

4 February 2021

POLICY AND PERFORMANCE SCRUTINY PANEL

Thursday, 11 February 2021

SUPPLEMENTARY PAPERS ENCLOSED

Item 5. General Fund Revenue Budget 2021/22 and Performance Monitoring to December 2020 (Pages 3 - 48)

TO: Councillors Gomer, Cross, Asman, Broadhurst, Couldrey, Doguie, Duguid, Grajewski, Groves, Jurd, Pragnell, Tyson-Payne and Tidridge

Staff Contacts: Nikki Dunne, Democratic Services Officer; Tel: 023 8068 8298; Email: nikki.dunne@eastleigh.gov.uk

Natalie Wigman, Corporate Director Tel: 023 8068 8405
Email: natalie.wigman@eastleigh.gov.uk

This page is intentionally left blank

POLICY AND PERFORMANCE SCRUTINY PANEL

Thursday, 11 February 2021

CABINET

Monday 22 February 2021

GENERAL FUND REVENUE BUDGET 2021/22 - 2025/26 AND PERFORMANCE MONITORING TO DECEMBER 2020

Report of the Corporate Director (Chief Financial Officer)

Recommendation(s)

Policy and Performance Scrutiny Panel

It is recommended that the Policy and Performance Scrutiny Panel review the General Fund Revenue Budget 2021/2022 – 2025/26 and make recommendations to Cabinet.

Cabinet

It is recommended that Cabinet:

- (1)** recommend Council approve service spending in line with forecast for 2020/21 which incorporates pressures and efficiencies as part of the Financial Monitoring to 31 December 2020 (Appendix G);
 - (2)** recommend Council set the net Revenue Budget requirement for 2021/22 at £9,914,000 and note the impact on the Council's General Fund balance (para 12);
 - (3)** recommend Council note the provisional Local Government Finance settlement for 2020/21 (para 16);
 - (4)** recommend Council approve budget adjustments for 2021/22 in line with the Medium Term Financial Plan (Appendices B & C);
 - (5)** recommend Council decrease the average Council Tax for Eastleigh Borough Council by 0.4% (1% below CPI) (para 21-25) and
 - (6)** recommend Council approve the Special Expenses for Parished and Non-Parished areas (para 26).
-

Summary

This report details the proposed General Fund Budget for 2021-22 with the associated forecast Medium-Term Financial Plan to 2025/26. This demonstrates that despite the current international health crisis and associated pressures the Council is forecast to deliver a balanced budget into the medium term.

Statutory Powers

Section 151 Local Government Act 1972
Local Government Finance Act 1992
Local Government Act 2003 (Part 2- Financial Administration)

Strategic Implications

1. The Budget underpins the Council's ability to meet Strategic Priorities set out in the Corporate Plan. The Budget aligns the appropriate level of resource that enables services and projects to be delivered so that there is a direct impact on residents. The Budget is a vital management mechanism to ensure financial sustainability of the Council, fulfilment of statutory obligations, financial prudence and compliance.

Introduction

2. This year has seen an unprecedented level of uncertainty for the financial position of all services due to the impact of the Covid-19 pandemic and as such the Budget process has been adapted to reflect this. Unlike in previous years further changes to the Revised Budget for 2020/21 will not be brought for approval, this is to help measure the full impact of Covid-19 related costs and losses. However, the Medium-Term Financial Plan (MTFP) reflects the forecast outturn position and includes anticipated future impacts of the pandemic and other emerging issues.
3. In previous years the process of preparing the Budget commenced in October based on the approval of a new MTFP. This year, due to the uncertainty of the impact of the pandemic, a regular review of the MTFP has been carried out and reported to councillors to demonstrate that the Council remains in a strong financial position and is prepared for any further unforeseen changes. As such it was considered more appropriate to seek approval for the updated MTFP in line with the Budget in February 2021. This enables the longer-term forecasts to be more accurate and up to date and directly aligned to the approved Budget. This process of approving the MTFP and Budget in February will continue in the future.

4. Cabinet approved Corporate Fees and Charges in November 2020. Area Committees are also setting fees and charges for local amenities, including car parks as part of their devolved responsibility.
5. The financial performance for each service is monitored regularly throughout the year which includes forecasting the full year position. This monitoring identifies issues, both pressures and efficiencies, which are then included within the MTFP as drafted in Appendix A. The position as at December 2020 is detailed within this report in more detail at Appendix G.
6. The Budget report is considered by the Policy and Performance Scrutiny Panel on 11 February 2021. All Councillors are invited to this meeting and are given the opportunity to speak and to ask questions. The Budget is then reported to Cabinet and subsequently taken to Council for approval at Full Council on 25 February 2021.

Current Financial Position

7. As Councillors will be aware, despite the impact of the pandemic the overall financial position of the Council continues to be stable as summarised in the table in paragraph 12. Much of this is due to prudent financial management and planning where decisions have been taken that reflect a business case that offers long term stability rather than short term financial gain. However, it should be noted that there is still significant uncertainty moving forward and as such services are still required to restrict spend where possible.
8. Aside from the General Fund Reserve, there are a number of earmarked reserves maintained by the Council to enable the financing of specific costs. These are discussed in more detail in paragraph 14. These reserves should enable the Council to mitigate any emerging costs such as those arising from a potential recession, future changes in the property market or interest rate movements.
9. The Council continues to use Prudential Borrowing to purchase assets and contribute to housing schemes in line with the Capital Strategy, which can be found elsewhere on the Cabinet Agenda. This results in a net surplus in excess of £12M per annum for the Council and enables the Borough to benefit from retention and creation of employment alongside the accelerated supply of affordable and accessible housing. Treasury Management is discussed in further detail at paragraph 35.

Net Revenue Budget

10. The 2020/21 Budget has been prepared on the following basis:
 - (a) The Council has committed to increase Council Tax by 1% less than inflation (CPI) prevailing at 31 December in the preceding year (0.6% at December 2020) and therefore average Council Tax will decrease for residents next year by 0.4%. This commitment will help residents with the financial pressures they may be facing due to the impacts of the pandemic

- (b) In accordance with policy, the General Fund Reserve is maintained at the minimum of £1M.
- (c) The Budget makes provision for an estimated annual pay award of 1% for the remainder of the Financial Plan.
- (d) Fees and Charges are set to achieve on average a minimum 2% yield increase in 2021/22. However, it should be noted that due to the impact of Covid-19 the ability of services to generate additional income is severely impacted and growth is reflected with the latest projections.
11. As detailed within the Medium-Term Financial Plan (Appendix A), Budget pressures have been contained within existing budgets wherever possible. However, this year has seen unprecedented issues and there are a number of pressures to highlight to councillors. Appendices C & G of this report detail those pressures that need approval from Cabinet (Recommendation 4).
12. The Original Budget and forecast outturn for 2020/21 and the Budget to 2025/26 are summarised in the following table. Further detail is shown in Appendix A.

	2020/21 Original £'000	2020/21 Forecast £'000	2021/22 Budget £'000	2022/23 Budget £'000	2023/24 Budget £'000	2024/25 Budget £'000	2025/26 Budget £'000
Total Net Expenditure	10,305	10,324	9,915	9,001	9,164	9,371	9,572
Transfer (from)/to Balances	(48)	(67)	-	(2)	(1)	-	(1)
Net General Fund Requirement	10,257	10,257	9,914	8,999	9,162	9,370	9,570
<u>General Fund Balance</u>							
Opening Balance 1 April	(1,067)	(1,067)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Transfer from Balances	48	67	-	2	1	-	1
Closing Balance 31 March	(1,019)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)

13. The Budget and Medium-Term Financial Plan show that the Council is in a stable financial position with General Fund Reserves being maintained meeting the minimum requirement of £1M.
14. A review of earmarked reserves has been undertaken to confirm that current and forecast levels are adequate to address all known potential liabilities. This includes the significant interest and property reserves. A summary of reserves, showing forecast closing balances year on year, is tabled on the following page:

Earmarked Reserves

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	£000	£000	£000	£000	£000	£000
Property	3,487	4,211	4,935	5,660	6,384	7,109
Capital and Developers Contributions	3,423	3,423	3,423	3,423	3,423	3,423
Local Areas	614	614	614	614	614	614
Service Specific	4,080	3,897	3,897	3,897	3,897	3,897
Interest	9,265	9,540	8,497	7,710	5,896	2,523
Total earmarked reserves	20,869	21,685	21,366	21,304	20,214	17,566

Impact of Covid-19

15. As reported to Cabinet the Council has received £650,000 in specific grants to support the recovery of Town Centres and the Community, Furlough Funding and Track & Trace systems. A £3.7M general grant has also been received to help mitigate the impact of Covid-19 generally across the Council. The only grant which has had a change to the forecast sum due to be received is the Sales, Fees & Charges Fund which remains at £2.1M for 2020/21 with an estimated £800,000 now forecast for 2021/22 due to the scheme being extended until July 2021.
16. Levels of lost income (£4.6M) and costs (£1.5M) for 2020/21 as a result of Covid-19 have not materially changed since the estimates reported in November 2020. The impact of Covid-19 has been further assessed for 2021/22 with costs of £1.4M and lost income of £2M included with in the budget. Further details of all services budget changes can be found at Appendices B and C

Local Government Finance Settlement

17. Central Government deferred the announcement of a 3-year grant settlement due to the uncertainties surrounding the financial impacts of the pandemic. A provisional one-year settlement was published in December 2020. This has maintained government funding levels at the same level as 2019/20 and this funding is included within the proposed Budget.
18. Due to continued financial constraints from Central Government, Cabinet will note that the Revenue Support Grant reduced to zero from 2019/20. In 2007/08 this same funding was £7.4M, which equates to approximately £10M at today's prices. This reflects the real and sustained reduction in Central Government funding of Local Government over the past 10 years. It is worth noting that the Government pledge was that the reduction in Revenue Support

Grant would be offset by councils retaining 100% of Business Rate income in the future although this has still not been introduced.

19. It should be noted that there will be significant changes reported in the Business Rates position due to the additional reliefs issued. The ongoing net position is anticipated to be materially the same as the new policies are in place to allow COVID-19 losses to be phased over there years.
20. The Government had intended to reset the base income from Business Rates nationally moving to three yearly valuations from 2021, this has now been delayed. For Eastleigh, it is anticipated that this will remove any growth to date and the Council will revert to the safety net position, requiring top up funding from Central Government. This reset will have a significant negative impact on the Council's finances and will erode the benefit we have received over recent years with increasing Business Rate income. The potential impact on the Council (based on current estimates from our advisors) is tabled below:

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Net NDR income	5,469	4,114	2,489	2,671	2,723	2,723
G'ment (levy)/Top-Up	(1,322)	(551)	138	(9)	(53)	(53)
Net Income	4,147	3,563	2,627	2,662	2,670	2,670

Council Tax

21. The actual Council Tax paid by an individual is a combination of:
 - Hampshire County Council Precept
 - Police and Crime Commissioner for Hampshire Precept
 - The Fire and Rescue Authority Precept
 - Eastleigh Borough Council (adjusted for Special Expenses - see para 26)
 - Parish/Town Council Precept (in the parished areas)
22. The average Band D Borough Council element of the Council Tax has been set at £129.39, a decrease of 0.4% for 2021/22 which is 1% below inflation (December 2020 CPI). If the Council were to increase Council Tax by the maximum allowed under regulation without a referendum (2%) rather than 1% below CPI, then the additional yield to the Council in 2021/22 would be approximately £60,000.
23. The total average Band D Council Tax figure demonstrates a £0.52 decrease year on year equivalent to a 0.4% decrease (1% below inflation). The Council is committed to reducing the impact of Council Tax on residents and over the past 17 years the year on year increase has been below inflation. This has led to the Council Tax being more than 30% lower than if it had gone up in-line with inflation.

24. Hampshire County Council, Police & Crime Commissioner for Hampshire and Hampshire Fire & Rescue Authority precepts are not yet known and are not therefore included in the figures in this report. They will be incorporated in the Council Tax calculation reported to Council in February 2021.
25. Currently collection rates for Council Tax remain high and will not have an impact on the General Fund through the collection fund account as new accounting policies have been put in place to phase the impact of COVID-19 over the next three years.

Special Expenses

26. Special Expenses are an element of the Council Tax charge. They are a mechanism for identifying, where possible, services specific to a geographic area and reflecting the relevant costs to the Council Tax payer within the area which that service is performed. This enables more accurate bills for residents who are then paying for services specific to their geographic area where possible. Compared with last year there is a reduction of 3.15% in the special expense for Fair Oak & Horton Heath to recognise some services transferring to the Parish and an average 4.95% increase in the non-parished area to reflect accurate refinement of support for services provided by the Borough Council compared to Parish Councils across the other areas of the borough.
27. The Special Expenses' budgets for 2021/22 are outlined below:

Expenditure relating to the Non-Parished Area

	2021/22
	£
Allotments	58,432
Bowls Facilities	4,068
Bus Shelters	8,929
Children's Play Areas	61,707
Cemeteries	61,650
LAM Support	28,526
Christmas Lighting	29,227
Playing Fields	87,051
Public Toilets	43,214
Christmas Event	7,322
Community Safety	36,585
Cable Works	28,588
Countryside Sites	36,495
Open Spaces, Parks & Recreation Grounds	196,795
Tree Management & Maintenance	27,851
Energy Centre	15,152
Town Centre Maintenance	11,912
	743,504

Special Expenses in the Parished Areas

	2020/21
	£
Allbrook	9,204
Bishopstoke	83,504
Botley	23,759
Bursledon	54,187
Chandler's Ford	158,496
Fair Oak & Horton Heath	57,257
Hamble-le-Rice	44,837
Hedge End	84,942
Hound	88,937
West End	94,850
	<hr/>
Special Expenses in the Parished Areas	699,973
Notional Grant	(175,366)
Special Expenses in the Non Parished Areas	743,504
	<hr/>
Total Special Expenses	1,268,111

Service Issues

28. The Budget process has been carried out in parallel to the quarterly Financial and Performance Monitoring process to 31 December 2020. This allows the most current financial information to be used to inform the Budget and identifies pressures and emerging efficiencies. Appendix G provides the details of the issues identified relating to the 2020/21 forecast and Appendix C details the budget adjustments included in the future forecasts (rec 4). Furthermore, a full reconciliation of the year on year Budget movements is included at Appendix B.

Continuous Improvement Strategy

29. In previous years the Council has worked towards achieving efficiencies without cutting services. With the current situation, services are being delivered in uncertain times and therefore the resources are being focused based on priority. Once the situation becomes more stable, hopefully during 2021/22, the service planning process will inform a revised Continuous Improvement Strategy which will then be regularly monitored and delivered.
30. The impacts of global economic uncertainty will make the focus on delivering efficient services more important than ever as financial pressures will continue. Furthermore, as the pandemic draws to a close the Council may need to refocus resources on new priorities which arise locally from the Covid-19 impacts. Any strategic refocussing will be brought to Cabinet as appropriate during the coming months. A tight control on spending will enable the Council to react more quickly to any such changes.

Community Investment Programme

31. The Council continues with its successful Community Investment Programme (CIP) from strategic investment delivering tangible outcomes, such as increased and improved employment space, more housing, improved awareness of climate issues to aid the Climate and Environmental Emergency, whilst delivering increased revenue income to the Council. A summary of the programme as at December 2020 is shown at Appendix D and the detail of the full programme can be found in the Capital Strategy elsewhere on the Cabinet Agenda.
32. The CIP has a rolling budget of £94.7M for 2020/21. The budget has increased by £19.1M since originally set which is in line with Capital Expenditure approved at Cabinet throughout the year. In addition to this, various amounts of slippage have taken place as the year has gone on as project timelines have become more defined.
33. As at the end of December 2020 £29M has been spent, representing 31% of the total budget. Discussions have been held with accountable managers and the remaining spend is likely to be incurred in this financial year or early next, and this will be monitored throughout the remainder of the year. The majority of outstanding spend relates to schemes approved at cabinet where the terms remain confidential.
34. The progress of the CIP schemes is reported as part of the highlight reports completed by Project Managers monthly and reported back to the relevant Boards. As with revenue budgets, Project Managers are asked to identify forecast spend for the year in order that the total CIP budgets can be monitored effectively and profiled into the most appropriate financial year. This is an iterative process, with adjustments to budgets between financial years being made as and when reported to the relevant boards.

Treasury Management

35. As a net borrower, the Council's Budget is sensitive to interest rate movements. Net borrowing levels are anticipated to be £542M by the end of 2020/21. The impact on the Council's Investment/Borrowing Portfolio of the current and projected interest rates is summarised in the following table:

	Forecast 2020/21 £'000	Budget 2021/22 £'000	Budget 2022/23 £'000	Budget 2023/24 £'000	Budget 2024/25 £'000	Budget 2025/26 £'000
Avg Borrowing Rate	1.22%	1.12%	1.11%	0.97%	1.12%	1.39%
Interest Payable	4,809	4,526	4,489	4,436	5,284	6,996

36. This financial year has seen two further reductions in the Bank of England Base Rate to 0.25% (11 March 2020) and the 0.1% (19 March 2020) which has continued a period of very low and stable for interest rates from which the Council is benefitting. The Council benefits annually from borrowing at a blend of short term and long-term interest rates and in addition the budget for short term rates is prudently based on a longer-term increasing forecast.
37. The prudent forecasting of interest rates has led to a forecast saving of over £700k in interest payable in 2020/21, as fluctuations in borrowing rates due to the impact of COVID 19 have realised a lower cost of borrowing than originally budgeted.
38. The Council's Treasury Management Advisors, Arlingclose, are currently forecasting no change in the interest rate with their estimates running to March 2024. The Council continues to hold a significant interest rate reserve to protect against any unforeseen interest rate increases.
39. The Council's Property Portfolio provides an annual net surplus in excess of £12M. When evaluating property purchases, in line with the Capital Strategy, all known and anticipated costs are included within a robust internal financial assessment which considers all related costs including the cost of Prudential Borrowing. It is important to note that all purchases are assessed at the long-term borrowing rate and include provisions for both voids and maintenance costs.
40. An indication of the financial health of the Council can be seen in the Prudential Indicators which are reported to Cabinet throughout the year. One indicator demonstrates the level that an average individual Council Tax bill would need to increase by if the Council did not receive income from investments and instead needed to generate this through Council Tax income this, figure is in excess of £200. The Council would not be able to increase the tax by this sum and therefore would need to look at other ways to generate income, or more likely, would need to cut services. Note that the proposed average Band D Council Tax figure for 2021/22 is £129.39.
41. In accordance with the recommendations from Arlingclose, and as approved by the Treasury Management Member Review Group, the intention is to continue borrowing short-term. The Budget includes the cost of the £50M long-term loan taken from Public Works Loan Board (PWLB) in April 2017 at a fixed rate of 2.31% and the further £300M taken in April 2019 at an average fixed rate of 1.9%. It is important to note that whilst the interest payable figures included in the Budget increase significantly over the period, this is offset by income. Any purchase made by borrowing is assessed at the long-term rate with the revenue benefit being set aside in a reserve.
42. The Capital Investment and Treasury Management Strategy which discusses the Borrowing and Investment Strategy in more detail is considered elsewhere on the Cabinet Agenda.

43. Although a net borrower, the Council does receive interest income and this is estimated in the table below:

	Forecast 2020/21 £'000	Budget 2021/22 £'000	Budget 2022/23 £'000	Budget 2023/24 £'000	Budget 2024/25 £'000	Budget 2025/26 £'000
Investment Interest	(3,514)	(1,742)	(443)	(284)	(311)	(361)

44. A large proportion of this interest income is derived from housing loans made to Aspect Eastleigh sponsored housing schemes such as Pembers Hill. This income is only reflected within budget projections when there is a high level of certainty. Any interest generated by future schemes will only be added once a full business case has been approved. As timings of future income streams are not known, investment income falls to a lower level in future years.

New Homes Bonus

45. As Cabinet will recall, the Council uses the New Homes Bonus (NHB) Grant to fund capital projects and, unlike many councils, does not rely on this income to fund ongoing revenue costs. The scheme, when initially launched, committed to funding in 6-year tranches. This reduced initially to 5 years in 2017/18 and then down to 4 years from 2018/19. From 2020/21 allocations for the year will be one off and not attract any legacy payments.
46. The future allocation of Government funding for housing is yet to be announced although it is anticipated that there will be incentives for councils who are accelerating housing delivery. As reported last financial year the consultation on the future of the scheme is underway and this is likely to move “to a new, more targeted approach that rewards local authorities where they are ambitious in delivering the homes we need”.
47. The current allocation of grant across specific schemes is detailed below:

	<u>£'000</u>
<u>Completed</u>	
Woodside Avenue & Hatch Farm	324
Bursledon GP Surgery	3,797
Lakeside Country Park	1,000

Hiltingbury Pavillion & Tennis Courts	440
Fleming Park Leisure Centre	3,752
Hamble Library	200
IVCP Highwood Barn	120
Wildern Leisure Centre	1,050
New Homes Review	72
	<hr/>
	10,755
<u>Scheme Underway</u>	
Ramalley Countryside	10
Hiltingbury Lakes	145
Fryern Pavillion	300
Ramally Guides/Scout HQ	230
Romsey Road Community Facilities	200
Town Centre Housing Sites	960
St Johns Phase 2 & 3	700
Bishopstoke Community Facilities	1,000
Hedge End/Horton Heath Cycle Route	40
	<hr/>
	2,545
<u>Scheme Approved</u>	
Bishopstoke Road Infrastructure	900
	<hr/>
	1,940
Total	<hr/>
	15,240

48. In addition to the above a further £5.8M is earmarked for affordable housing.
49. The Council's involvement in housing schemes, both through the investment of New Homes Bonus and the use of associated companies, has enabled the acceleration of housing supply within the Borough. The success of the Housing Programme to date has meant that the Council is enabling the delivery of 3,400 homes across the Borough, which includes in excess of 1,000 Affordable properties without the need to subsidise scheme by drawing on the New Homes Bonus fund. Combined with the reopening of the Housing Revenue Account the Council will be able to use these funds to directly accelerate the delivery and improve the quality of Affordable homes in the Borough.
50. This is a continuing aspiration and whilst delivering on the Corporate Plan Priorities of increasing provision and diversity of housing mix throughout the Borough this also delivers net revenue income for the Council which is included within the Budget.

Consultation

51. The Council is required to consult with local businesses on the General Fund Revenue Budget although the actual level of Business Rates (National Non-Domestic Rates - NNDR) is set by Central Government. Letters have been

sent (example at Appendix E) offering consultation to the Hampshire Chamber of Commerce, the Federation of Small Businesses and the Business Improvement District (BID). Any comments received before the Cabinet meeting will be reported verbally.

52. In preparing this Budget, Service Managers also consult with key partners to ensure that the requirements of maintaining a successful partnership are considered as part of the Budget deliberations.

Risk Assessment

53. The Budget preparation has a number of different risks ranging from strategic to operational. A risk log that identifies the key financial risks and evaluates both impact and likelihood is attached in Appendix F.

Equality and Diversity Implications

54. The Equality Act is not relevant to the decision in this report as the decision does not relate to eliminating discrimination, advancing equality of opportunity, or fostering good relations between different people. An Equality Impact Assessment has not been carried out.
55. Any service changes identified in this report will have an Impact Assessment completed as required.

Climate Change and Environmental Implications

56. The recommendations included within this report do not have a direct impact on Climate Change or Environmental Implications. However, resources have been allocated inline with the Council's strategy to ensure that the Climate Change Initiatives can be achieved.

Chief Financial Officer's Statement

57. In accordance with the requirements of the Local Government Act 2003 the Council's Chief Financial Officer, in recommending this Budget to Cabinet for approval, endorses it as being sound and robust and acknowledges that balances are being maintained at an adequate level for 2020/21 and 2021/22 which is continuing into the future. This recognises the uncertainty created by the cuts in public sector funding, the impact of COVID-19 and the current economic climate.
58. The Council's current financial position both now and looking to the future is healthy. This process has set a platform for the Council to continue to develop more efficient ways to provide services to customers whilst maintaining service provision. The Budget reflects the success of the prudent financial and risk management approach adopted within the Council.
59. However, this year particularly there is a great deal of uncertainty regarding the future in terms of the general economy, the impact of the exit from the European Union, emerging legislation and areas specific to Local Government

such as changes to the Business Rates Scheme. It is essential that the Council continues to develop more efficient ways of working and uses strategy to focus resources to deliver the most effective services to deliver the aims of the Corporate Plan.

60. The delay in driving forward the Continuous Improvement Strategy is the right decision due to the current uncertainties however it is vital that costs continue to be tightly controlled and that opportunities to increase income are maximised. The Council is financially stable although future increased financial pressures are inevitable and we need to be in a position to react quickly to changes in focus. The Council needs to build on the strong financial position to ensure that financial stability and service flexibility can continue into the long-term.
61. This assessment is supported by the Chief Executive.

Conclusion

62. The Budget presented in this report is based on the best information available and sets a balanced Budget for 2021/22 and for the life of the Medium-Term Financial Plan.
63. This represents a significant achievement and a positive prospect for the Council during a period of uncertainty and unprecedented financial pressures. The Council continues to deliver against Strategic Priorities set out in the Corporate Plan; examples include improved recycling rates, improvements in air quality, increased physical activity of residents, resilient Town and Local Centres and an ambitious programme of infrastructure, regeneration and housing projects.
64. Cabinet is asked to consider the Draft Budget for 2021/22 and Medium-Term Financial Plan and to make recommendations to Council at its 25 February 2021 Budget meeting as appropriate.

SARAH KING
CORPORATE DIRECTOR (CHIEF FINANCIAL OFFICER)

Date: 19 January 2021
Contact Officer: Andy Smith
Tel No:
e-mail: andy.smith@eastleigh.gov.uk
Appendices Attached: 7

LOCAL GOVERNMENT ACT 1972 - SECTION 100D

The following is a list of documents which disclose facts or matters on which this report or an important part of it is based and have been relied upon to a material

extent in the preparation of this report. This list does not include any published works or documents which would disclose exempt or confidential information.

None.

This page is intentionally left blank

MEDIUM TERM FINANCIAL PLAN to 2025-2026

Budget Summary	Original 2020/21 £'000	Estimate 2020/21 £'000	Budget 2021/22 £'000	Estimate 2022/23 £'000	Estimate 2023/24 £'000	Estimate 2024/25 £'000	Estimate 2025/26 £'000
Net continuing services	3,490	1,477	5,594	4,323	4,021	3,925	3,992
Other:							
External Interest Payable	5,531	4,809	4,526	4,489	4,386	5,284	6,996
External Interest Receivable	(3,271)	(3,514)	(1,742)	(443)	(284)	(311)	(361)
Contribs to / (from) Reserves	3,918	7,003	817	(318)	(62)	(1,089)	(2,648)
Capital Financing from Revenue	0	0	0	0	0	0	0
Minimum Revenue Provision	5,143	5,055	5,226	5,456	5,609	6,068	6,099
Depreciation	(4,506)	(4,506)	(4,506)	(4,506)	(4,506)	(4,506)	(4,506)
TOTAL COST	10,305	10,324	9,915	9,001	9,164	9,371	9,572
Transfer To/(From) General Fund	(48)	(67)	(0)	(2)	(1)	(0)	(1)
Total Budget Requirement	10,257	10,257	9,914	8,999	9,162	9,370	9,570
AVAILABLE FINANCE:							
Aggregate External Finance							
RSG	0	0	0	0	0	0	0
NDR	(4,147)	(4,147)	(3,563)	(2,627)	(2,662)	(2,670)	(2,670)
	(4,147)	(4,147)	(3,563)	(2,627)	(2,662)	(2,670)	(2,670)
Council Tax (Surplus)/Deficit	(72)	(72)	(170)	(72)	0	0	0
Council Tax - Base	(6,038)	(6,038)	(6,181)	(6,300)	(6,500)	(6,700)	(6,900)
Financed Budget Requirement	(10,257)	(10,257)	(9,914)	(8,999)	(9,162)	(9,370)	(9,570)
BUDGET DEFICIT/(SURPLUS)	0	0	0	0	0	0	0

<u>GENERAL FUND BALANCES</u>	2020/21	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Balance at 1st April	(1,068)	(1,068)	(1,001)	(1,001)	(1,001)	(1,001)	(1,001)
Appropriations (to)/from Reserve	48	67	0	2	1	0	1
(Surplus)/Deficit in Year	0	0	0	0	0	0	0
Balance at 31st March	(1,020)	(1,001)	(1,001)	(1,001)	(1,001)	(1,001)	(1,001)

This page is intentionally left blank

Budget Reconciliation

Appendix B

	<u>2020/21</u>	<u>2021/22</u>	<u>Appendix C Para Ref</u>
ORIGINAL TRANSFER FROM RESERVE 2020/21	47,040	47,040	
<u>Approvals During 2020/21</u>			
Trees Approved Growth	83,590	83,590	
Restart Kitchen Waste	81,970		
	165,560	83,590	
Corporation Estates	504,000		1
Parking Services	803,000		2
Council Tax	100,000		3
NNDR	11,000		3
Housing Benefit	467,000		4
Eastleigh Business Centre	140,000		5
Country Parks	20,000		6
Combined Heat and Power	(36,000)		7
Arts and Culture	300,000		8
Economic Development	(25,000)		9
Waste Management	348,000		10
Development Management	86,000		11
Land Charges	95,000		12
Hackney Carriages	86,000		13
Local Plan	(200,000)		14
Pension Saving	(1,369,000)		15
Insurance Contract Saving	(114,000)		16
Non Met Efficiency	500,000		Main report - para 29
Government Grant	(800,000)		Main report - para 15
Other Service Adjustments	(18,060)		
	0	897,940	
<u>Income & Expenditure Account</u>			
Interest Payable and Similar Contributions	(1,005,000)		18
Interest & Investment Income	1,529,000		19
Reserves	(3,100,840)		
Minimum Revenue Provision	83,000		20
Business Rate Income	584,010		
Council Tax Base	(240,740)		
	0	(2,150,570)	
Staffing and Inflation Costs	176,000	1,122,000	17
REVISED TRANSFER FROM GENERAL FUND	388,600	0	

This page is intentionally left blank

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.

This page is intentionally left blank

**COMMUNITY INVESTMENT PROGRAMME
QUARTER 3 - 2020/21**

	Original Budget 2020/21	Rolling Budget 2020/21 £	Actual Dec-20 £	Budget Remaining 2020/21
PROGRAMME BOARD				
Climate & Environmental Emergency	-	7,074,870	37,040	7,037,830
Housing	57,312,250	48,093,440	24,693,350	23,400,090
Infrastructure	331,090	20,615,310	551,780	20,063,530
IT	350,000	741,100	503,030	238,070
Leisure *	-	231,670	(132,180)	363,850
Regeneration	16,445,100	7,545,840	1,944,600	5,601,240
LAC - Bishopstoke, Fair Oak & Horton Heath	1,000,000	1,660,880	85,270	1,575,610
LAC - Bursledon, Hamble & Hound	-	395,810	9,360	386,450
LAC - Chandler's Ford & Hiltingbury	107,500	312,240	60,410	251,830
LAC - Eastleigh	-	3,628,510	471,740	3,156,770
LAC - Hedge End, West End & Botley	-	4,473,110	780,020	3,693,090
	75,545,940	94,772,780	29,004,420	65,768,360

* Negative values are in respect of the Council's policy on funding retentions in advance of payment, once Retentions have been settled, these will balance to zero

This page is intentionally left blank

Financial Services Unit

Our Ref: SK/PS/Ctax
Your Ref:
Contact: Sarah King
Direct Dial: 023 8068 8011
Direct Fax:
Email: sarah.king@eastleigh.gov.uk

11 January 2021

Dear Sir/Madam

CONSULTATION WITH THE BUSINESS COMMUNITY REGARDING GENERAL FUND REVENUE BUDGET AND NATIONAL NON-DOMESTIC RATES (NDR) FOR THE FORTHCOMING YEAR 2021/22

In accordance with general yearly requirements I write offering you the opportunity of consultation on Eastleigh Borough Council's General Fund Budget and associated Business Rate charges for the year 2021/22.

A copy of the committee report to be presented to the Council's Cabinet Members, detailing the Budget and general proposals for the year 2021/22 will be found on our website www.eastleigh.gov.uk following the Cabinet meeting which will take place on Wednesday 22 February 2021.

The two business rate multipliers applicable for 2021/22 (which are provisional at the current time):

- 1). the small business non-domestic rating multiplier of 49.9 pence is applicable to those that qualify for the small business relief and
- 2). the non-domestic rating multiplier of 51.2pence.

The Government sets the NDR rate and the Council is merely reporting this matter to you. Full details of the revaluation process and calculators for rateable values can be found on the following government website, <https://www.gov.uk/introduction-to-business-rates/revaluation>.

Full Council will make a decision on the level of Council Tax on Thursday 25 February 2021.

Yours sincerely

Sarah King
CORPORATE DIRECTOR & CHIEF FINANCIAL OFFICER

This page is intentionally left blank

MEDIUM TERM BUDGET STRATEGY 2020/21 –2025/26 RISK ASSESSMENT**Assessment of risks for the year 2020/21 and future years****Please note:**

The probability (prob) and impact (imp) of identified risks adversely affecting the Budget are each addressed on a scale of 1 to 5, where 1 = very low, 2 = low, 3 = medium, 4 = high and 5 = very high.

Risk		2020/21		Future		Comments
		Prob	Imp	Prob	Imp	
1. <u>Strategic</u>						
(i).	Balances less than 10% of Net Revenue Spend.	1	2	2	2	Balances are forecast to be in excess of the 10% minimum. However, given the future uncertainty of Covid-19 and future lockdowns, grant settlements, inflation etc there is a greater risk of it falling below this level in future years.
(ii).	Impact of new legislation and Government initiatives (including exiting the European Union).	4	2	4	4	There will inevitably be future legislation and initiatives that may result in additional financial implications. (e.g. Business Rates Review).
(iii).	Additional borrowing to finance the CIP.	5	1	5	2	Capital Receipts are earmarked for projects which have a direct benefit to the public. For other capital expenditure borrowing is the main source of finance particularly for income generating projects.

		Prob	Imp	Prob	Imp	Comments
(iv).	Development of Local Plan and implications of non-adoption	1	3	1	3	Potential costs of defending planning appeals for sites not supported in the submitted local plan. A reserve has been established to fund any associated costs and the adequacy of this reserve will be reviewed regularly.
(v).	Failure to achieve the Continuous Improvement Strategy	0	0	2	2	The Continuous Improvement Strategy will require regular management to ensure that targets are met and financial stability for the Council is assured. The delay in starting this process to support service delivery during the pandemic means that the risk of non-achievement and the resultant impact is low.
(vi).	Economic environment adversely impacts on Council finances.	2	4	5	4	The Council is vulnerable to macro economic factors beyond its control: <ul style="list-style-type: none"> - Interest rates - Impact of Covid-19 - Cuts in Public Sector spending - Falling consumer spend
(vii).	Income generated does not meet Budget target.	5	3	3	3	The Council has relatively few high-income earners but is vulnerable to a downturn in the significant areas of Car Parking and Planning Fees.
(viii).	Impact of Covid-19	5	5	5	4	Covid-19 is by far the biggest risk impacting the Medium-Term Financial Plan. The uncertainty around future lockdown, Government support and economic recovery means the forecasts are much more variable. Significant provisions have made for those services most impacted but the ongoing position is very uncertain.
2. <u>Operational</u>						
(i).	Staff Turnover – High levels of staff turnover disrupt the budget process and reduce effective budget management.	2	1	2	1	Staff turnover is currently low and the impact on the Budget is reviewed quarterly.

(ii).	Unforeseen service issues that have a significant impact on the Council's finances.	3	3	3	3	Given the variety and range of services there will always be unexpected service issues that arise. The Corporate Financial Monitoring is designed to assess, on a quarterly basis, whether there are any significant issues that need to be brought to Management Team and Members attention. The Control Assurance Framework also demonstrates that the Council has a comprehensive network of internal controls designed to prevent and alert managers of unforeseen problems.
-------	---	---	---	---	---	--

This page is intentionally left blank

Financial Monitoring to 31 December 2020

The Council is projecting net favourable variances of £236,000 for 2020/21. The table below gives a summary of variances by service, with reasons for these variances detailed in the following paragraphs. This information is presented in the context of the ongoing COVID-19 pandemic and is based on best estimates from Service Managers based on performance to date and known variables arising in the remainder of the year. The information below has been used to build the Medium-Term Financial Plan and also the Budget for 2021/22 where appropriate.

Portfolio	Variance £000's () = unfavourable
 Skills and Business	
Economic Development – para 1	20
Eastleigh Business Centre – para 2	(433)
Council Tax – para 3	(300)
NNDR Collection – para 4	(19)
 Environment	
Cemeteries – para 5	(27)
Tree Works – para 6	41
Combined Heat and Power – para 7	42
Renewable Energy Scheme – para 8	(25)
Streetscene – para 9	(76)
Waste Management – para 10	(316)
Direct Services – para 11	37
Technical Services – para 12	(128)
Other	7
 Health	
CCTV – para 13	(34)
Health & Wellbeing – para 14	18
Places Leisure Eastleigh – para 15	(554)
Arts and Culture – para 16	(284)
Country Parks – para 17	(86)
Other	(6)
 Planning and Property	
Development Management – para 18	(129)
Building Control Partnership – para 19	(27)
Corporation Estates – para 20	(1,000)
Land Charges – para 21	(91)
Elections – para 22	112

Accommodation – para 23	72
Service Delivery – para 24	(52)
Local Plan – para 25	300
Internal Services – para 26	581
Housing Delivery - para 27	3,646
Corporate Services - 28	(205)
Other	17
Social Policy	
Customer Services – para 29	23
Housing & Council Tax Support/Benefit – para 30	(450)
Housing Advice – para 31	175
Case Management – para 32	(114)
Other	(12)
Transport	
Highways Non-Agency – para 33	18
Transport Policy – para 34	56
Hackney Carriages and Private Hire Vehicles – para 35	(65)
Parking Services – para 36	(1,611)
Non-Service-Related Items - para 37	(2,315)
Government Funding	3,515
Net Position (Adverse)/Favourable	<u>321</u>

1. Economic Development is forecasting a saving of £20,000. As reported in the quarter 2 Financial Monitoring, the Recreate Project (the affordable workspace for businesses in the creative sector) is forecasting a £22,000 adverse variance partly relating to under recovery of income due to the closure of the building throughout lockdown and a decrease in the number of artists using the service. In addition, there has been an increase in the costs of cleaning the premises. This loss is offset by a reduction in spend of £42,000 for the business conference due to COVID-19. This underspend is expected to recur in 2021/22 and is reflected as an ongoing saving in the budget.
2. Eastleigh Business Centre is forecasting a net £433,000 adverse variance due to lower than budgeted income levels. The building was closed between 30th March and 31st August which impacted rental income. The office space is now re-open and operating at an occupancy rate of 69%. The income forecast is based upon the maximum occupancy rate of around 70% which is the occupancy rate with COVID-19 safe working restrictions in place.

3. Council Tax is forecasting a £300,000 adverse variance. This is largely reflective of the court cost income which will be under recovered in 2020/21 due to fewer court cases, partly offset by a reduction in court expenditure. In addition, there is £42,000 of additional expenditure for the Empty Homes Review funded by reserves and shown in the non-service-related items variance.
4. NNDR is reporting a £19,000 adverse variance due to court cost income which is a similar issue to that reported above for Council Tax and will be under recovered in 2020/21 due to fewer court cases.
5. The Cemeteries service has seen a reduction in memorials resulting in a forecast loss of income of £27,000 this is not currently anticipated to be an ongoing reduction but will be kept under review by service managers.
6. Tree Works is reporting a net underspend of £41,000. This is primarily due to a delay in appointing to vacant posts.
7. The Combined heat and power service is forecasting a saving of £42,000 which is based upon figures to December 2020. The forecast includes the estimated impact of the closure of Places Leisure Eastleigh.
8. Renewable energy is reporting an adverse variance of £25,000. The service was previously forecasting positive income of £43,000 due to favourable Feed in Tariff income and charges for usage however, the further lockdown periods has caused usage to significantly reduce and realise only £3,000 additional income. In addition, the increased spend on maintenance has increased by £12,000 to (£28,000) due to panel costs at Wessex House.
9. Streetscene is reporting an adverse variance of £76,000. There is a forecast loss of income of £98,000 in relation to income generating events being cancelled this financial year due to COVID-19 which are usually supported by the Streetscene team, as well as standard contract work. The remaining £49,000 is forecast spend due to the delayed Fly Tipping project that was approved in 2019/20 MTFP. Due to difficulty in recruiting tree officers there are staffing underspends of £203,000, consultants are currently being used to advise on planning applications, TPO (Tree Preservation Order) work and tree surveys which has resulted in a forecast additional expenditure of £132,000.
10. The Waste Management service is forecasting a net £316,000 adverse variance which can be analysed as follows:

- Refuse collection is forecasting a £234,000 adverse variance. To ensure transition to the New Ways with Waste runs efficiently in March, additional staffing costs of £33,000 will be spent in 2020/21. In addition to this, the New Ways with Waste project forecast spend amounts to £108,000, which is funded from the Project Integra reserve. The remaining variance is due to additional costs to cover staff that are shielding or self-isolating due to COVID-19, as well as costs for hiring additional vehicles to ensure the third crew member required for the rounds travels separately to follow social distancing guidelines.
 - Trade Waste is forecasting a £161,000 under recovery of income. This is a worse-case scenario based upon the impact COVID-19 is having on businesses.
 - The Garden Waste service is forecasting a net £142,000 favourable variance. Additional income of £162,000 has been achieved due to increased customer demand. This is offset by £20,000 additional staffing costs needed to provide the service to the new customers. £54,000 of the additional income will be transferred to capital budgets to fund additional garden waste bins.
 - Recycling is forecasting an adverse variance of £63,000. There has been a reduction in the value of recycling items leading to a shortfall of £71,000 recycling income from HCC. This shortfall will be funded by the Project Integra reserves. This is partially offset by £8,000 from a sustained increase in the recycling of glass collected from kerbside.
11. Direct Services operational budgets are forecasting a £37,000 positive variance due to a delay in staff recruitment.
12. Technical services are reporting a £129,000 adverse variance due to the following:
- The Pest Control service is reporting a shortfall in income of £19,000. This is due to a limited service as the Pest Control Officer is unable to safely enter properties. This has resulted in a shortfall in income of £19,000.
 - MOTs are reporting a loss of £34,000. The service was paused from April to mid-August due to COVID-19 which impacted the income target by £30,000. In addition to this, to enable staff to undertake MOT's and ensure the safety of members of the public extra PPE has been required at an additional cost of £4,000.
 - Transport Services is reporting an overspend of £32,000. Although a new fleet system has been implemented that will provide more management information on the vehicles, the cost of setting up forms on the system has cost £7,000, which will be funded from reserves.

There has been a delay in the procurement of the vehicle replacement programme due to the new ways of working for waste project and the review of options for electric vehicles which has resulted in a forecast overspend on repair parts for vehicles £23,000. Additional external hire costs of £6,000 are forecast although it is hoped that a reduction in fuel costs will be able to fund this towards the end of the financial year. Due to a staff vacancy there is staffing saving for transport of £4,000.

- The Construction and Maintenance team is reporting a net loss of £44,000. This is due to an increase in costs for materials. The service will be under review in 2021/22 in order to generate a net surplus.
13. The CCTV budget is forecasting an overspend of £34,000 due to maintenance work at the Mitchell Road car park due to vandalism. £9,000 is being used on a consultant to carry out a survey of CCTV across the Borough.
14. Health and wellbeing is forecasting a £17,000 favourable variance. There is a £10,000 saving due to reducing non-essential spend and several initiatives unable to run due to COVID-19. In addition, there are the following transfers in/(out) of reserves for grant funded schemes, as shown in the table below:

Initiative	Transfer In/(out) £
Sport Funding	1,545
Mum & Baby Cycling Scheme	6,000
Friday Night Football	6,354
Park Sport	7,228
Health Works	(7,795)
Bishopstoke Pitches	(5,907)
Total	7,425

15. Places Leisure Eastleigh is reporting a net £554,000 adverse variance. There is a £109,000 saving on annual maintenance, however these funds are allocated to reserves for future major repair projects. There is an estimated loss of £713,000 in income as Places Leisure was closed due to Government restrictions. Included within this forecast is an estimated contribution to the Management fees from Places Leisure of £268,000 and the annual average income adjustment of £33,000. There is a £50,000 saving in contracted services costs partially offsetting the under recovery of income. It is forecast that £663,000 will be claimed back from Government as part of the Fees & Charges reimbursement.

16. Arts & Culture is forecasting a net £284,000 adverse variance. The Point is currently closed due to the current tier 4 restrictions and was also closed from the start of the year until mid-September; The Berry Theatre also remains closed. Therefore, a significant reduction in income is currently projected of £632,000, partly offset by a decrease in programme spend of £176,000 and a further £81,000 of grant funding received following a successful Arts Council England (ACE) funding bid. In addition, there is funding expected from the COVID-19 fees and charges loss of income grant from Central Government. Furlough funding totalling £91,000 has been received since quarter 2 monitoring.
17. Country Parks are forecasting a net unfavourable variance of £86,000 for 2020/21. Itchen Valley County Park (IVCP) café is forecasting a net loss of £52,000 due to a reduced operating model during COVID-19. The park has incurred additional costs of £29,000 for security which allowed the park to be fully accessible for the public to enjoy despite the lockdown restrictions. The adverse variance is partly offset by additional car parking income of £24,000 predicted at IVCP. Lakeside is forecasting a £20,000 loss of income due to reduced conference room hire. Both sites have incurred additional costs of £9,000 due to additional cleaning required to ensure compliance with the new rules.
18. Development Management is reporting a £129,000 adverse variance. There is a forecast overspend on expenditure of £71,000 in relation to appeals. £68,000 of this will be funded from BHH LAC with the balance of £3,000 being funded from the Development Management Reserve. The shortfall on income of £58,000 is due to reduced major applications received during the COVID-19 pandemic. It is anticipated that some of the income shortfall will be met from the Fees and Charges COVID-19 claim.
19. Building control is forecasting a net cost of £62,000 for the financial year, £27,000 more than budgeted. The service is delivered through a partnership arrangement with Southampton City Council and the latest forecast figures provided by them show an under recovery of income this year. The forecast overspends of £27,000 will be funded from the ring-fenced Building Control Reserve.
20. Corporation Estates is reporting an unfavourable variance of £1M for 2020/21. This is not unexpected as the pandemic has had a far-reaching impact on businesses nationally as well as locally. A report on the performance of the property portfolio was presented to the Audit & Resources in November 2020 with an update programmed in for 9 March 2021. Regular updates are also provided to the Corporate Leadership Board and although there are pressures, the Budget has been constructed to mitigate potential revenue

losses. There is a reduction in rental income of £168,000 from Travelodge due to them entering a Company Voluntary Arrangement (CVA). There are a number of properties across the portfolio which are not expected to achieve the budgeted income level which amount to £155,000. This is mainly due to void properties and properties where it is considered likely that the rental income may not be received due to company liquidations. Conversely, there are also properties that will achieve rental income higher than budgeted due to upward rent reviews or leases continuing longer than budgeted and this contributes an additional £128,000 in excess of the budget. The forecast also includes an increased bad debt provision of £549,000 to allow for unbudgeted risks. It is important to note that in addition to the prudent budgeting and bad debt provision there is also a significant property reserve to mitigate against any additional unforeseen issues.

21. Land Charges is reporting a £91,000 adverse variance, £25,000 of this is in relation to the spend on local search costs because of the greater level of activity that HCC are doing with the remaining £66,000 due to reduced fee generating activities following COVID-19. It is anticipated that some of the shortfall will be met from the Fees and Charges COVID-19 claim. Any overspend on this service at the end of the financial year will be funded by the ring-fenced reserve.
22. Elections is forecasting a saving of £112,000. This is due to no Borough Council elections taking place in the current financial year. The elections have been postponed due to the current pandemic and they are expected to take place in May 2021. The forecast includes £6,000 for a temporary staff resource to work on the upcoming elections.
23. Accommodation is reporting a £72,000 favourable variance. Additional costs of £30,000 were incurred due to the HC3S contract for the Eastleigh House cafe where HCC charged additional contributions for losses incurred due to COVID-19. There are savings on electricity costs due to a contract review alongside savings on other utilities because of fewer employees in the building. There is also an increase in rental income compared to the budget from external tenants within Eastleigh House of £126,000. Given the current situation it is expected savings will continue to be made until employees return to offices and buildings. Health and Safety is reporting additional expenditure of £24,000 to fund new equipment to support employees who are primarily working at home due to COVID-19.
24. The Service Delivery staffing budget is forecasting and overspend of £52,000. Additional staffing costs of £165,000 are forecast due to agency posts being used due to continuing high levels of demand, as well as work on Horton Heath, which will be funded from the PPA reserves. Some of this pressure is

offset by vacancies in core staff totalling £135,000. Expenditure of £24,000 has been forecast to cover the cost of overtime. Income from capital projects is forecast to be under recovered by £20,000 due to a reduction in capital recharges from Urban and Engineering team due to reduced activity partially offset by a favourable variance of £22,000 due to a reduction in non-essential expenditure.

25. Local plan is forecasting a £300,000 non recurrent saving in 2020/21. The Local Plan budget provision for 20/21 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. The residual technical and legal work required by the Planning Inspector ahead of submission of modifications has now been completed with a resulting forecast underspend.
26. Internal Services is reporting a £581,000 underspend which is the result of savings of £1.4M on pension costs netted against budgets which are held in this area with the actual savings being realised across the services. These central budgets include a budget for staff turnover and the 2020/21 budget for efficiency targets. This is offset by a further £144,000 for Programme Project Team being unable to allocate the full cost of their time to capital projects due to the requirement to support revenue projects. This variance has been addressed in the budget process.
27. Housing Delivery are reporting an overall £3.646M saving from New Homes Bonus income transferred into reserve which was partially offset by an overall estimated shortfall on Housing Grant income of £79,000. This predominantly relates to a shortfall at Stoneham due to timing of properties being completed and lettings taking longer than estimated. This is offset by a greater performance at The Willows - Hatch Farm. This shortfall is funded from the Housing Reserve which is reflected in Non-Service Related Items (para 37)
28. Corporate Services has an increased spend of £205,000 relating to IT software subscriptions and Health and Safety compliant equipment. This spend has spiked due to the implementation of home working resulting in significantly more software licences being issues to ensure all staff can work effectively. Additionally there have been delays in decommissioning some systems due to some functionality still being required.
29. The Customer Services Centre is reporting a £23,000 underspend primarily due to vacancies and reductions in non-essential spend. It should be noted the overall underspend has reduced by £17,000 from Quarter 2 as this

funding has been used to give additional support to the Service Delivery Case Management Team.

30. Housing and Council Tax Support is forecasting a £450,000 overspend which reflects the increasing impact of Universal Credit and increased demand due to COVID-19. This budget has been adjusted as part of the budget process but can vary significantly with small changes in demand and continues to be regularly monitored.
31. The Housing Advice Service is forecasting a £175,000 saving. There is a £12,000 saving on general housing advice administration costs as activity and spend has been limited to priority work only. However, this is offset by £23,000 increased bad debt provision for the Tenancy Start Up scheme to recognise historic trends and the current market. In addition, the £186,000 unspent Homelessness Grant is being taken to the Homelessness Grant reserve to fund future initiatives. Any losses are further mitigated by a transfer of £37,000 from a historic revenue reserve no longer required.
32. Case Management is forecasting a net £114,000 overspend, this is partially due to the retention of two agency workers who have enabled the team to manage the extra work carried out business grants work due to Covid-19. The remainder is due to increased activity for council tax adjustments and land charges (due to reduced stamp duty). This increase in activity has meant that agency workers have had to continue to be employed to avoid a back log. The agency workers will be needed into the early part of the next financial year.
33. Highways Non-Agency is forecasting a £18,000 saving. £16,000 of this relates to road closures where there has been additional income recovery and reduced expenditure on advertising and materials.
34. Transport policy is projecting a £56,000 favourable variance. As previously reported, there is a recurring underspend on the bus services subsidy budget however, it is expected that due to lower demand and poor bus services due to COVID-19 that additional funding will be required to support bus routes and therefore this underspend will be transferred to the grants and earmarked reserves.
35. Hackney Carriages is reporting a forecast adverse position of £65,000. There has been a reduction in the renewal of licenses due to the impact of Covid-19 with the first lockdown significantly impacting traders. It is hoped that this downward trend will improve as the situation with the pandemic eases.

36. Parking Services is forecasting an adverse variance of £1.611M due to lower income across the service.

- Car parks are forecasting an adverse variance of £1.42m due to lower income across the service. Corporately it was decided that car parks would be free to use between April 2020 to June 2020 to support the community during the lockdown period. Since car parks have re-opened activity has predictably remained lower than originally budgeted. The forecast reduction compared to Q2 reporting is mainly because of the recommencement of the national lockdown across the Christmas period and continuing into 2021. It is expected that part of the fall in income will be covered by the Fees and Charges COVID-19 claim.
- Decriminalised parking is forecasting a loss of £278,000. This is due in part to lower income from penalty charge notices as HCC recommended using warning notices instead of issuing fines up to August 2020. It is expected that some of the income shortfall will be met from the Fees and Charges COVID-19 claim.
- The Local Area Services team (Civil Enforcement Officers) are reporting a £115,000 underspend. This is primarily due to vacant posts in 2020/21 although a recruitment process is underway with two posts expected to be filled by January 2021. There is also a reduction in administration costs of £11,000 due to a hold being placed on non-essential expenditure.

37. Non-Service-Related Items is reporting a net adverse position of £2.3m consisting of:

- Interest payable which is forecasting a saving of £722,000 since the budget was originally set. As reported throughout the year, the reduction in the Bank of England base rate has filtered through to inter local authority borrowing levels. This has resulted in the Council's short-term variable borrowing requirement being funded at a much lower rate than originally forecast. As noted elsewhere in this report, there has also been slippage across capital schemes which has delayed the need to borrow, further reducing interest costs.
- Interest and investment income is forecasting a favourable position of £242,000 since the budget was originally set. Earlier in the year the Council's investment in the CCLA Property Fund was returning a lower dividend than forecast as income to the fund has been reduced during lockdown. The fund has now slightly recovered reducing the previously reported shortfall on interest receivable. In addition, the profiling of the loan to Pembers Hill has changed. This has meant more interest will

be received in 2020/21 than forecast, but this does not affect the total return on the Pembers investment, as the profile in future years will be adjusted respectively.

- MRP is forecasting a favourable variance of £88,000 since the budget was originally set. This is as a result of expenditure on vehicles being lower than originally forecast.
- Net transfers to reserves of £3.4m which are detailed throughout the service variances in pervious paragraphs.

This page is intentionally left blank