

Financial Monitoring to 31 March 2021

The Council's outturn position for 2020/21 demonstrates a net favourable variance of £347,000 compared to the Rolling Budget. The table below gives a summary of variances by service. The majority of the variances reported in this document have been highlighted by regular monitoring throughout the year with reasons for these variances detailed in the following paragraphs.

	Variance £000's () = Unfavourable
Area Committees - para 24	150
 Skills and Business	
Economic Development - para 1	34
Eastleigh Business Centre - para 2	(398)
Council Tax - para 3	(211)
NNDR Collection - para 4	(26)
	(601)
 Environment	
Tree Works - para 5	67
Combined Heat and Power - para 6	45
Renewable Energy Scheme - para 7	(23)
Waste Management - para 8	(153)
Technical Services - para 9	(61)
Other	(21)
	(146)
 Health	
Arts and Culture - para 10	(33)
Other	22
	(11)
 Planning and Property	
Strategic Planning - para 11	37
Performance - para 12	(23)
Registration of Electors & Election Expenses - para 13	138
Corporation Estates - para 14	(545)
Accommodation - para 15	158
Corporate Financial Services - para 16	829
Corporate Services - para 17	1,141
Other	46
	1,781

Social Policy			
	Customer Services - para 18	28	
	Housing & Council Tax Support/Benefit - para 19	(534)	
1.	Service Delivery Case Management - para 20	(91)	
	Other	(3)	
		<hr/>	(600)
Transport			
	Highways Agency Services - para 21	(42)	
	Highways Non-Agency - para 22	48	
	Parking Services - para 23	(575)	
	Other	11	
		<hr/>	(558)
D	Non-Service-Related Items - para 25	362	362
			<hr/>
	Net Position		377
	Approved Budget Management Items		30
	Net Underspend		347

ent is reporting a net £34,000 underspend. There has been a reduction in spend of £54,000 for the annual business conference due to Covid-19. This underspend compensates for Hedge End Market being overspent by £7,000 and the Pontoon project by £13,000.

- Eastleigh Business Centre is showing a £398,000 adverse variance largely due to lower than budgeted income levels. The building was closed between 30th March - 31st August which impacted income as rent was not charged during this time. The office space is now re-open and operating at an occupancy rate of 72%. Historically, occupancy rates have performed at 85%.
- Council Tax is reporting a £211,000 adverse variance. This is largely reflective of the court cost income being under recovered in 2020/21 due to the courts being closed, partly offset by a reduction in court expenditure. Court activity will resume in 2021/22 so the under recovery of income is not expected to recur in future years.
- NNDR is reporting a £26,000 adverse variance due to court cost income which is a similar issue to that reported above for Council Tax and is under recovered in 2020/21 due to fewer court cases being heard. Similarly, to the Council Tax service, Court activity will resume in 2021/22 so the under recovery of income is not expected to recur in future years.

5. The Tree Works service is reporting a net underspend of £67,000. This is primarily due to a delay in appointing to vacant posts specifically relating to the Tree Nursery. This delay in recruitment has not affected performance as the Street scene team have been able to resource the project in 2021/22. The team are actively recruiting so this underspend is not expected to recur in 2021/22.
6. Overall the Combined Heat And Power service has generated a saving of £45,000. These income levels are representative of the more beneficial contract for energy purchase by the Council.
7. The Renewable Energy Scheme budget is reporting a loss of £23,000. The service was previously forecasting a favourable income of £43,000 due to favourable Feed in Tariff income and charges for usage, however the further lockdown periods have caused usage to significantly reduce and now a £3,800 shortfall is anticipated on income. In addition, the increased spend on maintenance has further increased by £12,000 (to a total overspend of £28,300) due to significant costs at Wessex House to ensure the panels can operate.
8. The Waste Management service is reporting a net £153,000 adverse variance.
 - Refuse collection is reporting a £219,000 adverse variance. A report was presented to Cabinet in December 2020 highlighting a financial impact relating to 'Improving Waste Collections', however the financial pressure in the last quarter has increased. The staffing budget is reporting an overspend of £174,000 as a result of the transition to the new ways of delivering the service, including fortnightly glass collection and providing food collections for residents living in flats. In accordance with Waste Industrial Safety and Health (WISH) Forum guidance regarding the Covid-19 pandemic, the service implemented social distancing and operated with only two crew members in the vehicle cab at a time with the third member meeting the team on site. This required additional provision of four small vehicles to enable the third crew member to travel separately. This additional expense plus the cost of hiring vehicles for implementing the new ways of working which started in March 2021, and additional PPE has resulted in an overspend of £45,000. To ensure transition to the new ways of working within waste went smoothly in March 2021 additional temporary staff and overtime was incurred, there have also been additional staffing costs due to team members self-isolating and shielding because of Covid-19.

- Trade Waste is reporting a net unfavourable variance of £80,000. The service had an under recovery of income amounting to £105,000 due to the impact of COVID-19 on commercial customer requirements of the service. This under-recovery has been offset by £45,000 received as a COVID-19 grant from the Government which is reflected in the reported variance. An additional contribution to the bad debt provision of £20,000 has also been made for this service as it is anticipated some businesses may struggle to pay.
- The Garden Waste and Recycling Service is showing a favourable variance of £123,000. Increase in customer demand for garden waste has resulted in additional income of £95,000. Additional Recycling credits of £28,000 was also achieved in 2020/21.
- Bulky Waste Collections has generated additional income of £21,000.

9. Technical Services are reporting a net adverse variance of £61,000.

- The Construction and Maintenance team is reporting a net loss of £50,000. This is due to reduced business activity as a result of lockdowns throughout the year, staff were redeployed during these lockdowns onto other frontline services such as Waste and Streetscene. A service review is planned for 2021/22 to ensure this service is financially sustainable in the future.
- The Pest Control service is reporting a favourable variance of £3,000. This is primarily due to a £12,000 underspend on staffing. This is offset by a shortfall in income of £23,000, of which £15,000 is being claimed back from the government fees and charges grant as the Pest Control Officer is unable to safely enter properties.
- The MOT service is reporting a net loss of £14,000. The service was paused from April to mid-August due to COVID-19 which impacted the income target by £37,000. Part of this loss (£23,000) has been claimed back from the government.

10. The Arts and Culture service is showing a £33,000 overspend for the 20/21 financial year. The COVID-19 restrictions have meant that the Point and Berry theatres have been closed for large portions of the year meaning income targets for tickets sales and hirers were unable to be met. The Arts and Culture team have adapted to the challenging conditions and been successful in receiving over £450,000 worth of grants in the 2020/21 financial year of which £185,000 has been attributed to overhead costs for the service.

Fees and charges Government grant income has also been received totalling £42,000.

11. The Strategic Planning team staffing budget is underspent by £37,000 due to part year vacancies.
12. The Performance budget is reporting an overspend of £23,000. Staffing budget is underspent by £96,000 due to vacancies in the year for the Performance team. This is offset by £59,000 additional expenditure, recognising the increase in external audit fees, and a further £60,000 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 for future years.
13. The Elections service has realised a saving of £138,000. This is due to the postponement of the 2020/21 election until May 2021. The canvass in 2020 returned a saving partly due to a change in process that was implemented by the Cabinet Office along with employing fewer staff to carry out personal visits due to health & safety concerns around Covid-19.
14. Corporation Estates is reporting an unfavourable variance of £545,000 against an annual net budget of circa £13M. There is a bad debt provision for rental properties of £549,000 recognising the uncertainty COVID 19 has had on the rental market. A total reduction in rental income of £198,000 across the portfolio. An under collection of service charge income (including insurance) of £135,000 due to original budgets being set before final agreements were in place with tenants. This is offset by Consultant costs underspent by £30,000 due to assets valuation work which has now been delayed to the 21/22 financial year, in addition to an underspend on property maintenance of £307,000. This is made up of:
 - £57,000 saving on property insurances
 - £68,000 underspend on rents due
 - £182,000 attributed to a reduction in planned maintenance work because of restrictions due to the Covid-19 Pandemic, this is reflected in part by the reduction in service charge income mentioned above.
15. Accommodation is reporting a favourable variance of £158,000. During 2020/21 the Council has maintained statutory compliance as a minimum service level. A breakdown of the costs can be seen in the table below, and in summary, there were energy savings due to employees not being in the office due to the COVID 19 pandemic, as well as due to covid funding and

smaller savings across the service. There was also additional income over the budgeted amounts for rent and service charges for the fourth floor at Eastleigh House, and through additional internal property recharges for site officer and cleaners supporting additional sites. These notable savings have been offset by additional costs in relation to the HC3S contract for Eastleigh House cafe where HCC charged additional contributions for losses incurred due to COVID 19. As well as this the purchase of new coffee machines at Itchen Valley Country park were additional costs that were agreed to be paid from the materialised underspends.

Reason	Variance £
Savings on energy costs	(34,000)
Additional rental income	(112,000)
Saving on Site officers and cleaning	(44,000)
Additional costs on HC3S	15,000
New Coffee machines at IVCP	20,000
Covid Savings	(3,000)
Total Variance	(158,000)

16. Corporate Financial Services is reporting a £821,000 underspend which is the result of previously reported savings of £1.4M on employer pension costs. These central budgets include a budget for staff turnover (£165,000) and the 2020/21 budget for efficiency targets (£500,000). There is a further saving of £86,000 for brokerage due to the active management of the Councils debt funding as well as delays in the onset of capital expenditure due to COVID-19 during the early stages of 2020/21.
17. Corporate Services is reporting a £1.1M favourable variance. A £1.72M general grant was received from the Government to help mitigate the impact of COVID-19 across the Council. This grant has been applied to an increase in expenditure of £441,000, of which £326,000 relates to IT software subscriptions and Health and Safety compliant equipment. This spend is due to the implementation of home working resulting in significantly more software licences being issued to ensure all staff can work effectively. Additionally, there have been delays in decommissioning some systems due to some functionality still being required. As a result of financial pressures arising from the COVID-19 crisis £179,000 COVID grant funding was awarded to parishes to ensure community support was maintained.

18. The Customer Services Centre is reporting a £28,000 underspend primarily due to holding a number of vacancies open this year contributing to £19,000 of the variance. In addition, a saving of £9,000 has been achieved through reductions in non-essential spend.
19. The net cost of Housing and Council Tax Benefits/Support service has exceeded the budget by £534,000. This primarily reflects increased demand due to Covid-19. The budget has been adjusted as part of the 2021/22 budget process but can vary significantly with small changes in demand and continues to be regularly monitored.
20. Service Delivery and Case Management saw a net £91,000 overspend in 2020/21. The overspend is due to the retention of 2 agency workers enabling the team to cope with extra work due to Covid-19. This extra work has included: Covid-19 business grants, essential office activities to allow others to work at home, an increase in activity for council tax, benefits, housing, environmental health, land charges (impact of reduced stamp duty), & development management. This increase in activity has meant that agency workers have had to continue to be employed avoid a back log.
21. Highways Agency is reporting a £42,000 unfavourable position which reflects the increase of Engineering staff recharges for traffic management studies and work totalling £36,000. In addition to this, there has been a reduction in fee earning work from Hampshire County Council which has resulted in a loss of income of £5,000. Regular liaison meetings are being held with HCC to monitor the work programme to ensure the level of service is being maintained.
22. Highways Non-Agency is showing a £48,000 favourable variance. The service has generated additional income of £19,000 from contractors requesting road closures to carry out essential maintenance work. The 2021/22 budget has been adjusted to reflect the additional income. The service is reporting a saving of £4,000 due to delayed contracting work due to COVID-19 There was a reduced engineering recharge of £16,000 which partly offsets the overspend in staff recharges stated in paragraph 21. It should be noted that the Engineering staff resources have been allocated based on service area requirement and the net expenditure for the Engineering team is not reporting an adverse position. In addition to this the service is reporting a £9,000 saving on supplies and services.
23. Car parks are reporting an adverse variance of £574,000 due to lower income across the service. The loss of income for 2020/21 amounted to £1.7M because of the impact of Covid-19 including the corporate decision that car parks would be free to use between April 2020 to June 2020 to support the community during the lockdown period. Although car parks have reopened,

activity has predictably remained lower than originally budgeted. The Covid-19 Fees and Charges grant claim has been submitted for £1.1M for 2020/21.

24. Area Committees are reporting a £150,000 favourable variance which primarily relates to the saving on LAC discretionary budgets.

25. Non service related items have resulted in a £362,000 favourable variance

- Interest payable saved £821,000 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 was a net increase in useable reserves across the Council, this has led to a reduced need to borrow externally, as the Council has utilised much cheaper internal borrowing. In addition, the capital programme experiences slippage in borrowing throughout the year, which further reduced the need to borrow externally.
- Interest and investment income achieved a favourable position of £270,000 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 improved. This has meant more interest has been received in 2020/21 than forecast. This does not affect the total return on the Pembers investment, as the profile in future years will be adjusted respectively.
- There is a positive variance of £12.7M on the Collection Fund. This predominantly relates to additional Section 31 grants from Government to help support cash flow during the Covid-19 lockdown period of which £12.4M has been transferred to an earmarked reserve as it will be used to offset the balancing of the Collection Fund in future years.
- Minimum Revenue Provision (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 (£20.6M) which are detailed throughout the service variances in previous paragraphs.

