

Budget Growth and Savings For 2021/22

The financial impact of COVID-19 has constantly evolved during the 2020/21 financial year and will continue into 2021/22. At this stage, the financial impact into 2021/22 and beyond can only be estimated however, several specific issues are emerging which have been reflected in this budget. Taking into account the grants received from Central Government, the estimated financial impact for the Council of the pandemic in 2021/22 is £2.5M. All budgets will be kept under full review and as the vaccine roll out continues, a return to a new normal will hopefully occur later in 2021/22. The key issues, which are known at this point, are set out in the following paragraphs. It is acknowledged that Government Grants have been received to offset some of the areas detailed below however it is important that the impact on each service can be identified.

1. The Corporation Estates budget is requesting growth totalling £504,000. This is made up of £343,000 for income for properties that are currently void due to leases ending where tenants have not renewed and delays in reletting due to the economic impact of COVID-19 on the property market. £161,000 of growth is for expenditure to cover an increase in holding costs for void properties that are now the Council's responsibility, notably this includes the cost for rates at Hampshire House which previously was payable by the tenant, Hampshire County Council. External agents are appointed to market the property to mitigate this risk as far as possible. It has been decided to not take this sum from the Property reserve initially to ensure that this reserve and the increased Bad Debt Provision remains at a good level to protect against any future voids or payment defaults. The overall rental position is regularly reviewed at the Audit & Resources Committee.
2. The Parking Services budget has seen a reduction in income for on and off-street car parking due to a decrease in activity across Eastleigh's car park portfolio because of a change in consumer habits throughout the pandemic, it is estimated that the financial impact will continue in to 2021/22. Consequently, there is a forecast net impact of £803,000 to offset lost income. This is an improvement upon 2020/21 with a forecast including the latest lockdown position at an assumed average 70% capacity in our car parks in 2021/22.
3. The Council Tax and NNDR (National Non-Domestic Rates) income budgets have seen pressures in the current year as there has been no court action due to the lockdown restrictions, it is expected that this will continue into 2021/22 with an estimated reduction in income of £111,000. Should guidance change around court action then income may increase to offset some of the pressure which is being funded here.

4. The Housing Benefit budget is forecast to require growth of £467,000 for 2021/22 to reflect the initial negative impact of the switch to universal credit. This budget reflects a similar position as in 2020/21 but it is expected levels of benefits will decrease as the switch to Universal credit continues however moving forward it is expected that this will be cost neutral.
5. The Eastleigh Business Centre budget has a variance to the starting budget of £140,000 for Wessex House is due to a fall in occupancy rates due to COVID-19. The £140,000 has been forecasted as part of the mid-year MTFP and it is anticipated that this will be one off growth. The budget set is based upon Wessex House being open for the duration of the financial year with occupancy expected to increase from the current rate of 60% from the summer of 2021. There is a risk that due to current pressures businesses may look to downsize office space which may affect income.
6. The Country Parks budget for Itchen Valley and Lakeside Country Parks is forecasting a net unfavourable variance of £20,000 in 2021/22 due to a reduction of income across the two parks. A more significant budget pressure has been reported to Cabinet as part of the Quarterly Financial Monitoring during the year, however the efforts of the Countryside Management team to deliver against a new Business Plan should reduce the level of growth needed in 2021/22 to £20,000.
7. The Combined Heat and Power budget is forecasting a saving of £36,000 which is £16,000 higher than that previously estimated during the year. This is based on the higher performance of the engine combined with better financial position with energy purchased to run the engine.
8. The Arts & Culture budget requires £300,000 of one-off funding to cover lost income due to various restrictions across the service relating to the COVID-19 pandemic, this has been reported in the MTFP. Due to restrictions the new operating model only allows a 30% occupancy level. If restrictions change then the pressure may reduce. Arts & Culture have been awarded grants in 2020/21 totalling £313,000 and will continue to apply for applicable grants in 2021/22. Current application for 2021/22 include the Transforming Leadership grant and Cultural Recovery Fund.
9. The Economic Development budget is reporting a saving of £25,000 in the 2021/22 budget. This was found in 2019/20 due to recurring efficiencies achieved on the annual business conference. Whilst the conference was not able to go ahead in 2020/21, we are hopeful that this can go ahead in 2021/22.

10. The Waste Management budget requires £348,000 of growth funding which is further analysed below.

- Refuse Collection is requesting £124,000 growth in 2021/22. In December 2020, Cabinet approved the proposals for improving the Refuse Waste Collection Services. As highlighted in the report, the cost of implementing the proposals will be an additional £115,000 per annum. There is also £9,000 additional expenditure to fund contract inflation.
- Trade Waste requires funding growth of £124,000 in 2021/22 due to forecast under recovery of income due to the impact of COVID-19 on local businesses. To mitigate this, a review of service fees and charges will be undertaken once businesses start to re-open, and a publicity drive will take place to increase customer numbers. Plans include the developing plans for introducing commercial food waste collections outlined in the Climate Change Action Plan and the Environmental Bill.
- The Garden Waste Service has subscribers totalling 22,190, an increase of 3,100 compared to last financial year. If all subscribers renew in 2021/22 this will generate an additional £126,000 of income, reflected as a saving.
- The Recycling Service requires funding growth of £227,000. - Hampshire County Council will cease paying recycling credits (the councils' own materials that we get money for) for materials from the 1st of April 2021 which is a £140,000 loss of income. There has also been a reduction in the value of recycling items leading to a shortfall of £87,000 recycling income from Project Integra (dry mixed recyclables and glass) which will be funded from the Project Integra reserves. It should be noted that Hampshire County Council are not, at this time, proposing to take forward the proposals to retain the MRF (Materials Recycling Facilities) income or to re-charge the costs of disposing of MRF contamination, but are seeking instead to negotiate a new and revised agreement for the basis of the collective joint working that is reflective of the pressures and challenges that we all face to replace the current, out dated PI Memorandum of Understanding (MoU). It is hoped that by starting these discussions progress on some of the more straightforward operational issues in advance of the financial negotiations which will be needed once the options appraisal work for each collection authority has been concluded in the New Year. If agreement can be reached at this point, this will forestall the need for the County Council to bring forward any decisions related to MRF contamination or income.

11. The Development Management service is predicting a loss in major application income in 2021/22 due to most local plan allocated sites having their applications re-submitted, the projected timeline for Horton Heath reserved matters planning applications and likely omission of the strategic growth option from the emerging local plan. This loss is calculated to be at around £86,000 based on the 2020/21 income receipts and the knowledge of next year's activity.
12. The Land Charges budgets income targets are to be reduced in 2021/22 by £95,000 due to the increase in non-fee generating applications being received.
13. The Hackney Carriages budget is predicting growth of £86,000 in 2021/22. The reduction in the renewal of licenses due to the difficulty with the face to face contact which is needed during the application process is expected to continue. The traders have stated that they will return when things improve which would impact this growth figure favourably.
14. The Planning Policy (Local Plan) budget is forecasting £200,000 recurring savings in 2021/22. The Local Plan budget provision for 2020/21 was based on the demands of preceding years where a significant amount of technical work was required, and the possibility of legal challenge. A budget revision is now possible based on the outcome of the examination hearings that completed in January 2020 and were detailed in the Planning Inspector's letters since April last year, and the residual technical and legal work therefore required by the Planning Inspector ahead of submission of modifications which has now been completed.
15. Pension charges, as highlighted in the Medium-Term Financial Plan the Pension Actuary issued revised valuation from 2020/21 which has resulted in a budget reduction of £1.369M.
16. Insurance, there is reporting a saving of £114,000 in 2021/22 as part of the annual review of the Council's external insurance contract.
17. As highlighted in the Medium-Term Financial Plan this 2021/22 budget includes the additional inflationary cost associated with Staffing (pension, pay award and national insurance etc) and inflation obligations in any service contracts. This is a budget pressure of £1.122m from 2020/21.
18. Interest Payable and similar contributions has a favourable variance of £1,005m. This is due to lower short-term interest rates causing a lower average cost of borrowing. This reduction more than offsets the additional

borrowing costs attributed to new capital expenditure financed by borrowing in the year.

19. Interest Receivable is showing an adverse variance of £1,529m. This is due to the repayment of the investment in the Pembers Hill development. As the housing development nears completion, sales income from the properties are paid to the Council in the form of loan repayments. This reduces the underlying investment held by the Council and therefore reduces the interest receivable from this investment.

20. Minimum Revenue Provision has an adverse variance of £83,000, this is due to the Council's policy to repay borrowing in proportion to the useful life of the underlying asset. As more capital expenditure financed from borrowing has been incurred in year, the need to repay this debt on an annual basis has also increased.