

POLICY AND PERFORMANCE SCRUTINY PANEL

Thursday, 10 February 2022

CABINET

Thursday 17 February 2022

GENERAL FUND REVENUE BUDGET 2021/22 - 2026/27

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 – 2026/27 and make recommendations to Cabinet.

Cabinet

It is recommended that Cabinet:

- (1) recommend Council set the revised net Revenue Budget requirement for 2021/22 at £9,914,000 and note the impact on the Council's General Fund balance (para 9);
- (2) recommend Council set the net Revenue Budget requirement for 2022/23 at £10,166,000 and note the impact on the Council's General Fund balance (para 9);
- (3) recommend Council note the provisional Local Government Finance settlement for 2022/23 (para 14-17);
- (4) recommend Council approve budget adjustments for 2021/22 and 2022/23 in line with the Medium Term Financial Plan (Appendices A & B);
- (5) recommend Council increase the average Council Tax for Eastleigh Borough Council by 1.99% (2.81% below CPI) (para 18-22);
- (6) recommend Council approve the Special Expenses for Parished and Non-Parished areas (para 23-25);

- (7) **Approve expenditure of £1,400,000 in 2022/23 for the Disabled Facilities Grant Programme to be funded from Government grant and housing capital receipts;**
- (8) **Recommend to Council to accept the invitation from the Public Sector Audit Appointments (PSAA) Ltd to join the national scheme for the procurement of external audit services with effect from 2023/24.**

Summary

This report details the proposed General Fund Budget for 2021-22 and 2022-23 with the associated forecast Medium-Term Financial Plan to 2026/27. This demonstrates that despite the ongoing impact of Covid and economic 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 improvement in certainty as the restrictions around Covid-19 have begun to be lifted. The budget process has reflected this increased certainty with informed budget forecasting and setting throughout 2021/22. Due to this a Revised Budget for 2021/22 is brought for approval, this will help measure the ongoing impact of Covid-19 and other related costs and losses. The Medium-Term Financial Plan (MTFP) reflects the forecast outturn position and includes the anticipated future impacts of the pandemic and other emerging issues where relevant.
3. As reported last year, due to the uncertainty of the impact of the pandemic, a regular review of the MTFP has continued to be carried out and reported

to councillors quarterly to demonstrate that the Council remains in a stable financial position and is well prepared for any further unforeseen changes. As such the updated MTFP will continue to now be approved in line with the Budget in February. This enables the longer-term forecasts to be more accurate, up to date and directly aligned to the approved Budget.

4. Cabinet approved Corporate Fees and Charges in December 2021. Local Area Committees have also set 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.
6. The Budget report is considered by the Policy and Performance Scrutiny Panel on 10 February 2022. 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 Full Council for approval on 24 February 2022. In addition, this year a budget training session looking at the Council's process of budgeting was introduced for councillors which was well received and will become an annual part of the Budget setting process.

Net Revenue Budget

7. The 2022/23 Budget has been prepared on the following basis:
 - (a) Average Council Tax will increase for residents next year by 1.99%, an increase of £105,810. In addition, there is an allocation of Council Tax surplus of £146,610 in 2022/23. The Council remains committed to minimising the impact of Council Tax increases on residents and maintains a policy of increasing Council Tax by no more than 1% below inflation (CPI) prevailing at 31 December in the preceding year.
 - (b) In accordance with policy, the General Fund Reserve is maintained at the minimum of the higher of £1M or 10% of Net Cost of Services.
 - (c) The Budget makes provision for salary related inflation and for an estimated annual national pay award of 3% in 2022/23 at a cost of £688,765 and 2% per annum for the remainder of the MTFP.
 - (d) Fees and Charges are set to achieve on average a minimum 3% (£173,850) yield increase in 2022/23. However, it should be noted that due to the impact of Covid-19 the ability of services to generate additional income continues to be impacted and growth is reflected within the latest projections.

- (e) Interest budgets are calculated based on advice from Arlingclose, the Council's treasury management advisors, to reflect risk of interest rate fluctuations.
8. Budget pressures have been contained within existing resources wherever possible. This year services have continued to experience economic difficulties there are several pressures to highlight to councillors. However, as services recover from the pandemic and Executive Heads review service budgets several savings have also been identified. Appendix B and paragraphs 26 to 38 of this report detail those pressures that need approval from Cabinet (Recommendation 4).
9. The Original and Revised Budget for 2021/22 and the Budget to 2026/27 are summarised in the following table. Further detail is shown in Appendix A.

	Original 2021/22 £'000	Revised 2021/22 £'000	Original 2022/23 £'000	Estimate 2023/24 £'000	Estimate 2024/25 £'000	Estimate 2025/26 £'000	Estimate 2026/27 £'000
Net Expenditure	9,915	12,720	10,150	9,277	9,523	9,723	9,923
Transfer To/(From) General Fund	0	(2,806)	16	(16)	0	0	0
Net General Fund Requirement	9,915	9,914	10,166	9,261	9,523	9,723	9,923
<u>General Fund Balance</u>							
Opening Balance	(3,806)	(3,806)	(1,000)	(1,016)	(1,000)	(1,000)	(1,000)
Transfer (To)/From General Fund	0	2,806	(16)	16	0	0	0
Closing Balance	(3,806)	(1,000)	(1,016)	(1,000)	(1,000)	(1,000)	(1,000)

10. 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 the higher of £1M or 10% of the Net General Fund Requirement.
11. 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 shown in the table below:

<u>Reserve</u>	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000	£'000
Property	5,347	5,172	5,897	6,622	7,347	8,072
Capital and Developers Contributions	4,249	4,249	4,249	4,249	4,249	4,249
Local Areas	688	688	688	688	688	688
Service Specific	4,416	4,315	4,286	4,256	4,226	4,197
Interest	10,497	10,114	8,893	8,030	5,985	2,955
Total Earmarked Reserves	25,197	24,538	24,013	23,845	22,495	20,161

Impact of Covid-19

12. During 2021/22 the Council has received (£532,000) in general Government grants to help mitigate the impact of Covid-19. The Sales, Fees & Charges grant is forecast to be £500,000 for 2021/22 which is £298,000 lower than originally forecast as service income levels have been higher than expected, this grant stops in 2021/22.
13. Levels of lost income and additional costs as a result of Covid-19 continue to be a problem in some areas and are detailed in paragraphs 26 - 38 within this report at Appendix B.

Local Government Finance Settlement

14. A provisional one-year settlement was published in December 2021. This has in most cases, maintained government funding levels at the same level as 2019/20 and this funding is included within the proposed Budget.
15. 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 11 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. There has however been the introduction on a new Lower Tier services grant with the Council receiving £684,000 in 2021/22 and £934,000 in 2022/23 in a move to support these reductions.
16. It should be noted that there continue to be significant changes reported in the Business Rates position due to the additional reliefs issued and changes to accounting methods due to Covid -19 to even out any short-term losses. The longer-term net position is anticipated to be materially the same as Covid-19 losses can be phased over three years and losses are supported by Section 31 grants.

17. The Government had intended to reset the base income from Business Rates nationally moving to three yearly valuations from 2021 however this continues to be delayed. This reset will have a significant negative impact on the Council's finances and will erode the benefit received over recent years with increasing Business Rate income. For Eastleigh, it is anticipated that if there is rebasing this will remove any growth to date which the Council currently benefits from and the Council will revert to the safety net position, potentially requiring top up funding from Central Government. In addition, the spreading of the Covid related 'Exceptional Balance' (losses incurred in 2019/20 due to the pandemic) in the collection fund will incur a cost of £1.4M in 2021/22, this is funded by additional funds set aside in the increased General Fund balance at the end of 2020/21 as shown in Appendix A. The potential impact on the Council (based on current estimates from our advisors) is tabled below and is reflected in the MTFP:

	Original 2021/22 £'000	Revised 2021/22 £'000	Original 2022/23 £'000	Estimate 2023/24 £'000	Estimate 2024/25 £'000	Estimate 2025/26 £'000	Estimate 2026/27 £'000
NNDR Income	(3,564)	(3,563)	(3,563)	(2,677)	(2,739)	(2,739)	(2,739)

Council Tax

18. The 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 23)
 - Parish/Town Council Precept (in the parished areas)
19. The average Band D Borough Council element of the Council Tax has been set at £131.97, an increase of 1.99% (£2.58) for 2022/23 which is 2.81% below inflation (December 2021 CPI). The Government caps increases in Council Tax at the greater of 2% or £5 and these can only be exceeded with a positive referendum result. Eastleigh Borough Council continues to maintain the policy of guaranteeing that council tax increases will be at least 1% below inflation and in 2022/23 is going beyond this and not increasing by the allowed maximum of £5 (3.8%).
20. The total average Band D Council Tax figure demonstrates an average £2.58 increase year on year (2.81% below inflation). The ongoing commitment over the past 18 years to reducing the impact of Council Tax on residents has led to the current Council Tax levied by the Borough being more than 30% lower than if it had gone up in line with inflation.

	2021/22	2022/23	Increase
Eastleigh Borough Council Basic Council Tax	£102.85	£104.89	£2.04
Eastleigh Borough Council Special Expenses Council Tax	£26.54	£27.08	£0.54
Eastleigh Borough Council Total Council Tax	£129.39	£131.97	£2.58

21. Hampshire County Council, Police & Crime Commissioner for Hampshire and Hampshire Fire & Rescue Authority precepts are incorporated in the Council Tax calculation reported to Council in February 2022.
22. 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 mitigate the impact of Covid-19.

Special Expenses

23. 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 an average 4.94% increase in the non-parished area to reflect accurate refinement of support provided by the Borough Council provided to the two new Eastleigh Parish Councils.
24. Two new parishes are being created in the Eastleigh area during 2022/23 and these will be funded by the special expenses currently levied by the Borough Council. In future the new parish councils will set a precept and the Borough Council will reduce the special expense charge to residents for any services provided by the parish.
25. The Special Expenses' budgets for 2022/23 are outlined below:

Expenditure relating to the Non-Parished Area

	2022/23
	£
Allotments	58,837
Bowls Facilities	4,096
Bus Shelters	8,991
Children's Play Areas	62,135
Cemeteries	62,078

New Parish Support Cost	61,724
Christmas Lighting	29,430
Playing Fields	87,656
Public Toilets	43,514
Christmas Event	7,373
Community Safety	36,838
Cable Works	28,787
Countryside Sites	36,748
Open Spaces, Parks & Recreation Grounds	198,161
Tree Management & Maintenance	28,044
Energy Centre	15,257
Town Centre Maintenance	11,994

781,663

Special Expenses in the Parished Areas

2022/23
£

Allbrook	9,268
Bishopstoke	84,083
Botley	23,923
Bursledon	54,563
Chandler's Ford	159,596
Fair Oak & Horton Heath	57,654
Hamble-le-Rice	45,149
Hedge End	85,531
Hound	89,554
West End	95,509

Special Expenses in the Parished Areas

704,830

Notional Grant	(176,583)
Special Expenses in the Non Parished Areas	781,663

Total Special Expenses

1,309,910

Service Issues

26. The Budget process has been carried out reflecting the quarterly Financial and Performance Monitoring process to 31 December 2021. This allows the most current financial information to be used to inform the Budget and identifies pressures and emerging efficiencies. The key budget impacts are

detailed in the following paragraphs with more information shown in Appendix B which details the full movements in the Budget (rec 4).

27. Parking income continues to be severely impacted by the pandemic with usage levels at historic lows with the 2021/22 Original Budget including growth of £760,900. Continued reduced usage levels mean a further £403,000 growth is required in 2021/22 bringing the total budgeted income loss to £1,163,900. It is anticipated that the loss will be approximately £822,470 for 2022/23 which represents a £61,570 growth from the 2021/22 Original Budget position. Parking Services is being reviewed as part of the Continuous Improvement Strategy with a view to improving this position.
28. Growth is required in IT Services of £397,000 in 2021/22 and £561,820 2022/23 for software licences. The initial investment for systems technology was for a 5-year capital programme from 2016. This was based on an estimated headcount and Software savings created by the decommissioning of legacy systems including the CRM, Document Management, customer facing forms, bookings, and a replacement mapping service.
29. In addition, modern cloud technology works on a pay as you go basis, rather than outright ownership, and as the Council continues to move services into the cloud the revenue budget needs to increase to recognise this change in funding streams. This will result in a lower need for IT capital resources in the future.
30. Beyond unifying customer processes onto a single platform, the pandemic has seen accelerated adoption of Office 365 inside the Council and specifically Microsoft Teams for collaboration. It was envisaged that this would be implemented over a longer period, however quicker rollout of this has required an uplift in the software revenue budget. Office 365 licencing coupled with other software dependencies e.g. OKTA, security and telephony equates to circa £1,100 per user per annum.
31. The pandemic continues to affect services at Direct Services with growth of £444,000 required in 2021/22 and £522,000 from 2022/23 in addition to the £314,000 for Staff Supplements approved at Cabinet in November 2021. The significant elements of these budget issues are as follows:
 - The vehicle fleet has aged pending decisions by Hampshire County Council regarding what new recycling infrastructure will be provided to meet the needs of the Environment Act. This has led to an increase in the number of repairs needed to keep the current vehicles operating. There have also been significant inflation rises on fuel and spare parts, resulting in an increase in the cost of operations by £167,000 in 2021/22 and £216,000 from 2022/23. A revised Vehicle Replacement Programme will be taken for approval later in the year which will seek to reduce this cost where possible.

- Five new food waste vehicles and three electric refuse collection vehicles were ordered with expected delivery timescales of 20 and 28 weeks respectively. However, delivery has been delayed by 24 weeks on the food waste vehicles until the spring, which has meant vehicles have had to be hired at a cost of £187,000 in 2021/22 and £75,000 in 2022/23.
 - Hampshire County Council have changed how recycling credits and payments from the sales of recyclates are made, which has led to a reduction in income of £91,000 in 2021/22 and £180,000 in 2022/23. Discussions are on-going with regard to how payments will be made following the introduction of the Environment Act, which will come into effect from April 2023.
 - With the pandemic increasing sickness levels across the Waste Service a further £55,000 has been added to the budget from 2022/23 to ensure services can continue as usual with the use of agency staff as necessary.
32. During 2021/22, the Council has received reduced income from planning fees. Alongside temporary resourcing actions to maintain service provision, the pressure totals £96,000. This is not expected to continue into the new year so has been included within the revised 21/22 budget only.
33. National wholesale energy prices have recently experienced significant inflation. Fixed rate tariffs have shielded the Council from these rises in the short-term but are due to expire in April 2022. The anticipated ongoing net impact of these gas and electricity price increases to the Council is £204,000.
34. £200,000 has been allocated to the Development Management reserve as part of the revised 2021/22 budget to cover costs relating to the Airport Judicial Review. This appeal process will continue into 2022/23 so any unspent balance in the current year will roll forward.
35. The Housing Benefits service has seen a continued net reduction in costs of (£423,000) during 2021/22 following the transition to Universal Credit. This is expected to be an ongoing saving.
36. Due to the cyclical nature of workload associated with developing the Local Plan, the Council has been able to recognise a (£396,000) saving in the current year and (£162,000) in 2022/23 due to restructuring of the staffing to carry out work more efficiently in-house, and the reduced need for legal and consultant costs at this stage of Plan-making. This saving will continue to reduce over the medium term and throughout the Local Plan cycle as

technical and legal work is required to review and develop a new Local Plan.

37. Arts & Culture were awarded £300,000 one-off growth in 2021/22 due to the pressures on the service and the wider industry caused by the uncertainty surrounding the pandemic. Through a reduction in non-essential expenditure, the use of grants and a better knowledge of the consumer appetite for the service, only £177,000 of the growth will be required in 2021/22 meaning a saving on the original budget of £123,000. No additional funding will be required in the 2022/23 budget resulting in a saving of £300,000.
38. Corporation Estates was given one-off budget growth of £504,000 in 2021/22 due to Covid-19 pressures, which has been removed for the 2022/23 budget. Rental payments are being received in line with payment plans and in the long term it is anticipated that arrears will be fully paid. The Investment Property reserve is considered sufficient to cover any risks from void properties or loss of rental income.

Continuous Improvement Strategy

39. The Continuous Improvement Strategy was postponed for 2021/22 to allow services to recover from the pandemic. Services have been considering ongoing efficiencies and budget savings as part of this budget setting process ahead of a relaunch of the Continuous Improvement Strategy these are detailed in Appendix B.
40. The vision for the Council in relation to Corporate Continuous Improvement Strategy is:
- A financially sustainable Council, which continues to deliver both statutory and discretionary services to achieve its corporate aims as defined by the Corporate Plan
 - Council costs are reduced, and existing income streams are increased
 - Services and processes are optimised by technology to reflect customer demand thus improving customer satisfaction
 - Support the most effective use of resources
41. Initial discussions for improvements are already underway with Executive Heads and a detailed Strategy is being drawn up. Any proposed implications will be reported to Cabinet for approval throughout 2022/23.
42. The MTFP includes the savings shown in the table below as part of the Continuous Improvement Strategy. This will be regularly monitored and will be reported to Cabinet as part of the Quarterly Performance Process which will include details of progress and likely/achieved savings.

	2022/23	2023/24	2024/25	2025/26	2026/27
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Target Saving (£'000s)	500	1,500	2,500	3,000	3,500
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Community Investment Programme

43. 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. The performance of the Community Investment programme during the 2021/22 financial year can be seen in the Corporate Performance Monitoring Report as well as the Capital Strategy Report detailing the governance of the ongoing Community Investment Programme. Both of these reports can be seen on the Cabinet agenda for February 2022.

Community Investment Approval – Disabled Facilities Grant

44. The Disabled Facility Grant (DFG) works are funded primarily through the Better Care Fund (BCF) programme which aims to improve the lives of some of our most vulnerable residents. The projects undertaken through the DFG programme play a vital role in the prevention of hospital admissions and tackling bed-blocking through the adaptations within resident's own homes.
45. Each year since the BCF programme started the Council has topped up the BCF by, on average, £150,000 through housing capital receipts due to the importance of the work the DFG programme delivers helping to achieve our Corporate Objectives. The BCF amount has increased year on year and as such the contribution the Council has had to top up has reduced.
46. The Council has received £1,319,760 in Better Care Fund allocation in the current financial year 2021/22.
47. Current forecasts are for £1,400,000 to be spent on the disabled facilities programme in 2021/22, with the difference being met from previous years underspends on budgets being slipped into 2021/22.
48. Based on previous years grant allocations, it is assumed that DFG funding will remain constant for 2022/23 and therefore councillors are asked to approve the allocation of £1,400,000 for 2022/23. With the difference of £80,240 being funded from Housing Capital Receipts. This will be updated through 2022/23 once the BCF funding has been announced (Rec 7).

Treasury Management

49. As a net borrower, the Council's Budget is sensitive to interest rate movements. Net borrowing levels are anticipated to be £549M by the end of 2021/22.

50. The impact on the Council's Investment/Borrowing Portfolio of the current and projected interest rates is summarised in the following table:

	Revised	Original	Estimate	Estimate	Estimate	Estimate
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000	£'000
Average Interest Rate	1.30%	1.36%	1.32%	1.28%	1.37%	1.72%
Interest Payable	4,744	5,123	5,162	5,194	6,304	7,599

51. This financial year has seen an increase in the Bank of England Base Rate to 0.25% (December 2021). 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.
52. The Council's Treasury Management Advisors, Arlingclose, are currently forecasting that bank rate will rise in February 2022 to 0.50%, and then remain at 0.50% throughout their forecast to December 2024. These forecasts are used to construct the Budget. The Council also continues to hold a significant interest rate reserve to protect against any unforeseen interest rate increases.
53. The Council has also opted, in line with recommendations from Arlingclose, to hold a blend of short-term variable borrowing, and long-term fixed borrowing. This allows the Council to have both certainty over long term funding, both in relation to ongoing liquidity and cost of borrowing through long term fixed rates, albeit with a higher cost of borrowing, as well as the flexibility and lower costs of having some short-term borrowing, albeit it with less certainty over future interest costs.
54. Although a net borrower, the Council also receives investment income from Treasury Management and Service Investments, this is summarised in the following table:

	Revised	Original	Estimate	Estimate	Estimate	Estimate
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000	£'000
Average Interest Rate	2.93%	2.07%	2.07%	2.10%	2.32%	2.57%
Interest Receivable	1,376	414	414	420	464	514

55. A large proportion of the interest income in 2021/22 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, representing an underlying level of treasury investments.
56. The Council's Property Portfolio provides an annual net surplus of £9M. When evaluating both Commercial and residential property investments, 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 investments are assessed at the long-term borrowing rate and include provisions for both voids and maintenance costs.
57. 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 2022/23 is £131.97.
58. More details on the Council's investment and borrowing plans are outlined in the Council's Capital, Investment and Treasury Management Strategies, which can be found on the Cabinet agenda for February 2022.

New Homes Bonus

59. 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. As these 'legacy' payments have been reduced, the future of New Homes Bonus funding has also been under consultation. Despite this, New Homes Bonus income for 2022/23 has been confirmed by government, and it is anticipated the scheme will continue to deliver income to the Council, albeit it to a lower extent than in previous years with a total of £23.6M by the end of 2022/23.
60. The current allocation of grant across specific schemes is detailed on the following page:

<u>Completed</u>	<u>£'000</u>
Woodside Avenue & Hatch Farm	324
Bursledon GP Surgery	3,797
Lakeside Country Park	1,000
Hiltingbury Pavilion & Tennis Courts	440
Fleming Park Leisure Centre	3,752
Hamble Library	200
IVCP Highwood Barn	120
Wildern Leisure Centre	1,050
New Homes Review	100
Fryern Pavilion	300
Ramally Guides HQ/Scout Hall	231
	<hr/>
	11,313
<u>Schemes Underway</u>	
Ramalley Countryside	10
Romsey Road Community Facilities	200
Hedge End/Horton Heath Cycle Route	40
Bishopstoke Community Facilities	1,000
St Johns Phase 2 & 3	700
Restoration of Hiltingbury Lakes	145
IVCP Masterplan Works	1,000
	<hr/>
	3,095
<u>Scheme Approved</u>	
Bishostoke Road Improvements	900
	<hr/>
	900
Total	<hr/>
	15,308

61. In addition to the above, a further £6.8m of New Homes Bonus is earmarked for affordable housing within the Borough.
62. 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 more than 1,000 Affordable properties without the need to subsidise schemes 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.

63. 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

64. 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 to the Hampshire Chamber of Commerce, the Federation of Small Businesses and the Business Improvement District (BID). To date a very supportive response from Hampshire Chamber of Commerce has been received which is shown at Appendix C.
65. 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.

Provision of External Audit – PSAA opt in Invitation

66. Commencing from April 2018, Eastleigh Borough Council opted into the 5-year sector led procurement of external audit services, along with 98% of other eligible bodies.
67. This current contract expires at the end of 2022/23; therefore the Council can now undertake one of three options for the procurement of an external auditor from the 2023/24 financial years, under the Local Government audit and Accountability Act 2014 ('the act'):
- a) To appoint its own auditor, which requires it to follow the procedure set out in the Act.
 - b) To act jointly with other authorities to procure an auditor following the procedures in the Act.
 - c) To opt into the national auditor appointment scheme administered by a body designated by the Secretary of State as the 'appointing person'. The body currently designated for this role is Public Sector Audit Appointments Limited (PSAA).
68. By opting into the national auditor appointment scheme the PSAA will provide:

- the appointment of a suitably qualified audit firm to conduct audits for each of the five financial years commencing 1 April 2023.
- appointing the same auditor to other opted-in bodies that are involved in formal collaboration or joint working initiatives to the extent this is possible with other constraints.
- managing the procurement process to ensure both quality and price criteria are satisfied. PSAA has sought views from the sector to help inform its detailed procurement strategy.
- ensuring suitable independence of the auditors from the bodies they audit and managing any potential conflicts as they arise during the appointment period.
- minimising the scheme management costs and returning any surpluses to scheme members.
- consulting with authorities on auditor appointments, giving the Council/Authority the opportunity to influence which auditor is appointed.
- consulting with authorities on the scale of audit fees and ensuring these reflect scale, complexity, and audit risk; and
- ongoing contract and performance management of the contracts once these have been let.

69. It is recommended that the Council accepts the PSAA Invitation because:

- collective procurement should reduce costs for the sector and for individual authorities compared to a multiplicity of smaller local procurements.
- if it does not use the national appointment arrangements, the Council will need to establish its own auditor panel with an independent chair and independent members to oversee a local auditor procurement and ongoing management of an audit contract.
- it is the best opportunity to secure the appointment of a qualified, registered auditor - there are only nine accredited local audit firms, and a local procurement would be drawing from the same limited supply of auditor resources as PSAA's national procurement; and

- supporting the sector-led body offers the best way of ensuring there is a continuing and sustainable public audit market into the medium and long term.

Risk Assessment

70. 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 D.

Equality and Diversity Implications

71. 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.
72. Any service changes identified in this report will have an Impact Assessment completed as required.

Climate Change and Environmental Implications

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

Chief Financial Officer's Statement

74. 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 2021/22 and 2022/23 which is continuing into the future. This recognises the uncertainty created by the cuts in public sector funding, the ongoing impact of Covid-19 and the current economic climate.
75. 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.
76. The levels of uncertainty regarding the future in terms of the impacts of Covid-19 have reduced during the last few months and this has helped to build a more accurate Budget for 2022/23 and a better informed MTFP into the future. 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.

77. The delay in driving forward the Continuous Improvement Strategy was the right decision due to the economic uncertainties however it is now important that this strategy is relaunched for 2022/23 to ensure that targets are met. The Council is financially stable although future increased financial pressures are inevitable, and we need to be able 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.
78. This assessment is supported by the Chief Executive.

Conclusion

79. The Budget presented in this report is based on the best information available and sets a balanced Budget for 2021/22, 2022/23 and for the life of the Medium-Term Financial Plan to 2026/27.
80. This represents a significant achievement and a positive prospect for the Council during a period of continued 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.
81. Cabinet is asked to consider the Revised Budget for 2021/22 and the Draft Budget for 2022/23 and Medium-Term Financial Plan and to make recommendations to Council at its 24 February 2022 Budget meeting as appropriate.

SARAH KING
CORPORATE DIRECTOR (CHIEF FINANCIAL OFFICER)

Date: 20 January 2022
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Appendices
Attached: 4

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.