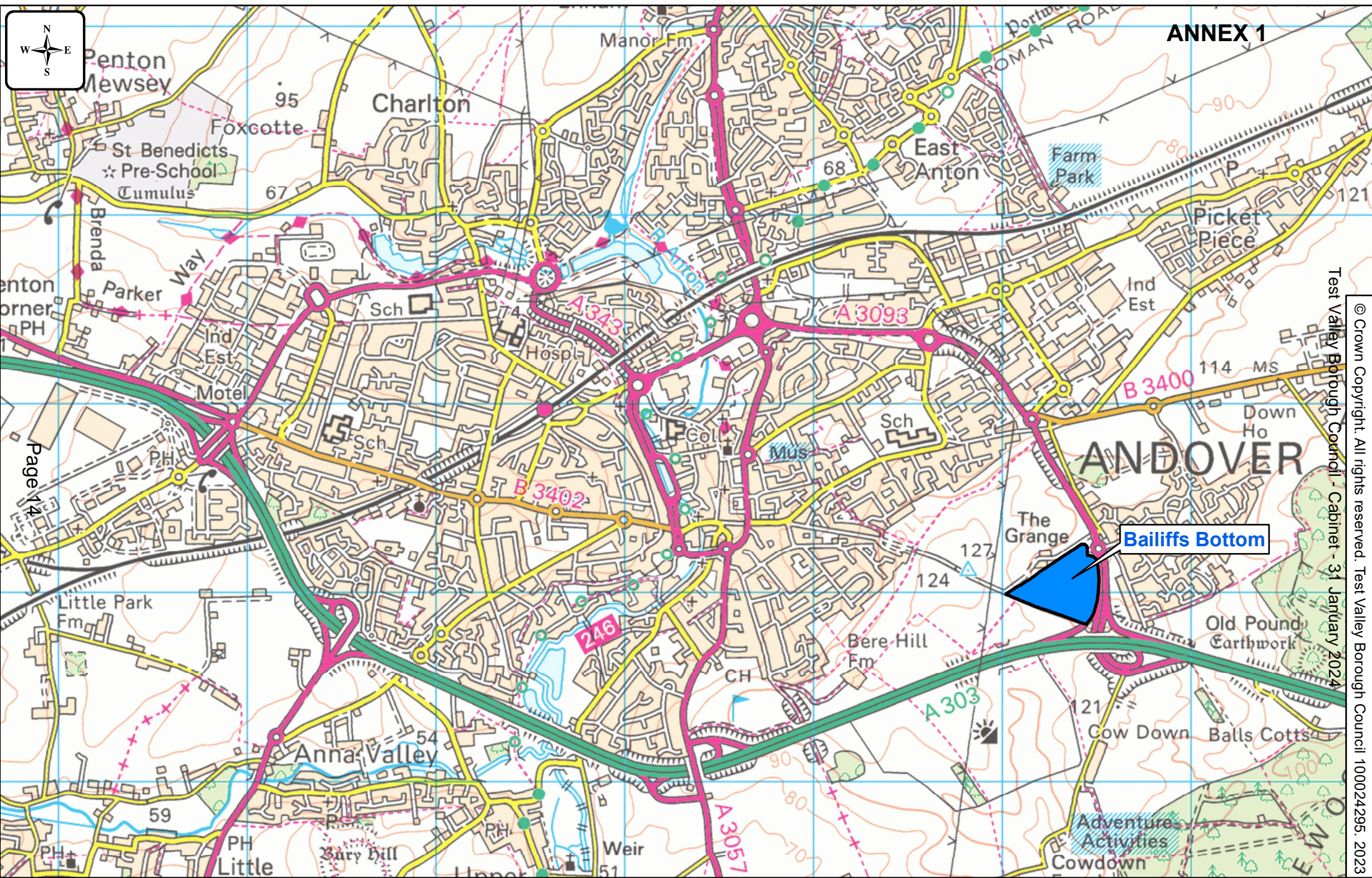
10. Equality Issues

- 10.1 Disposal of the Bunny Lane sites for Gypsy and Traveller usage would positively provide additional pitches for the Gypsy and Traveller community, which may be protected under the Equality Act 2010.
- 10.2 Consideration of any equality issues which arise in relation to potential disposal options will be addressed when bringing those options forward for further consideration. Equality Impact Assessments will be completed when necessary.

11. Conclusion and reasons for recommendation

- 11.1 It is recommended that funding is approved to enable disposal options to be compiled for the two sites discussed in the report which will form the basis for decision-making on future disposal options.

<u>Background Papers (Local Government Act 1972 Section 100D)</u>			
None			
<u>Confidentiality</u>			
It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended within the meaning of paragraph 3 of Paragraph 12A of the Local Government Act 1972 as amended.			
No of Annexes:	4	File Ref:	N/A
(Portfolio: Finance and Resources) Councillor M Flood			
Officer:	Paul Brooks	Ext:	8318
Report to:	Cabinet	Date:	31 January 2024



ANNEX 1



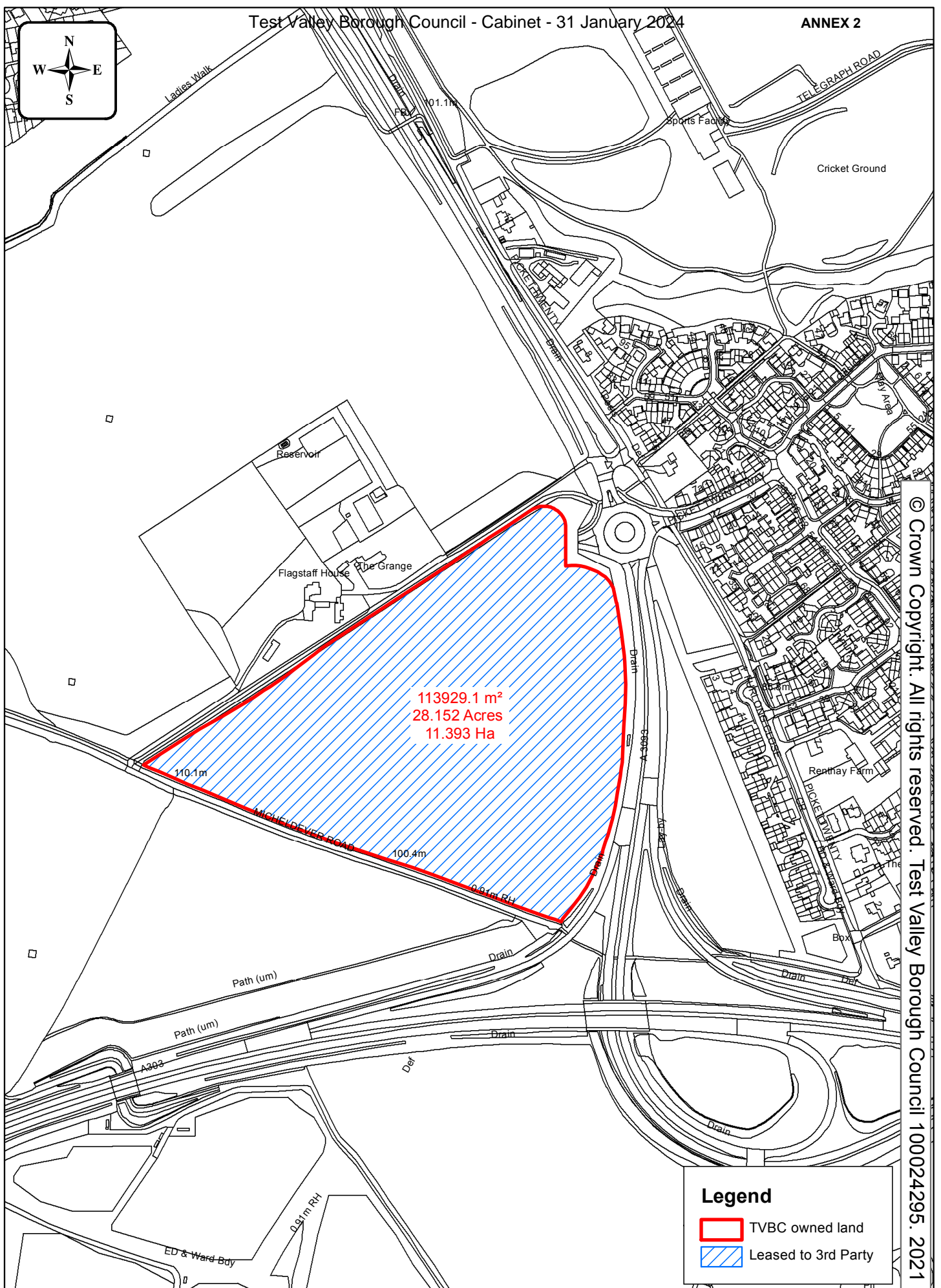
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Test Valley Borough Council - Cabinet - 31 January 2024

Scale: 1:25000 @ A4
Date: 10.09.2023
Drawn: Astrid Wood
Dept: PAM
Doc: EST.T.9.3.6.23.014

Bailiffs Bottom Andover
LOCATION PLAN





113929.1 m²
28.152 Acres
11.393 Ha

Legend

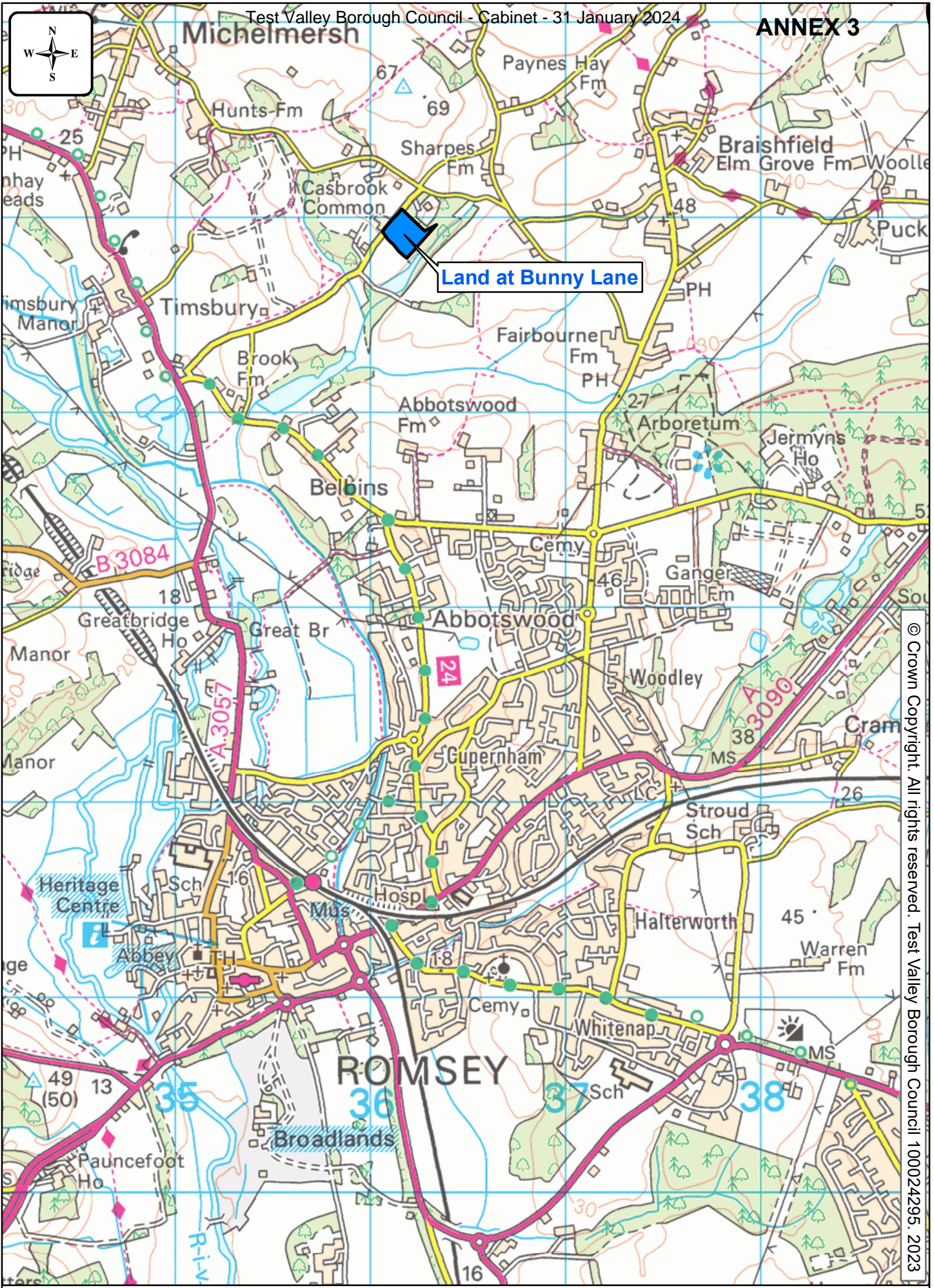
- TVBC owned land
- Leased to 3rd Party

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Scale: 1:5000 @ A4
Date: 19.03.2021
Drawn: Astrid Wood
Dept: PAM
Doc: INVEST04 Bailiffs Bottom Land AV Plan

Bailiffs Bottom (A3093)
Picket Twenty, Andover,
Hampshire, SP11 6LF



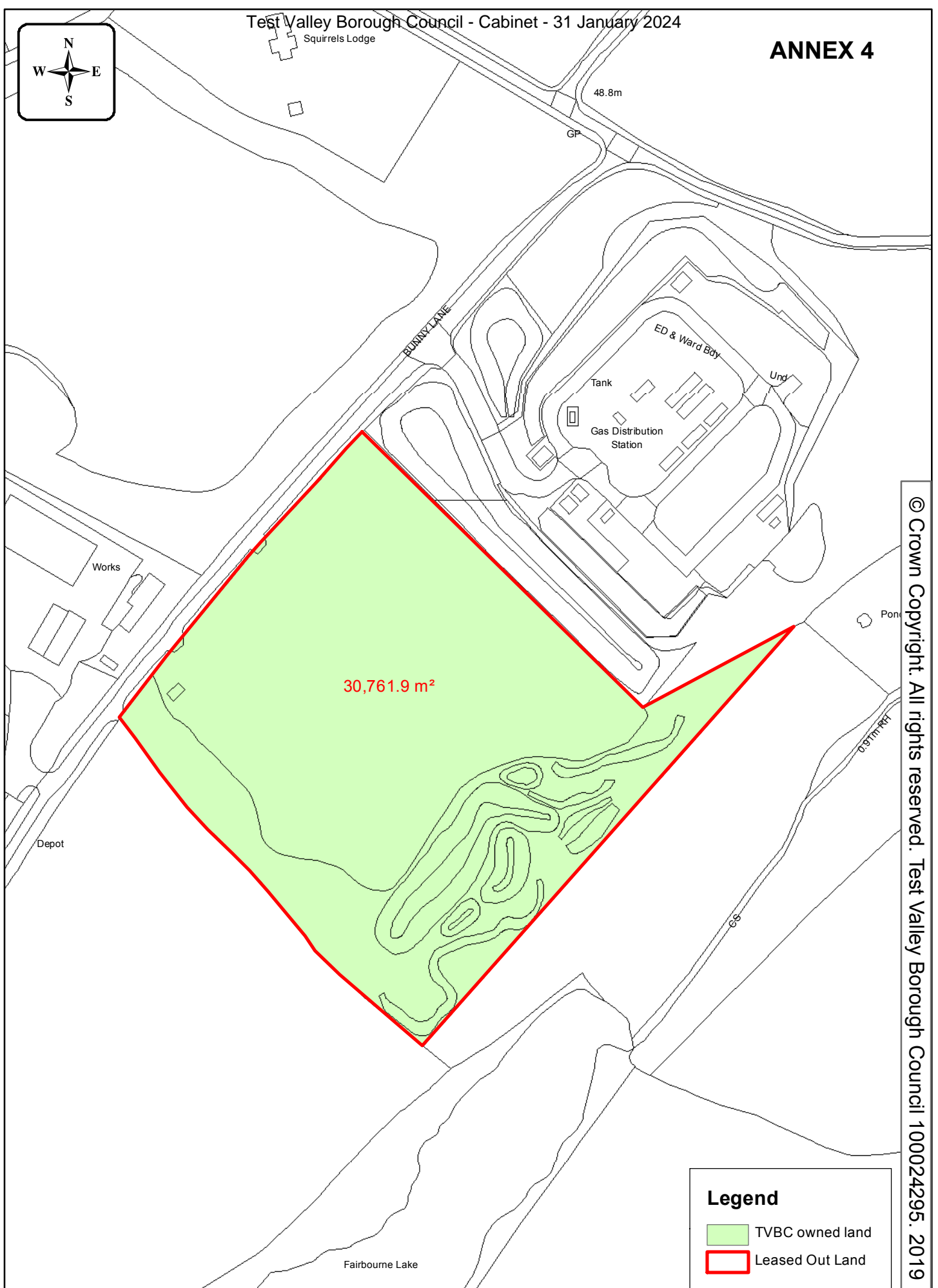


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 Dept: PAM
 Doc: EST.T.9.3.6.23.015



Land at Bunny Lane Timsbury
LOCATION PLAN
 Page 16





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Legend

-  TVBC owned land
-  Leased Out Land

Scale: 1:2000 @ A4
 Date: 20.12.2019
 Drawn: Astrid Wood
 Dept: PAM
 Doc: 014.2019.Bunny_Lane

Land Bunny Lane opposite Casbrook Park
Bunny Lane Timsbury Romsey
Hampshire SO51 0PG



ITEM 8 Corporate Financial Monitoring

Report of the Finance and Resources Portfolio Holder

Recommended:

- 1. That the financial position for each Service and the key revenue areas contained in the Annex to the report be noted.**
- 2. That the Treasury Management Update in paragraph 4 of the report be noted.**

SUMMARY:

- This report reviews the Council's revenue spending for the three quarters to the end of December of the 2023/24 financial year.
- It also examines the main differences between the original estimate for 2023/24 and actual spend to 31 December 2023 and provides explanations for significant variances.
- Overall, net expenditure to 31 December 2023 was £1.416M lower than budgeted at this stage of the year. This favourable variance comprises additional income and savings of £936,000 due to service-related activities and £480,000 more income from the Council's investing and borrowing activities.

1 Introduction

- 1.1 As part of responsible financial stewardship, it is recommended that the financial performance of the Council should be reviewed regularly.
- 1.2 Revenue budget monitoring is carried out every month for all services and presented to Cabinet regularly throughout the year.
- 1.3 This report examines the income and expenditure of each service over the first three quarters of the year. The Annex shows the financial summaries of each service to 31 December 2023 together with an explanation of any significant variances.
- 1.4 Several key areas of income and expenditure, not all apparent within individual services have also been analysed and are also shown in the Annex.
- 1.5 The report also contains a Treasury Management Update for the first three quarters of the year.

2 Background

Profiling of Income and Expenditure

- 2.1 Not all income and expenditure is incurred equally over the year. For example, some costs (e.g. software maintenance costs) are paid annually in one transaction, and others are stepped throughout the year (e.g. rental income is invoiced quarterly in advance). The manner that income or expenditure is received or incurred over the course of the year is referred to as its profile.
- 2.2 In order to make the analysis more relevant, the actual income and expenditure to 31 December is being compared against its profiled budget position at this time.

Analysis of income and expenditure

- 2.3 The Annex shows, by service, an analysis of original budget, profiled budget to date, actual expenditure to date and the variance between profiled budget and actual income / expenditure.
- 2.4 The Annex also shows an analysis of key areas of income and expenditure within the budget that are traditionally subject to variations in the year.

3 Analysis of Financial Performance

3.1 Chief Executive's Office

The Chief Executive's Office shows net expenditure to the end of December of £682,000 against a profiled budget of £666,000. This represents an adverse variance of £16,000 to date.

This is due to higher than estimated employee costs because there are no vacancies and additional costs for maternity cover, partially offset by lower than budgeted training costs.

3.2 Community and Leisure

The Community and Leisure service shows net expenditure of £559,000 compared with a profiled net expenditure estimate of £640,000 – a favourable variance of £81,000.

Additional income from sports facilities and lower than budgeted employee costs are partially offset by lower income from burials.

3.3 Environmental Service

Environmental Service shows net expenditure to the end of December of £3.663M against a profiled estimate of £3.876M. This is a favourable variance of £213,000.

Employee costs and transport costs across the service are lower than budgeted.

Income is higher than budgeted due to one-off additional income from the sale of dry mixed recycling of £85,000, higher than expected income from the sale of glass of £45,000 and additional income from garden waste, partially offset by lower than budgeted income from shopping trolley returns and bulky waste.

3.4 Finance and Revenues

The Finance and Revenues service shows net expenditure of £2.351M against a profiled estimate of £2.365M, which is a positive variance of £14,000.

This is mainly due to lower than budgeted employee costs and professional fees, offset by higher than budgeted software costs.

3.5 Housing and Environmental Health

The Housing and Environmental Health service has net expenditure of £553,000 against a profiled estimate of £711,000. This is a favourable variance of £158,000.

This is mainly due to lower than estimated employee costs, additional income and savings on supplies and services, partially offset by higher than forecast costs related to temporary accommodation.

3.6 Information Technology

The IT service has net expenditure of £1.002M against a profiled estimate of £1.026M. This is a favourable variance of £24,000 which is mainly due to lower than estimated employee costs from the shared IT service.

3.7 Legal and Democratic

The Legal and Democratic service is showing net expenditure of £1.079M against a profiled estimate of £1.164M, which is a favourable variance of £85,000.

This is due to an unbudgeted government grant in respect of voter ID costs and lower than estimated costs for the Borough and Parish elections, partially offset by lower than estimated net income from land charges.

3.8 Planning and Building

The Planning and Building service shows net expenditure to the end of December of £1.206M against a profiled budget of £1.219M. This represents a favourable variance of £13,000 to date.

Lower than estimated employee costs and higher than budgeted income from planning applications are partially offset by higher than budgeted legal fees, project consultancy and planning appeal costs and lower than estimated income from building control fees.

3.9 Planning Policy and Economic Development

The Planning Policy and Economic Development service is showing net expenditure of £1.507M against a profiled estimate of £1.687M. This represents a favourable variance of £180,000.

This is mainly due to lower than estimated employee costs, plus lower than budgeted expenditure on economic development and promotion of tourism.

3.10 Property and Asset Management Service

The Property and Asset Management service has generated net income of £6.9M against a profiled estimate to the end of December of £6.699M – a favourable variance of £201,000.

This is mainly due to lower than estimated employee costs and utility costs with some additional income from car parking, partially offset by lower than estimated income from engineering consultancy.

3.11 Strategy and Innovation

The Strategy and Innovation service is showing net expenditure of £703,000 against a profiled estimate of £692,000 to the end of December. This is an adverse variance of £11,000, which is mainly due to higher than expected employee costs to date.

3.12 Corporate and Democratic

The Corporate and Democratic service shows expenditure of £818,000 compared with the profiled estimate of £811,000. This is an adverse variance of £7,000.

3.13 Key areas of income and expenditure

The Annex also shows an analysis of significant items in the Council's budget. These can be spread across several services or cost centres.

While not necessarily under the direct control of one budget manager it is important that these items are reviewed regularly in total as they provide a good indication of the overall variances within the budget.

4 Treasury Management Update

4.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management 2021 requires that Members be updated on treasury management activities at least quarterly.

4.2 Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2023/24, which includes the Annual Investment Strategy, was approved by Council on 23 February 2023. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Council's investment priorities as being:

- Security of capital
- Liquidity
- Yield

The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity, aligned with the Council's low-risk appetite.

4.3 Creditworthiness

There have been few changes to credit ratings over the quarter ending 31 December 2023. Officers continue to closely monitor these and other measures of creditworthiness to ensure that only appropriate counterparties are considered for investment purposes.

4.4 Investment Counterparty Criteria

The current investment counterparty criteria selection approved in the TMSS is meeting the requirements of the treasury management function.

4.5 Investment performance

Investment income in the September Corporate Financial Monitoring report to Cabinet on 15 November 2023 showed a favourable variance £742,000. On 17 January 2024, Council approved an increase to the investment income budget of £1M as part of The Authority to Spend for New Theatre Architectural Services report. This increased budget is reflected in this report.

Income from investments to the end of December was £3.24M against an estimated income of £2.76M, a favourable variance of £480,000.

The main reasons for this variance are:

- The base rate rose higher and quicker than anticipated. The base rate was originally expected to peak at 4.5% in 2023/24 with average rates to 30 December at around 4.44%. The actual base rate is now at 5.25% and has been on average 5% to the end of December.
- The budget assumed that the Council would be able to invest at approximately 0.25% above prevailing interest rates. In the year to date, investments have consistently been agreed at rates of over 0.5% above the prevailing rate of interest at the time of the investment.

The average return on investment for the period was 4.29%. The average benchmark rate for the same period was 5.26%, resulting in an underperformance against the benchmark of 0.97%. This is due to investments taken out prior to the sharp increase in interest rates at the beginning of 2022. All investments taken out in the quarter to 31 December 2023 have exceeded benchmark rates at the time of investment.

4.6 Approved Limits

The approved limits within the Annual Investment Strategy were not breached in the quarter ending 31 December 2023.

4.7 Borrowing

The Council did not undertake any borrowing during the quarter ending 31 December 2023. It is not anticipated that any borrowing will be undertaken during this financial year.

4.8 Compliance with Treasury and Prudential Indicators

The prudential and treasury indicators for the year 2023/24 were approved by Council on 23 February 2023. During the quarter ending 31 December 2023, the Council has operated within these prudential indicators.

There are no changes required to the approved prudential indicators.

All treasury management operations have also been conducted in full compliance with the Treasury Management Practices.

5 Risk Management

- 5.1 This report is for information purposes, so the Council's Risk Management approach does not need to be applied.

6 Resource Implications

- 6.1 A favourable variance of £1.416M in the first three quarters of the year has been identified in this report. There is a mixture of adverse and favourable variances across the services and these have been reviewed as part of the budget-setting process for 2024/25 and budgets amended accordingly if necessary.

7 Equality Issues

- 7.1 This report is for information purposes, so the Council's EQIA process does not need to be applied.

8 Other Issues

- 8.1 There are no other issues to consider.

9 Conclusion and reasons for recommendation

- 9.1 Overall, net expenditure is £1.416M lower than forecast at 31 December. There are a number of areas with large variances between the profiled budget and the actual income / expenditure to date.
- 9.2 The report does not make any recommendations for changes to budgets at this stage in the year and therefore the recommendation is that the current budget position be noted.

Background Papers (Local Government Act 1972 Section 100D)

None

Confidentiality

It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.

No of Annexes:	1	File Ref:	N/A
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(Portfolio: Finance and Resources) Councillor M Flood

Officer:	Jenni Carter	Ext:	8236
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Report to:	Cabinet	Date:	31 January 2024
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SERVICE REVENUE INFORMATION

TOTAL EXPENDITURE	Updated Estimate 2023/24	Profiled Estimate to 31/12/23	Actual Expenditure to 31/12/23	Adverse / (Favourable) Variance
	£	£	£	£
Chief Executive's Office	878,409	666,306	681,841	15,535
Community & Leisure	613,783	640,488	559,485	(81,003)
Environmental Service	4,864,129	3,876,062	3,663,019	(213,043)
Finance & Revenues	2,903,859	2,365,248	2,351,231	(14,017)
Housing & Environmental Health	2,267,211	711,439	553,071	(158,368)
Information Technology	1,455,302	1,025,787	1,001,569	(24,218)
Legal & Democratic	1,457,643	1,164,040	1,079,478	(84,562)
Planning & Building	1,524,407	1,218,694	1,205,843	(12,851)
Planning Policy & Economic Development	2,300,377	1,687,474	1,506,964	(180,510)
Property & Asset Management	(8,694,772)	(6,698,589)	(6,899,818)	(201,229)
Strategy & Innovation	925,917	692,252	702,871	10,619
Corporate & Democratic Core	1,152,307	810,607	817,766	7,159
Net Investment Income	(3,742,000)	(2,760,000)	(3,240,000)	(480,000)
Borrowing costs	146,000	110,000	110,000	0
Net Service Controlled Service Expenditure	8,052,572	5,509,808	4,093,320	(1,416,488)

SERVICE REVENUE INFORMATION

CHIEF EXECUTIVE'S OFFICE	Updated Estimate 2023/24	Profiled Estimate to 31/12/23	Actual Expenditure to 31/12/23	Adverse / (Favourable) Variance
	£	£	£	£
Chief Executive's Office	351,588	263,684	273,773	10,089
Human Resources Service	526,821	402,622	408,068	5,446
Net Expenditure	878,409	666,306	681,841	15,535
Net Service Controlled Expenditure	878,409	666,306	681,841	15,535

SERVICE FINANCIAL MONITORING INFORMATION**ANNEX****CHIEF EXECUTIVE'S OFFICE****EXPLANATION OF KEY VARIANCES**

	£ 000
Profiled Estimate to 31 December 2023	666
Actual Spend to 31 December 2023	<u>682</u>
Adverse Variance to 31 December 2023	<u><u>16</u></u>
<u>Employee Costs</u>	
Employee costs are higher than budgeted due to no vacancies and maternity cover	33
<u>Training and Services</u>	
Training costs are below profile at this point in the year	(16)
Sundry variance	<u>(1)</u>
	<u><u>16</u></u>

SERVICE REVENUE INFORMATION**ANNEX**

COMMUNITY & LEISURE	Updated Estimate 2023/24	Profiled Estimate to 31/12/23	Actual Expenditure to 31/12/23	Adverse / (Favourable) Variance
	£	£	£	£
Leisure Management				
Leisure Management	262,858	204,108	179,894	(24,214)
Net Expenditure	262,858	204,108	179,894	(24,214)
Parks, Countryside & Sport				
Managed Sports Facilities	(2,004,200)	(1,503,153)	(1,522,566)	(19,413)
Outdoor Sports Facilities	203,003	258,899	216,723	(42,176)
Sports Development	8,000	5,994	5,246	(748)
Cemeteries	(101,420)	(82,257)	(47,531)	34,726
Grounds Maintenance	58,020	45,227	46,576	1,349
Nature Reserves	90,898	90,480	97,383	6,903
Urban Parks and Open Spaces	364,681	387,328	358,842	(28,486)
Net Expenditure	(1,381,018)	(797,482)	(845,327)	(47,845)
Community Development				
Community Engagement	1,182,356	789,348	776,954	(12,394)
Net Expenditure	1,182,356	789,348	776,954	(12,394)
Arts & Culture				
Andover Events Programme	163,763	156,597	156,597	0
Arts Function	24,348	28,257	30,141	1,884
The Lights	361,476	259,660	261,226	1,566
Net Expenditure	549,587	444,514	447,964	3,450
Net Service Controlled Expenditure	613,783	640,488	559,485	(81,003)

SERVICE FINANCIAL MONITORING INFORMATION**ANNEX****COMMUNITY & LEISURE****EXPLANATION OF KEY VARIANCES**

	£ 000
Profiled Estimate to 31 December 2023	640
Actual Spend to 31 December 2023	<u>559</u>
Favourable Variance to 31 December 2023	<u><u>(81)</u></u>
<u>Employee costs</u>	
Employee costs are lower than budgeted across the service	(36)
<u>Managed Sports Facilities</u>	
Net additional income	(26)
<u>Outdoor Sports Facilities</u>	
Net additional income from sporting activities	(42)
<u>Cemeteries</u>	
Net burial income lower than budgeted.	27
Sundry variance	<u>(4)</u>
	<u><u>(81)</u></u>

SERVICE REVENUE INFORMATION

ENVIRONMENTAL SERVICE	Updated Estimate 2023/24	Profiled Estimate to 31/12/23	Actual Expenditure to 31/12/23	Adverse / (Favourable) Variance
	£	£	£	£
Grounds Maintenance	1,241,811	1,284,202	1,289,020	4,818
Waste Collection	2,360,136	1,546,501	1,377,003	(169,498)
Garden Waste Collection	(307,085)	(352,770)	(340,566)	12,204
Street Cleansing	1,006,488	743,882	727,151	(16,731)
Vehicle Workshop	47,875	(16,429)	(36,045)	(19,616)
ES Technical	406,557	245,188	186,727	(58,461)
Service Overhead Account	108,347	425,488	459,729	34,241
Net Expenditure	4,864,129	3,876,062	3,663,019	(213,043)
Net Service Controlled Expenditure	4,864,129	3,876,062	3,663,019	(213,043)

SERVICE FINANCIAL MONITORING INFORMATION**ANNEX****ENVIRONMENTAL SERVICE****EXPLANATION OF KEY VARIANCES**

	£ 000
Profiled Estimate to 31 December 2023	3,876
Actual Spend to 31 December 2023	<u>3,663</u>
Favourable Variance to 31 December 2023	<u><u>(213)</u></u>
<u>Employee costs</u>	
Employee costs across the service are lower than budgeted	(15)
<u>Transport Costs</u>	
Transport costs are lower than budgeted across the service, mainly attributable to fuel and repair materials costs	(89)
<u>Supplies & Services</u>	
Variances across the service in respect of supplies & services, in particular clothing, uniforms and PPE	24
<u>Income</u>	
Additional income from the sale of dry mixed recycling	(85)
Additional income from the sale of glass	(45)
Additional income from garden waste	(26)
Lower than budgeted income from shopping trolley returns	14
Lower than budgeted income from bulky waste	16
Sundry variance	<u>(7)</u>
	<u><u>(213)</u></u>

SERVICE REVENUE INFORMATION

FINANCE & REVENUES	Updated Estimate 2023/24	Profiled Estimate to 31/12/23	Actual Expenditure to 31/12/23	Adverse / (Favourable) Variance
	£	£	£	£
Finance Service	957,949	731,539	678,791	(52,748)
Customer Services Unit	657,585	492,550	479,176	(13,374)
Council Tax Support Administration	365,060	279,011	279,969	958
Housing Benefit	288,581	244,476	263,444	18,968
Local Taxation Services	634,684	617,672	649,851	32,179
Net Expenditure	2,903,859	2,365,248	2,351,231	(14,017)
Net Service Controlled Expenditure	2,903,859	2,365,248	2,351,231	(14,017)

SERVICE FINANCIAL MONITORING INFORMATION

ANNEX

FINANCE & REVENUES

EXPLANATION OF KEY VARIANCES

	£ 000
Profiled Estimate to 31 December 2023	2,365
Actual Spend to 31 December 2023	<u>2,351</u>
Favourable Variance to 31 December 2023	<u><u>(14)</u></u>
<u>Employee costs</u>	
Employee costs across the service are lower than budgeted	(45)
<u>Finance</u>	
Professional fees are lower than budgeted	(21)
<u>Software costs</u>	
Software costs across the service are higher than anticipated, mainly due to new cloud based BACS software	32
<u>Court fee income</u>	
Court fee income within council tax and business rates is lower than budgeted	11
Sundry variance	<u>9</u>
	<u><u>(14)</u></u>

SERVICE REVENUE INFORMATION

HOUSING & ENVIRONMENTAL HEALTH	Updated Estimate 2023/24	Profiled Estimate to 31/12/23	Actual Expenditure to 31/12/23	Adverse / (Favourable) variance
	£	£	£	£
Housing Activities				
General Management	117,868	88,393	92,388	3,995
Housing Development	183,305	141,455	119,261	(22,194)
Hampshire Home Choice	2,262	(20,757)	(20,757)	0
Housing Options	877,228	(306,050)	(411,882)	(105,832)
Net Expenditure	1,180,663	(96,959)	(220,990)	(124,031)
Health Activities				
Business Support Team	120,416	91,528	85,353	(6,175)
Pollution	282,943	204,778	213,097	8,319
Health Protection	366,435	274,810	279,072	4,262
Animal Welfare	66,973	48,242	47,344	(898)
Pest Control	69,726	51,485	43,694	(7,791)
Housing Standards	180,055	137,555	105,501	(32,054)
Net Expenditure	1,086,548	808,398	774,061	(34,337)
Net Service Controlled Expenditure	2,267,211	711,439	553,071	(158,368)

SERVICE FINANCIAL MONITORING INFORMATION**ANNEX****HOUSING & ENVIRONMENTAL HEALTH****EXPLANATION OF KEY VARIANCES**

£ 000

Profiled Estimate to 31 December 2023	711
Actual Spend to 31 December 2023	<u>553</u>
Favourable Variance to 31 December 2023	<u><u>(158)</u></u>
<u>Employee cost</u>	
Employee costs across the service are lower than budgeted	(131)
<u>Supplies & services</u>	
Various savings across the service	(12)
<u>Housing Options</u>	
Bed & Breakfast costs are higher than budgeted	37
Grant payments are lower than anticipated	(23)
<u>Income</u>	
Income from licenses and DFG admin fees is higher than budgeted	(22)
Sundry variance	<u>(7)</u>
	<u><u>(158)</u></u>

SERVICE REVENUE INFORMATION

INFORMATION TECHNOLOGY	Updated Estimate 2023/24	Profiled Estimate to 31/12/23	Actual Expenditure to 31/12/23	Adverse / (Favourable) Variance
	£	£	£	£
Management	154,463	133,345	78,420	(54,925)
Service Desk	211,074	163,680	175,916	12,236
Infrastructure	536,971	409,360	429,028	19,668
Corporate Services	541,694	318,735	317,538	(1,197)
Cloud Services	11,100	667	667	0
Net Expenditure	1,455,302	1,025,787	1,001,569	(24,218)
Net Service Controlled Expenditure	1,455,302	1,025,787	1,001,569	(24,218)

SERVICE FINANCIAL MONITORING INFORMATION

ANNEX

INFORMATION TECHNOLOGY

EXPLANATION OF KEY VARIANCES

	£ 000
Profiled Estimate to 31 December 2023	1,026
Actual Spend to 31 December 2023	<u>1,002</u>
Favourable Variance to 31 December 2023	<u><u>(24)</u></u>
<u>Employee costs</u>	
Net shared service employee costs are lower than budgeted	(27)
Sundry variance	<u>3</u>
	<u><u>(24)</u></u>

SERVICE REVENUE INFORMATION

LEGAL & DEMOCRATIC	Updated Estimate 2023/24	Profiled Estimate to 31/12/23	Actual Expenditure to 31/12/23	Adverse / (Favourable) Variance
	£	£	£	£
Legal Service	977,187	745,512	748,224	2,712
Land Charges	(66,340)	(57,413)	(41,747)	15,666
Council Elections	484,396	441,278	338,352	(102,926)
Registration Of Electors	83,690	61,900	59,564	(2,336)
Lotteries, Amusements & Gaming Permits	(2,959)	(2,448)	720	3,168
Alcohol & Entertainment Licensing	(30,400)	(35,560)	(35,380)	180
Scrap Metal Dealers	1,724	1,295	2,848	1,553
Hackney Carriages & Private Hire Vehicles	10,345	9,476	6,897	(2,579)
Net Expenditure	1,457,643	1,164,040	1,079,478	(84,562)
Net Service Controlled Expenditure	1,457,643	1,164,040	1,079,478	(84,562)

SERVICE FINANCIAL MONITORING INFORMATION**ANNEX****LEGAL & DEMOCRATIC****EXPLANATION OF KEY VARIANCES**

	£ 000
Profiled Estimate to 31 December 2023	1,164
Actual Spend to 31 December 2023	<u>1,079</u>
Favourable Variance to 31 December 2023	<u><u>(85)</u></u>
<u>Elections</u>	
Net unbudgeted government grant received in respect of voter ID	(23)
Lower than budgeted costs for Borough and Parish elections	(80)
<u>Land charges</u>	
Net land charges income is lower than budgeted	19
Sundry variance	<u>(1)</u>
	<u><u>(85)</u></u>

SERVICE REVENUE INFORMATION

PLANNING & BUILDING	Updated Estimate 2023/24	Profiled Estimate to 31/12/23	Actual Expenditure to 31/12/23	Adverse / (Favourable) Variance
	£	£	£	£
Development Control & Enforcement	1,441,471	1,154,249	1,062,349	(91,900)
Building Control	82,936	64,445	143,494	79,049
Net Expenditure	1,524,407	1,218,694	1,205,843	(12,851)
Net Service Controlled Expenditure	1,524,407	1,218,694	1,205,843	(12,851)

SERVICE FINANCIAL MONITORING INFORMATION**ANNEX****PLANNING & BUILDING****EXPLANATION OF KEY VARIANCES**

	£ 000
Profiled Estimate to 31 December 2023	1,219
Actual Spend to 31 December 2023	<u>1,206</u>
Favourable Variance to 31 December 2023	<u><u>(13)</u></u>
<u>Employee costs</u>	
Employee costs across the service are lower than budgeted	(46)
<u>Development & Control</u>	
Policy consultancy, legal fees and planning appeal costs are higher than budgeted due to unexpected expenditure	71
Income from planning application and pre-application fees are higher than budgeted	(109)
Net unbudgeted government grant	(17)
<u>Building Control</u>	
Building control income is lower than budgeted	108
Savings on various supplies & services	(11)
Sundry variance	<u>(9)</u>
	<u><u>(13)</u></u>

SERVICE REVENUE INFORMATION

PLANNING POLICY & ECONOMIC DEVELOPMENT	Updated Estimate 2023/24	Profiled Estimate to 31/12/23	Actual Expenditure to 31/12/23	Adverse / (Favourable) Variance
	£	£	£	£
Planning Policy				
Planning Policy	1,262,884	975,305	834,545	(140,760)
Local Development Framework	401,667	329,949	329,949	0
Neighbourhood Planning	11,236	11,236	11,236	0
Sustainability	38,100	(95,195)	(95,195)	0
UK Shared Prosperity Fund	11,000	11,000	11,000	0
Net Expenditure	1,724,887	1,232,295	1,091,535	(140,760)
Economic Development				
Economic Development & Promotion	133,970	102,234	83,314	(18,920)
Promotion of Tourism	156,012	145,719	132,972	(12,747)
Town Centre Management	32,000	26,994	18,911	(8,083)
Net Expenditure	321,982	274,947	235,197	(39,750)
Regeneration				
South of Romsey Town Centre Project	36,250	21,935	21,935	0
Andover Town Centre Rejuvenation	217,258	158,297	158,297	0
Net Expenditure	253,508	180,232	180,232	0
Net Service Controlled Expenditure	2,300,377	1,687,474	1,506,964	(180,510)

SERVICE FINANCIAL MONITORING INFORMATION**ANNEX****PLANNING POLICY & ECONOMIC DEVELOPMENT****EXPLANATION OF KEY VARIANCES**

	£ 000
Profiled Estimate to 31 December 2023	1,687
Actual Spend to 31 December 2023	<u>1,507</u>
Favourable Variance to 31 December 2023	<u><u>(180)</u></u>
<u>Employee costs</u>	
Employee costs across the service are lower than budgeted	(135)
<u>Economic Development</u>	
Spending is currently under budget awaiting the Economic Development Strategy and Business Support tender	(19)
<u>Promotion of Tourism</u>	
Spending is currently under budget pending Tourism Review recommendations	(12)
<u>Town Centre Management</u>	
Spending is currently under budget	(8)
Sundry variance	<u>(6)</u>
	<u><u>(180)</u></u>

SERVICE REVENUE INFORMATION

PROPERTY & ASSET MANAGEMENT	Updated Estimate 2023/24	Profiled Estimate to 31/12/23	Actual Expenditure to 31/12/23	Adverse / (Favourable) Variance
	£	£	£	£
Property & Asset Management				
Estates Support Unit	1,180,767	933,356	879,020	(54,336)
Andover Market	(28,730)	(31,805)	(31,923)	(118)
High Street Bookings	190	135	919	784
Net Expenditure	1,152,227	901,686	848,016	(53,670)
Property Portfolio				
Business Park Development	(6,949,802)	(5,113,074)	(5,135,852)	(22,778)
Investment Properties	(1,260,973)	(1,176,512)	(1,198,305)	(21,793)
Corporate Properties	(481,281)	(352,412)	(352,114)	298
Union Street	(108,186)	(81,140)	(80,974)	166
Chantry Centre	(849,483)	(649,253)	(649,253)	0
Andover Bus Station	23,744	7,742	1,219	(6,523)
Net Income	(9,625,981)	(7,364,649)	(7,415,279)	(50,630)
Premises Management				
Andover Magistrates Court	0	0	0	0
Public Halls	11,680	2,277	6,876	4,599
Public Conveniences	97,060	66,144	73,002	6,858
Office Accommodation	324,832	235,981	167,936	(68,045)
Building Maintenance	112,872	84,018	99,570	15,552
Building Cleaning	27,170	20,360	21,777	1,417
Depot Costs	98,380	54,151	35,925	(18,226)
Leisure Facilities	0	0	(2,495)	(2,495)
Net Expenditure	671,994	462,931	402,591	(60,340)
Transport				
Engineers	67,756	50,652	122,460	71,808
Highways	36,580	20,055	8,080	(11,975)
Parking	(1,052,348)	(805,928)	(892,325)	(86,397)
Community Transport	55,000	36,664	26,639	(10,025)
Net Income	(893,012)	(698,557)	(735,146)	(36,589)
Net Service Controlled Income	(8,694,772)	(6,698,589)	(6,899,818)	(201,229)

SERVICE FINANCIAL MONITORING INFORMATION**ANNEX****PROPERTY & ASSET MANAGEMENT****EXPLANATION OF KEY VARIANCES**

	£ 000
Profiled Estimate to 31 December 2023	(6,699)
Actual Spend to 31 December 2023	<u>(6,900)</u>
Favourable Variance to 31 December 2023	<u><u>(201)</u></u>
<u>Employee costs</u>	
Employee costs across the service are lower than budgeted	(185)
<u>Utilities</u>	
Utilities costs are lower than budgeted	(74)
<u>Repairs</u>	
Repairs budgets not fully utilised	(10)
<u>Project Consultancy Fees</u>	
Engineering project consultancy income is lower than budgeted	94
<u>Advertising</u>	
Advertising budget not spent	(11)
<u>Rental income</u>	
Net rental income is lower than budgeted	2
<u>Parking</u>	
Car parking income is higher than budgeted	(18)
Sundry variance	<u>1</u>
	<u><u>(201)</u></u>

SERVICE REVENUE INFORMATION

STRATEGY & INNOVATION	Updated Estimate 2023/24	Profiled Estimate to 31/12/23	Actual Expenditure to 31/12/23	Adverse / (Favourable) Variance
	£	£	£	£
Strategy & Innovation	925,917	692,252	702,871	10,619
Net Expenditure	925,917	692,252	702,871	10,619
Net Service Controlled Expenditure	925,917	692,252	702,871	10,619

SERVICE FINANCIAL MONITORING INFORMATION**ANNEX****STRATEGY & INNOVATION****EXPLANATION OF KEY VARIANCES**

	£ 000
Profiled Estimate to 31 December 2023	692
Actual Spend to 31 December 2023	<u>703</u>
Adverse Variance to 31 December 2023	<u><u>11</u></u>
<u>Employee Costs</u>	
Employee costs are higher than budgeted due to no vacancies and maternity cover	14
Sundry variance	<u>(3)</u>
	<u><u>11</u></u>

SERVICE REVENUE INFORMATION

CORPORATE & DEMOCRATIC CORE	Updated Estimate 2023/24	Profiled Estimate to 31/12/23	Actual Expenditure to 31/12/23	Adverse / (Favourable) Variance
	£	£	£	£
<u>Corporate</u>				
Corporate Subscriptions	30,000	30,000	31,799	1,799
Emergency Planning	38,472	33,916	34,324	408
Corporate Public Relations, Information & Consultation	20,300	13,306	11,152	(2,154)
Corporate Management	186,470	66,194	68,751	2,557
Delivering Public Services Electronically	25,500	25,500	21,650	(3,850)
Strategic Partnership	2,700	1,694	1,255	(439)
Allocated Central Overheads	24,280	66,882	69,293	2,411
Non-distributable Costs	200,000	100,000	106,305	6,305
Net Expenditure	527,722	337,492	344,529	7,037
<u>Democratic</u>				
Councillors	534,854	400,568	404,356	3,788
Councillor Meetings	33,000	29,664	26,634	(3,030)
Mayoral Office	46,231	32,383	29,132	(3,251)
Civic Ceremonies	10,500	10,500	13,115	2,615
Net Expenditure	624,585	473,115	473,237	122
Net Service Controlled Expenditure	1,152,307	810,607	817,766	7,159

SERVICE FINANCIAL MONITORING INFORMATION

ANNEX

CORPORATE & DEMOCRATIC CORE

EXPLANATION OF KEY VARIANCES

	£ 000
Profiled Estimate to 31 December 2023	811
Actual Spend to 31 December 2023	<u>818</u>
Adverse Variance to 31 December 2023	<u><u>7</u></u>
No significant variances	
Sundry variance	<u>7</u>
	<u><u>7</u></u>

KEY FINANCIAL AREAS

	Updated Estimate 2023/24 £'000	Profiled Estimate to 31/12/23 £'000	Actual to 31/12/23 £'000	Adverse / (Favourable) Variance £'000	Comments
<u>Expenditure</u>					
Staff Costs	25,142	18,316	17,737	(579)	This includes all salary, recruitment, relocation and post entry training costs, net of the 4.5% vacancy management provision.
Borrowing Costs	146	110	110	0	This is the interest paid on external borrowing.
	25,288	18,426	17,847	(579)	
<u>Income</u>					
Investment Income	(3,742)	(2,760)	(3,240)	(480)	This is the net income generated by the management of the Council's cash investment portfolio.
Building Control Income	(436)	(327)	(219)	108	This is the income generated by fees in respect of Building Control work performed by the Council.
Car Parking Income	(1,826)	(1,379)	(1,398)	(19)	This includes season tickets and all on and off street parking income.
Development Control Income	(1,230)	(922)	(1,024)	(102)	This is income from Planning Applications and legal fees relating to the applications.
Investment Property Income	(6,660)	(4,821)	(4,862)	(41)	This includes the rental income for all the Council's industrial land and buildings, excluding those that have been purchased as part of the Project Enterprise initiative.
Investment Income from Property Purchases	(2,522)	(2,249)	(2,200)	49	This includes the rental income for investment properties that have been purchased as part of the Project Enterprise initiative.
Land Charges Income	(262)	(188)	(155)	33	This is income from Local Land Charge Search Fees.
Leisure Income	(2,909)	(2,211)	(2,243)	(32)	This includes all income from Community & Leisure services including indoor and outdoor leisure facilities, The Lights and cemeteries.
	(19,587)	(14,857)	(15,341)	(484)	
<u>Total</u>	5,701	3,569	2,506	(1,063)	

SERVICE FINANCIAL MONITORING INFORMATION**KEY AREAS OF INCOME AND EXPENDITURE****EXPLANATION OF KEY VARIANCES**

	£ 000
Profiled Estimate to 31 December 2023	3,569
Actual Spend to 31 December 2023	<u>2,506</u>
Favourable Variance to 30 September 2023	<u><u>(1,063)</u></u>
<u>Staff Costs</u>	
Staff costs are lower than anticipated at this point in the year, mainly due to vacancies	(579)
<u>Income</u>	
Investment income is higher than budgeted due to a better than budgeted average rate of return	(480)
Building control income is lower than estimated in the year to date	108
Car parking income is higher than estimated in the year to date	(19)
Development control income is higher than estimated in the year to date	(102)
Income from investment properties is lower than estimated in the year to date	8
Income from land charges is lower than estimated in the year to date	33
Income from Leisure activities is higher than estimated in the year to date	(32)
Sundry variance	<u>0</u>
	<u><u>(1,063)</u></u>

ITEM 9

2024/25 Budget Update

Report of the Finance and Resources Portfolio Holder

Recommended:

1. That the savings options, income generation proposals and budget pressures, shown in Annexes 1 and 2 to the report, be noted.
2. That the Medium Term Financial Forecast, shown in Annex 3 to the report, be noted.

SUMMARY:

- This report sets out changes to the 2024/25 budget forecast since the Medium Term Financial Strategy was approved in October. This includes updates on; the provisional Local Government Finance Settlement, revenue savings and budget pressures and a reconciliation showing how the budget gap has been closed.
- It also provides an updated Medium Term Financial Forecast covering 2024/25 to 2026/27.

1 Introduction

- 1.1 The Budget Strategy and financial forecast for 2024/25 were presented to Cabinet on 4 October 2023.
- 1.2 Since that time, work has been carried out to revise the current year estimates, prepare original estimates for 2024/25 and update the Medium Term Financial Forecast.
- 1.3 The purpose of this report is to;
 - Provide the latest available information on the provisional Local Government Finance Settlement and how it affects Test Valley.
 - Provide an update on the latest savings options, income generation proposals and revenue pressures.
 - Update the Medium Term Financial Forecast after considering the above.
 - Outline the remaining stages of the budget process.
- 1.4 Assuming no changes to the figures presented in this report, the Council is in a position to set a balanced budget for 2024/25.

2 2023/24 Revised Forecasts

- 2.1 Work is progressing well in preparing the revised forecasts for 2023/24. A more detailed update of the current year's estimates will be included with the final budget recommendations in February.

- 2.2 The original budget for 2023/24 assumed there would be no change in the level of general reserves. This remains the same and general reserves are expected to remain at £2.6M at the end of the year.
- 2.3 An in-depth review of the current year's budgetary position is set out in the Corporate Financial Monitoring report elsewhere on this agenda.
- 2.4 At its meeting on 20 December 2023, Cabinet recommended that the investment income budget for the year be increased by £1M and that this sum be transferred to the Capital Receipts Reserve in respect of costs associated with the cultural hub development. That recommendation was subsequently approved by Council on 17 January 2024.
- 2.5 No further recommendations for utilisation of any variance will be made until the final outturn position is reported. This is expected to be at the 29 May Cabinet meeting.

3 2024/25 Budget Forecast

- 3.1 Final decisions on the budget will not be made until February 2024 when the overall budget will be set.
- 3.2 The most significant changes to the budget forecast since the MTFS was approved, including the impact of the provisional Local Government Finance Settlement (LGFS), are explained in the following paragraphs.

Budget Forecast 2024/25

- 3.3 As with the revised forecast figures for 2023/24, the original estimate figures for 2024/25 are being finalised. Final reconciliations are taking place; however, it is not expected that there will be any further significant variances from the figures set out in this report.
- 3.4 When the MTFS was presented in October, there was a budget gap of £450,000. The work undertaken on the detailed estimates for 2024/25, combined with figures included in the provisional LGFS have enabled the complete closure of the budget gap. A reconciliation of the movement in this gap is shown below.

	Movement in budget gap £'000
Budget gap per MTFS	450
Changes to funding of staff re: Disabled Facilities Grants	(23)
Change to Council Tax base assumption	67
Budget Savings / Additional Income	(641)
Budget Pressures	342

	Movement in budget gap £'000
Net increase in government grants as part of provisional settlement	(116)
Reduced contingency provision	(79)
Budget Gap remaining	0

- 3.5 The changes to staffing re DFG has already been approved by Cabinet and the updated figures built into the budget forecasts.

Council Tax Base

- 3.6 The MTFs allowed for an increase of 500 band D equivalent properties for Council Tax purposes in 2024/25. This was based on experience of actual increases in prior years.
- 3.7 The 2024/25 tax base was set on 22nd December at 52,059. This is an increase of just 91 from 2023/24 and creates a budget pressure of £67,000 (being the deficit of 409 multiplied by the forecast precept of £163.91).

Savings and Pressures

- 3.8 The detailed budget process has identified several new savings and additional income items, which have been partly offset by new budget pressures. Annexes 1 and 2 show the detail of each item.
- 3.9 Overall, additional savings / income of £641,000 have been identified along with £342,000 of new budget pressures.
- 3.10 The areas where the most significant amounts of additional income have been identified are in commercial property rents (£314,000) and planning application fee income (£100,000).
- 3.11 The largest pressures relate to forecast reductions in the net income recovered from Housing Benefit overpayments; increases to external audit fees; and cleaning and maintenance of public conveniences (including the running costs of the new Changing Places toilets).

Contingency provision

- 3.12 The budget for 2023/24 included a £94,000 provision for increased fuel costs linked to HVO. That provision has not been required in the current year and could be reduced substantially for 2024/25. This doesn't in any way reduce the commitment to continuing to use HVO as an alternate fuel to diesel. Should there be any need for additional budget during 2024/25, any additional costs will be met from the remaining contingency provision or, if necessary, the Budget Equalisation Reserve.

Local Government Finance Settlement (LGFS)

- 3.13 The provisional LGFS was announced on 18 December 2023 and has provided the headline grant figures that the Council can expect to receive in core funding in 2024/25. This is a one-year only settlement, with no guarantees or commitment to any funding beyond 2024/25.
- 3.14 The figures are based around core spending power (CSP) and a commitment in the government's 2023 policy paper to increase CSP by at least 3% on 2023/24 levels, before any decisions are taken locally regarding Council Tax. Overall, this council's CSP has increased by 4.8% compared with 2023/24.
- 3.15 The 2024/25 CSP figures are shown below and compared with the 2023/24 figures and the forecasts that were included in the MTFs.

	2023/24 CSP £'000	2024/25 Per MTFS	2024/25 CSP £'000	Difference To MTFs £'000
Baseline retained business rates	2,470	2,470	2,586	116
Compensation for under-indexing business rates	421	421	491	70
Council Tax (including rolled up grants)	8,838	9,180	9,246	66
New Homes Bonus	1,200	1,200	230	(970)
Services Grant / Lower Tier Services Grant	93	93	15	(78)
Funding Guarantee Grant	1,356	1,356	2,504	1,148
Total Core Spending Power	14,378	14,720	15,072	352

- 3.16 Figures in respect of the top three rows, related to Council Tax and Business Rates will be superseded with our own calculations and have therefore already been built into the estimates for next year, with the exception of an additional £16,000 in grants related to compensation for discretionary Council Tax discounts.
- 3.17 The biggest differences relate to the split of the final three grants. Overall, the total amount included in the settlement was £100,000 more than forecast; however, there were some very significant movements between their expected and actual distribution.

- 3.18 The New Homes Bonus (NHB) allocation has dropped significantly, with the shortfall being offset by a larger increase in the Funding Guarantee Grant, the latter introduced in 2023/24 to meet the government's pledge that all Councils would receive a minimum 3% increase in CSP. This drop in NHB is also reflected in the lower-than-forecast increase in the tax base for 2024/25 (see para 3.7)
- 3.19 The Council has benefitted from the long-standing decision not to include the NHB in the base budget each year, instead transferring the sum received into an earmarked reserve. Both the Services Grant and Funding Guarantee Grant have been used as part of the base budget in setting a balanced budget.
- 3.20 If this principle were to be followed again, the budget gap would be closed and a large surplus identified. However, there is a significant lack of certainty regarding the Funding Guarantee Grant's longevity and the risk of placing reliance on this as a funding source is considered too great to take forward.
- 3.21 Instead, it is recommended that the amount of grant included in the MTFs for NHB continues to be transferred to that reserve, preventing an over-reliance on the (potentially short-lived) Funding Guarantee Grant.

Revenue Support Grant

- 3.22 Revenue Support Grant (RSG) is a central government grant given to local authorities which can be used to finance revenue expenditure on any service. The amount of Revenue Support Grant to be provided to authorities is established through the LGFS.
- 3.23 Test Valley Borough Council's RSG was reduced to £nil in 2019/20 and is theoretically negative. This continues to be the case in the current provisional settlement and therefore no direct RSG will be received by the Council.

Council Tax Increase – Referendum Threshold

- 3.24 The Budget Strategy assumed that the Band D level of Council Tax would increase by £5 from £158.91 to £163.91 for 2024/25. The details in the provisional LGFS set out that a £5 increase for 2024/25 will be allowable and would not trigger a referendum.
- 3.25 When the Cabinet next meets on the 28th February, the final LGFS figures will have been announced. Members will then have the opportunity to consider options for Council Tax levels to recommend to Full Council on the 29th February.
- 3.26 Test Valley Borough Council's long-standing ability to sustain Council Tax levels at comparatively low levels means that it is one of only 28 district councils across the country where the £5 cap is still applicable in the context of Council Tax setting. In all other Councils, the 3% maximum increase exceeds the £5 threshold.
- 3.27 As in previous years, no Council Tax referendum principles will be applied to parish and town councils.

Inflation

- 3.28 The MTFS increased the forecast inflation estimate for 2024/25 due to ongoing, persistently high rates of CPI.
- 3.29 Inflation has started to reduce and the figures announced in December were down to 3.9%. Although the rate is dropping, this has not had a significant impact on budget forecasts for 2024/25 and therefore the inflation allowance remains unchanged at the level included in the MTFS.

Investment Income

- 3.30 Members will be aware of the rapid increase in the amount of income generated from cash balances over the last two years, following more than a decade of record-low interest rates. This has been reported throughout the year in the Corporate Financial Monitoring reports, with a £1M surplus being allocated to regeneration programme funding in the current year.
- 3.31 The MTFS takes into account this increase in income but also recognises the risks of becoming over-reliant on it as a way to balance the budget.
- 3.32 The MTFS set out that any income above the 2023/24 base level of £2.55M would be transferred to reserves (at the time, this was a forecast transfer of £1.2M, split between regeneration; local plan delivery; and Environment Act).
- 3.33 The forecast has not been fully revised at this time as any change will not affect the budget gap. A full re-forecast of the estimated investment income, and recommendations for how any surplus should be distributed, will be included in the final budget report.

Transfers to and from reserves

- 3.34 A core part of the budget setting process is reviewing the levels of reserves held by the Council and the contributions to / from those reserves in setting a balanced budget.
- 3.35 A summary of the forecast transfers to revenue reserves of £3.312M (shown in the 2024/25 column of Annex 3) is set out in the following table.

Reserve	£'000
New Homes Bonus *	1,046
Regeneration	850
Environment Act	584
Local Development Framework	455
Leisure Contract Equalisation	318
Borough Elections Equalisation	75

Reserve	£'000
Other net draws from reserves	(16)
Total	3,312

* the figure shown above is a transfer into the reserve of £1.2M less £154,000 committed to meet ongoing grant schemes.

- 3.36 The Head of Finance and Revenues is required to report on the adequacy of reserves at the time the Council considers its budget requirement. A more detailed analysis of the reserves position will, therefore, be presented to the February Cabinet meeting, where the final budget proposals will be considered.
- 3.37 The Budget Panel of OSCOM has considered revenue reserve levels as part of its deliberations on the budget process.
- 3.38 No draws from equalisation reserves are planned in the budget setting for 2024/25.

Localisation of Non-Domestic Rates (NDR)

- 3.39 The Business Rates Retention Scheme was introduced in 2013/14. This scheme incentivises local authorities to deliver growth in NDR by enabling them to retain a share of income collected above a pre-determined baseline level.
- 3.40 The assumption in the MTFS was that there will be no major overhaul of business rates baselines or accounting until at least the 2026/27 financial year. No information was included in the provisional settlement regarding any potential re-set of business rates baseline levels and therefore this assumption remains unchanged.
- 3.41 The potential pressure arising from a reset of the rating system is the biggest risk to the Council's medium term forecast and is the main reason for the large increase in forecast budget gap arising in 2026/27.
- 3.42 The detailed estimates for business rates income and retained growth forecasts for 2024/25 are being finalised. It is anticipated that any budgetary impacts arising from this exercise will be managed through the Collection Fund Equalisation Reserve so as not to impact the overall budget position.

Wider budget setting context

- 3.43 There has been a great deal of publicity in recent months concerning the financial stability of the local government sector. Eight councils have resorted to issuing s114 notices (an effective declaration of bankruptcy) since late 2020 with many more publicly reporting budget deficits that will be very difficult, if not impossible, to close without major knock-on impacts on the quality of service they provide.

- 3.44 Against this backdrop, being able to reveal a balanced budget at this stage of the process is a huge boost to reassuring our residents and local businesses of our own financial stability.
- 3.45 This stability has not come at the expense of large historic Council Tax increases (our charge is the 27 lowest out of 164 districts in 2023/24), but instead as a result of prudent investment through our Project Enterprise programme and sound financial management practices.
- 3.46 Not only have we delivered certainty about the budget for the coming year, but also the capacity to set aside funds for key corporate projects, such as the regeneration programme, to ensure that they are delivered, affordably, in the coming years.

4 Medium Term Financial Forecast

- 4.1 The Medium Term Financial Forecast has been updated to reflect the above changes and the latest version is shown in Annex 3. The position in respect of 2024/25 is addressed in section 3 of the report.
- 4.2 Current forecasts indicate a deficit of £394,000 in 2025/26. A further £1.928M is then expected to be needed to close the forecast budget gap for 2026/27.

5 External Consultation on the Budget

- 5.1 The Council consulted the Test Valley business community through the Hampshire Chamber of Commerce (to which branches in Andover, Romsey and Stockbridge belong or are affiliated), Federation of Small Business which has strong links with Test Valley, Stockbridge Business Association as well as the members of the Manufactured in Andover group and to the Test Valley Business Distribution List.
- 5.2 Two response were received; one from the Hampshire Chamber of Commerce and one from an individual business owner.
- 5.3 The feedback was generally supportive of the approach taken by the Council and it encouraged the continuing support to businesses and the importance of maintaining and developing relationships with the business community – both in terms of Council events, briefings & support, and in looking for opportunities to manage costs or increase income.
- 5.4 Other comments included a desire to see the Council support businesses to introduce alternative, sustainable forms of power and the need for the Council to continue to focus on seeking efficiencies in areas such as headcount and income generation.

6 The Next Steps in the Budget Process

- 6.1 The Budget Panel of the Overview & Scrutiny Committee met on 11 January 2024 and were supportive of the work undertaken to close the budget gap. The panel will feedback to OSCOM on 7 February, whose recommendations, if any, will be considered by Cabinet on 28 February when the final budget report will be presented.

6.2 The final budget will be considered by Council on 29 February 2024.

7 Risk Management

7.1 A risk assessment has been completed in accordance with the Council's Risk management process and has identified some significant (red and amber risks). These have previously been considered in the Medium Term Financial Strategy report presented to Cabinet on 4 October 2023.

7.2 There have been no material changes to the risks identified in that report.

8 Resource Implications

8.1 The resource implications of the 2024/25 budget process and the Medium Term Financial Forecast have been discussed throughout the report.

9 Equality Issues

9.1 This report is for information purposes, so the Council's EQIA process does not need to be applied.

10 Conclusion and reasons for recommendation

10.1 This report provides an update on the budget strategy that was approved by Council in October 2023.

10.2 It takes into account the latest developments that will affect the budget process and has set out how a balanced budget for 2024/25 is expected to be presented.

10.3 The final budget report will be presented to Cabinet on 28 February 2024.

<u>Background Papers (Local Government Act 1972 Section 100D)</u>			
None			
<u>Confidentiality</u>			
It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.			
No of Annexes:	3	File Ref:	N/A
(Portfolio: Finance and Resources) Councillor M Flood			
Officer:	Carl Whatley	Ext:	8540
Report to:	Cabinet	Date:	31 January 2024

SUMMARY OF SAVINGS & INCOME GENERATION PROPOSALS

Service	Function	Income Generation Option Proposed	2024/25 £'000	2025/26 £'000	2026/27 £'000
Prop & Asset Mgmt	Car Parks	Additional income from car park charges based on last year's actuals and profile variance to date in current year	93	93	93
Prop & Asset Mgmt	Rental Income	Additional income from property rents across the whole portfolio.	178	213	218
Legal & Dem	Legal Fee Income	Additional income based on previous years	5	5	5
Fin & Rev	Employee costs	Shared service & post regrade	15	15	15
Fin & Rev	Finance	Increase in government grant for transparency disclosures	8	8	8
Env Serv	EST Technical	Sale of glass and dry mixed recycling. Additional income in line with current market expectations	90	0	0
Env Serv	Waste Collection	Non-packaging income share from HCC	0	111	111
Env Serv	Garden Waste	Increase in income due to increase in number of subscriptions	10	10	10
Plan & Build	Planning	Expectation that fees for planning applications will increase by between 25-35% in 2024/25. This additional income takes into account current income levels being below amounts included in the budget	100	100	100
Comm & Leis	The Lights	Creation of Performing Right Society Fee charge to recover PRS costs	8	8	8
Comm & Leis	Sports Facilities	Increase in income from sports facilities	40	40	40
Various	Various	Various small savings across services	16	16	16
Total Budget Savings and Income Generation Proposals in Medium Term Financial Strategy			563	619	624

SUMMARY OF SAVINGS & INCOME GENERATION PROPOSALS

Service	Function	Income Generation Option Proposed	2024/25 £'000	2025/26 £'000	2026/27 £'000
Env Serv	EST Technical	Sale of glass and dry mixed recycling. Additional income in line with current market expectations for additional year due to changes to waste strategy	40	80	0
Env Serv	Waste Collection	Non-packaging income share from HCC to be moved on by one year due to changes to waste strategy	0	(111)	0
Env Serv	Garden Waste	Increase in income due to increase in subscription fees	19	19	19
Fin & Rev	Revenues	Court fee income	20	20	20
Plan & Build	Planning	Additional income from planning fees	100	100	100
Prop & Asset Mgmt	Rental Income	Additional income from property rents across the whole portfolio.	314	314	314
Prop & Asset Mgmt	Car parking	Savings from service charge & cleaning	21	21	21
Various	NNDR	Savings to business rate costs following the 2023 revaluation	85	85	85
Various	Various	Various small savings across services	42	32	32
Total Budget Savings and Income Generation Proposals identified in this update			641	560	591
TOTAL BUDGET SAVINGS AND INCOME GENERATION PROPOSALS			1,204	1,179	1,215

SUMMARY OF REVENUE PRESSURES

Service	Function	Item	2024/25 £'000	2025/26 £'000	2026/27 £'000
Strat & Innov	Project Management	Making a temporary Project Support Officer post permanent.	38	38	38
IT	Shared Service	Net salary pressure arising from additional resource in the IT shared service across both TVBC and WCC.	79	69	69
Strat & Innov	Communications	Increase in hours of a Communications Officer post to make full-time.	20	20	20
Comm & Leis	Events	Additional budget required to make Events Officer post full time.	25	25	25
Total Pressures identified in Medium Term Financial Strategy			162	152	152
Chief Executive's	Human Resources	Payroll system contract renewal	8	8	8
Comm & Leis / Env Service	Ganger Farm	Reduced draw from s106 commuted sum to reflect expected cost profile for managing the site over twenty years.	56	56	56
Housing & Env Health	Housing options	Net additional costs for bed & breakfast provision	18	18	18
IT	Project consultancy	Additional budget to enable delivery of corporate software projects including telephony, virtual private networks and cloud migration as part of the IT Shared Service	10	10	10
Plan & Build	Planning	Additional budget required for Compliance Officer post (difference between grade 5 & grade 8)	15	15	15
Plan Pol & Ec Dev't	Regeneration	Budget for additional post to support the delivery of regeneration programme. Estimated at grade 5.	33	33	33
Prop & Asset Mgmt	Public Conveniences	Additional maintenance costs for three new changing places toilets and twice daily clean.	56	56	56
Finance & Revenues	External audit fees	Required increase following national tendering exercise managed by Public Sector Audit Appointments.	51	51	51
Finance & Revenues	Benefits	Reduction in subsidy / recovery income from Housing Benefit overpayments	95	95	95
Total Pressures identified in this update			342	342	342
TOTAL BUDGET PRESSURES			504	494	494

MEDIUM TERM FINANCIAL PLAN

	Budget Forecast 2024/25 £'000	Base Changes £'000	Budget Forecast 2025/26 £'000	Base Changes £'000	Budget Forecast 2026/27 £'000
Service Requirements	12,226.0	1,638.6	13,864.6	1,887.8	15,752.4
<u>Corporate Requirements</u>					
Contingency Provision	512.0		512.0		512.0
Investment Income	(3,748.9)	748.9	(3,000.0)	451.1	(2,548.9)
Borrowing Costs & Minimum Revenue Provision	349.3	(1.0)	348.3	(1.0)	347.3
Small Business Rate Relief & other S31 grants	(2,061.9)		(2,061.9)	2061.9	0.0
Other Government Grants	(2,687.3)	1259.7	(1,427.6)	1259.8	(167.8)
New Homes' Bonus	(229.8)	229.8	0.0		0.0
Provision for NDR Levy	2,080.1		2,080.1	(2,080.1)	0.0
100% retention of NDR from Renewable Energy	(505.1)		(505.1)		(505.1)
Net General Fund Expenditure	5,934.4	3,876.0	9,810.4	3,579.5	13,389.9
Transfer to / (from) Earmarked Reserves	3,312.4	(2,772.6)	539.8	(2,576.9)	(2,037.1)
Transfer to Asset Management Reserves	2,000.0	(48.9)	1,951.1	(451.1)	1,500.0
Transfer to Capital Reserves	3,645.0	(500.0)	3,145.0		3,145.0
Total General Fund Expenditure	14,891.8	554.5	15,446.3	551.5	15,997.8
Revenue Pressures	504.0	(10.0)	494.0	0.0	494.0
Income Generation Proposals / Savings Options	(1,204.0)	25.0	(1,179.0)	(36.0)	(1,215.0)
Revised Net Budget	14,191.8	569.5	14,761.3	515.5	15,276.8
FURTHER SAVINGS TO BE IDENTIFIED	0.0	(393.8)	(393.8)	(1,928.5)	(2,322.3)
General Fund Requirements	14,191.8	175.7	14,367.5	(1,413.0)	12,954.5

ITEM 10

Exclusion of the Public

Recommended:

That, pursuant to Regulation 4 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012, the public be excluded from the meeting for the consideration of the following report on the grounds that it involves the likely disclosure of exempt information as defined in the following Paragraphs of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, indicated below. The public interest in maintaining the exemption outweighs the public interest in disclosing the information for the reason given below:

Contractual Matters

Paragraph 3

It is considered that this report contains exempt information within the meaning of paragraph 3 of Schedule 12A of the Local Government Act 1972, as amended because the information relates to the financial or business affairs of any person (including the authority holding that information). It is further considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information as it relates to commercially confidential information.

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