

# FAREHAM

## BOROUGH COUNCIL

### APPENDIX A

## Report to the Executive for Decision 05 July 2021

<b>Portfolio:</b>	Policy and Resources
<b>Subject:</b>	<b>General Fund and Housing Revenue Account Outturn 2020/21</b>
<b>Report of:</b>	The Deputy Chief Executive Officer
<b>Corporate Priorities:</b>	A dynamic, prudent and progressive Council

#### **Purpose:**

This report provides the Executive with details of the actual revenue expenditure for 2020/21 for the General Fund and Housing Revenue and Repairs Account and seeks approval for the completion, in 2021/22, of two of the 2020/21 expenditure programmes.

#### **Executive summary:**

The General Fund actual net revenue expenditure on services for 2020/21 totals £12,182,435 which is **£2,575,935** more than was originally budgeted for the year. This is due to the extraordinary impacts of the Covid-19 pandemic on income streams and costs incurred year.

These were recognised early on in the year and the Council adopted a replacement emergency budget in September. This forecast the potential need to use £1.1 million of the Council's reserves to plug the funding gap for its services in 2020/21. At the same time the Council introduced a Financial Recovery Plan to mitigate the impacts arising where it could, which included a tightened control over expenditure.

Financial forecasts were updated as the government implemented further periods of lockdown and announced support packages for local authority services. The Council has benefitted from Government COVID grants totalling £3.8 million during the year; £0.8 million of these were not anticipated and therefore not incorporated into the emergency and revised budgets.

The final net budget outturn position is **£1,211,254** less than the final revised budget agreed by the Executive in February 2021. This has meant that the anticipated drawing from reserves has not materialised. This is partly due to some services, such as planning application income, starting to recover towards the end of the year, and also due to the corporate efforts in reducing spend where it was possible. There has also been additional council tax income of £35,739. However, the largest

contributing factor has been the unplanned additional Government support.

It has not been possible to complete a number of expenditure programmes in 2020/21 and approval is sought to complete two programmes where expenditure had already been committed during 2020/21, at a cost of £51,900. This will reduce the underspend to **£1,195,093**.

This underspend will need to be transferred to reserves to help protect the council's financial position going forward. Some trends in increased expenditure and reduced income have continued into 2021/22 and income streams such as car parking may never recover, whilst the Government's financial support schemes may start to disappear. The Council's underlying financial position has therefore worsened. We will be reviewing this in more detail when the Medium-Term Finance Strategy is completed later in 2021 along with a plan to address the forecasted funding gaps.

The final figures for the Housing Revenue and Repairs Account (HRA) in 2020/21 show that the HRA revenue reserve has been reduced by £218,844 to fund the net expenditure for the year. Overall, total HRA Reserves have decreased by £746,834.

**Recommendation:**

It is recommended that the Executive:

- (a) approves the carry forward of £51,900 to fund the completion of the committed General Fund expenditure programmes in 2021/22, as contained in this report;
- (b) approves the carry forward of £470,000 for the HRA Capital Programme to re-align budget and expenditure phasing and to support the forthcoming programme for 2021/22; and
- (c) notes the contents of the report.

**Reason:**

To enable the completion of the General Fund expenditure programme for 2020/21 and to ensure that the balances on the Housing Revenue and Repairs Accounts at 31 March 2021 will be available in future years and that 2021/22 budgets are sufficient to meet the level of work programmed.

**Cost of proposals:**

There are no additional costs relating to the recommendations.

**Appendices:**

**A:** Actual General Fund Service Expenditure to 31 March 2021

**B:** Detailed Housing Revenue and Repairs Account to 31 March 2021

**Background papers:** None

- Reference papers:** Report to the Executive 3 February 2020 Finance Strategy, Capital Programme, Revenue Budget and Council Tax 2020/21.
- Report to the Executive 3 February 2020 Housing Revenue Account Budgets and Capital Plans 2020/21.
- Report to the Executive 7 September 2020 COVID-19 Emergency Revised 2020/21 Budget and Financial Recovery Plan.
- Report to Executive 4 January 2021 Finance Strategy, Revenue Budget and Council Tax 2021/22 (included a revised revenue budget for 2020/21).
- Report to the Executive 1 February 2021 Finance Strategy, Capital Programme, Revenue Budget and Council Tax 2021/22 (included a revised revenue budget for 2020/21).
- Report to the Executive 1 February 2021 Housing Revenue Account Budgets and Capital Plans 2021/22(included a revised revenue budget for 2020/21)

# FAREHAM

## BOROUGH COUNCIL

### Executive Briefing Paper

<b>Date:</b>	05 July 2021
<b>Subject:</b>	General Fund and Housing Revenue Account Outturn 2020/21
<b>Briefing by:</b>	The Deputy Chief Executive Officer
<b>Portfolio:</b>	Policy and Resources

#### INTRODUCTION

1. This report brings together the outturn position for the General Fund along with the Housing Revenue and Repairs Accounts for the financial year 2020/21.
2. This has been a dramatic year for the Council's finances due to local and national impacts and responses to the Covid-19 pandemic. Financial impacts have included:
  - A reduction in the amount of revenue income collected in some areas.
  - Extraordinary costs incurred in delivering day to day services.
  - One-off/temporary expenditure to deliver specific recovery activities.
  - A contraction in the economy that is changing demand for certain services.
3. An emergency revised budget was presented to members in September 2020 to highlight the main areas where income was going to be lost or where additional expenditure would be incurred. This included a Financial Recovery Plan which set out the actions being taken to protect the financial stability of the Council during the response and recovery phases of the pandemic. The Government also implemented a number of financial support schemes for local authorities during the year.
4. The emergency budget forecasts were continually monitored and formally updated as part of the revised budgets that were approved by the Executive in February 2021.
5. This report details the resulting end of year position for both the General Fund and Housing Revenue and Repairs Accounts and compares the actual spend against the original base and revised budgets.

#### EMPLOYEE EXPENDITURE 2020/21

6. The total 'cost of employment' budgets set for the General Fund and Housing Revenue Account for 2020/21 was £17,587,900. The actual expenditure for 2020/21 was £17,109,101 giving an underspend for the year of £478,799 or 2.72% when compared to the final budget.

7. There was an underspend from salaries and associated costs of £591,766 which has arisen from vacancies that have occurred during the year. These have been slightly offset by an increase in agency payments (£63,802), severance payments (£38,144) and recruitment costs (£11,021) that have been made during the year.

### THE GENERAL FUND OUTTURN POSITION 2020/21

8. The General Fund actual net revenue expenditure for 2020/21 totalled £12,182,435 which is **£2,575,935** more than the original base budget approved by the Executive in February 2020. This reflects both a reduction in the Council's service income sources as well as increased areas of expenditure.
9. The funding available from the Government's financial support schemes known at the time were built into the emergency and revised budgets which predicted a shortfall in the funding available to meet the increased spend which would need to be met from the Council's reserve balances. However, additional COVID funding has been received over and above that included in the budget, which has greatly contributed to the Council not needing to utilise reserve balances to balance the outturn expenditure levels for 2020/21. Overall, there has been an underspend against budget after the Covid support is taking into account of £1,211,254 which increases further to £1,246,993 due to the receipt of additional council tax income from that budgetted for of £35,739.
10. Later paragraphs of this report also set out details of two expenditure programmes that were not completed in 2020/21 and approval is sought for these programmes to be completed in the current year. If these proposals are approved along with the financing adjustment, this will mean that the final position for the financial year will show a transfer to reserves of £1,195,093.
11. The following table summarises the position:-

<b>ACTUAL REVENUE EXPENDITURE TO 31 MARCH 2021</b>			
	<b>Revised Budget 2020/21 £</b>	<b>Actual 2020/21 £</b>	<b>Variation £</b>
<b>Committees</b>			
Licensing & Regulatory Affairs	432,600	388,074	<b>-44,526</b>
Planning	599,000	699,469	100,469
<b>Executive - Portfolio</b>			
- Leisure and Community	1,665,400	1,450,254	<b>-215,146</b>
- Health and Housing	1,784,900	1,813,936	29,036
- Planning and Development	1,664,900	1,413,869	-251,031
- Policy and Resources	<b>-608,900</b>	<b>-1,481,211</b>	<b>-872,311</b>
- Public Protection	1,249,400	1,582,303	332,903
- Streetscene	5,437,100	5,101,410	<b>-335,690</b>
<b>Total Service Budgets</b>	<b>12,224,400</b>	<b>10,968,107</b>	<b>-1,256,293</b>

Accounting Adjustments	3,680,700	12,823,662	9,142,962
Other Budgets	-2,615,100	-11,609,334	-8,994,234
<b>Net Budget before COVID Funding</b>	<b>13,290,000</b>	<b>12,182,435</b>	<b>-1,107,565</b>
Contributions from Reserves for COVID	-690,200	0	690,200
Fees and Charges Reduction Funding	-1,329,000	-1,966,050	-637,050
Government COVID Funding	-1,664,300	-1,821,139	-156,839
<b>Net Budget</b>	<b>9,606,500</b>	<b>8,395,246</b>	<b>-1,211,254</b>
Financing	-9,606,500	-9,642,239	-35,739
<b>Net Total</b>	<b>0</b>	<b>-1,246,993</b>	<b>-1,246,993</b>
Adjust for:			
Carry Forwards	0	0	51,900
<b>Final Position (Underspend)</b>			<b>-1,195,093</b>

12. The detailed position on each service is set out in Appendix A. The main reasons for the variations for key council services are set out in the later paragraphs of this report.

#### THE EFFECT OF COVID 19 ON COUNCIL EXPENDITURE 2020/21

13. The table below sets out how the financial forecasts have changed through the year across the base, emergency and revised budgets and compares them to the outturn position

REVENUE BUDGETS TO 31 MARCH 2021				
	Base Budget Jan 2020 £	Emergency Budget Sept 2020 ££	Revised Budget Jan 2021 £	Actual Outturn Mar 2021 £
<b>Total Service Budgets</b>	<b>8,821,200</b>	<b>12,569,200</b>	<b>12,655,800</b>	<b>10,968,107</b>
Accounting Adjustments	2,767,300	2,767,300	3,249,300	12,823,662
Other Budgets	-1,982,000	-2,030,500	-2,615,100	-11,609,334
<b>Net Budget before COVID Funding</b>	<b>9,606,500</b>	<b>13,372,600</b>	<b>13,290,000</b>	<b>12,182,435</b>
Contributions from Reserves for COVID	0	-1,143,700	-690,200	0
Fees and Charges Reduction Funding	0	-1,058,038	-1,329,000	-1,966,050
Government COVID Funding	0	-1,464,362	-1,664,300	-1,821,139
<b>Net Budget</b>	<b>9,606,500</b>	<b>9,606,500</b>	<b>9,606,500</b>	<b>8,395,246</b>

14. The budgets changing during the year were all based on assumptions made around when we came out of lockdown. As time went on it became clearer that some services would be affected more than others.

15. The main service areas that were affected by the pandemic were:

<b>Service Area</b>	<b>How Affected?</b>
Leisure Centres	<ul style="list-style-type: none"> <li>• Loss of income</li> <li>• Recovery Plan agreed</li> </ul>
Off-Street Parking	<ul style="list-style-type: none"> <li>• Loss of income due to lockdowns</li> </ul>
Investment Properties	<ul style="list-style-type: none"> <li>• Loss of income</li> <li>• Recovery Plans agreed with tenants</li> </ul>
Solent Airport and Daedalus	<ul style="list-style-type: none"> <li>• Loss of income</li> <li>• Recovery Plans agreed with tenants</li> </ul>
Waste and Recycling Services	<ul style="list-style-type: none"> <li>• Additional spend due to social distancing</li> </ul>
Planning Appeals	<ul style="list-style-type: none"> <li>• Additional spend due to length of hearings</li> </ul>
Benefit Payments	<ul style="list-style-type: none"> <li>• Additional spend due to more claimants</li> <li>• Spend offset by additional grant</li> </ul>
Homelessness	<ul style="list-style-type: none"> <li>• Additional spend due to more demand on service</li> <li>• Some spend offset by additional grant</li> </ul>
Elections	<ul style="list-style-type: none"> <li>• 2020 Election cancelled resulting in a saving</li> </ul>

16. The Council identified the Leisure Centres operator as a critical council supplier during the response phase of the pandemic and have been working closely with them throughout the year to make sure that the additional support is justified and value for money.
17. The effect of the loss of income from services has been somewhat offset by government grant through the sales, fees and charges reduction funding. However, this funding did not apply to commercial activities such as tenants in our investment properties, commercial or industrial estates or tenants at Daedalus.
18. It is important to note that the figures at the year-end are showing income raised as due to the council but not necessarily collected. This is particularly relevant to commercial rents. There has been a lot of work carried out during the year with the tenants to balance protecting the council's position against allowing tenants some breathing space to defer rent where necessary, in line with the Government's Codes of Practice during the pandemic. Many businesses have a revised instalment plan going forward meaning that full rental should be received although there will be some businesses who may never meet their full rental payments.
19. As part of the emergency budget setting provision was included for over £500,000 for bad debts to help with the potential loss of income from these rents as well as losses through council tax and business rates non-payments. The situation is closely monitored on a weekly basis and it is considered that the current bad debt provision is adequate to meet the risks of default currently identified. There is a further provision in the 2021/22 budget should this be required.
20. It is also becoming clear that that some areas, such as car parking income are very

unlikely to return to pre-pandemic levels. The underspend from 2020/21 will therefore be added to the reserve balances to protect the council's financial position going forward as these trends continue and the Governments support schemes disappear.

21. The review of areas such as car parking or spend areas such as benefits and homelessness will continue to be monitored closely and all services will be reviewed as to their longer term impact on the spend and reserves position and will feature in more detail when the Medium Term Finance Strategy is completed later in 2021 along with a plan to address the impact on the financial position.

## **GOVERNMENT COVID SUPPORT SCHEMES FOR SERVICES**

22. The Council has received a number COVID related government grants during the financial year to support our services. Some of the grants have been allocated to specific services such as homelessness and leisure centres to relieve specific cost pressures, while the support tranches 1-4, SFC compensation instalments and New Burdens Funding are general grants. The latter are totalling £3.8 million of the £4.8 million shown in the table below.
23. The table below shows a list of grants that were received during the year. Some of the grants have not been fully utilised during the 2020/21 financial year and will be used during the 2021/22 financial year.

<b>Type of Grant</b>	<b>Value of Grant</b>
<b>General Grants</b>	
COVID19 Support Grants Tranches 1-4	£1,434,362
Sales, Fees and Charges Compensation Instalments 1-3	£1,966,050
New Burdens Funding	£384,059
	<b>£3,784,471</b>
<b>Specific Service Grants</b>	
Homelessness and Rough Sleeping Grants	£408,255
Sport England – National Leisure Recovery Fund	£215,273
Other COVID Related Grants	£393,176
	<b>£1,016,794</b>
<b>Total Grants and Support</b>	<b>£4,801,175</b>



## GOVERNMENT COVID SUPPORT SCHEMES FOR THE COMMUNITY

24. The grants detailed in the table below have been received during the financial year and have either been re-distributed to businesses in the form of payments or in reliefs on the business rate charge on their property.
25. The latter has also helped the council replace income not being collected through the business rates. The same would apply to the council tax hardship and support that has seen council tax bills reduced for some of those that have been struggling to pay. The test and trace scheme was specific to those who were asked to isolate and could not work from home.

Type of Grant	Value of Grant
Business Grant Support Schemes	£35,089,686
Business Rates Relief Schemes	£19,838,223
Council Tax Hardship and Support	£490,645
Council Tax and Business Rates Income Guarantee	£202,774
Test and Trace/Self Isolation Schemes	£193,175
<b>Total Grants and Support for Council Tax and Business Rates</b>	<b>£55,814,503</b>

26. Although there has been impact on the resources to administer all these schemes, the Council has benefitted in its cash flow as many of these schemes were funded up front.
27. The collection process for both Council Tax and Business Rates was severely affected by the COVID pandemic in 2020/21, this was down to many residents and businesses requesting that their payments be deferred as their finances were uncertain or they had been placed on furlough. We also saw an increase in non-payment with very limited ability to collect through the Magistrate's Court. By 31/03/2021 collection of Council Tax had improved, and we collected 98.37% of Council tax income due (98.44% in 19/20). The collection rate for Business, however, reduced to 92.49% (98.94% in 19/20).

## OUTTURN POSITION FOR THE KEY COUNCIL SERVICES

28. The Council has a number of services that would be considered as major or demand led services as they have a large impact on the council tax and any major variation in these budgets could lead to unacceptable rises in council tax. The details are shown in the following table:-

Service	Revised Budget 2020/21 £	Actual 2020/21 £	Variation £	
<b>Income Budgets</b>				
Investment Properties	-3,317,500	-3,398,193	-80,493	😊
Commercial Estates	-542,900	-573,643	-30,743	😊
Solent Airport and Daedalus	-367,100	-472,516	-105,416	😊
Trade Waste	-7,300	-113,237	-105,937	😊
Interest on Balances	-559,700	-661,684	-101,984	😊
<b>Expenditure Budgets</b>				
Local Plan	1,167,800	899,948	-265,852	😊
Local Tax Collection	922,900	704,159	-218,741	😊
Parks, Open Spaces and Grounds Maintenance	1,654,000	1,497,281	-156,719	😊
Local Land Charges	29,900	-24,194	-54,094	😊
Street Cleansing	945,300	900,512	-44,788	😊
Planning Applications	108,200	111,629	3,429	😐
Housing Benefit Payments	50,300	56,826	6,526	😐
Tree Management	345,300	362,000	16,700	😐
Homelessness	551,900	681,618	129,718	😞
Planning Appeals	145,800	259,008	113,208	😞
Waste & Recycling Total	2,288,600	2,402,556	113,956	😞
Parking Services	139,100	530,592	391,492	😞

29. The main variations in the key services are detailed as follows:-

- (a) **Investment Property income** was £80,000 above budgeted income, mainly due to an increase in rent invoiced from the shopping centre. Rent has been decreasing over a number of years and a low budget was put in due to the pandemic with many shops not being able to open. However, the income has come in £48,000 over the budget.
- (b) **Commercial Estates** showed an underspend of £31,000 which is mainly due to

an increase in rents invoiced of £40,000. However, it should be noted that some may not have been collected and so may need to be covered by the increased bad debt provision in the year. There was also an underspend on the Civic Quarter regeneration project which is funded from reserves so has been removed from the figures. Some of the increase in income has been offset by additional spend on properties particularly in respect of business rates.

- (c) **Solent Airport and Daedalus** is showing an overspend of £105,000 for the financial year mainly due to one-off income receipts for IFA2 and a cost recovery from HCC. These amounts of income will be moved into the reserve to offset the deficit from previous years. It should also be noted that some rental income although invoiced may not have been collected and so may need to be covered by the increased bad debt provision in the year.
- (d) **Trade Waste** achieved £106,000 higher income compared to budget for the year. The income budget was reduced in anticipation of businesses being closed during the pandemic and at the end of the year income was around £20,000 higher than the budget. The other main reduction in budget was for tipping fees as less waste was disposed of during the year which has resulted in an underspend of around £64,000. There has also been a reduction in the use of fuel which has seen a drop of spend against budget of almost £17,000.
- (e) **Interest on balances** is showing as additional income received of almost £103,000. Interest rates continue to remain low and this impacts on the size of returns the Council receives. However, during the year there was an influx of grants due to the pandemic and this led to more investment opportunities than were anticipated and also reduced the need for some temporary borrowing to keep cash flows in balance.
- (f) The **Local Plan** service has seen an underspend of over £265,000 which has occurred due to delays in the publication of the plan because of the pandemic. The plan is now due to be published during the latter part of 2021. Delays to the plan have meant reduced use of consultants in respect of the formulation of the local plan. This work will continue through into the 2021/22 financial year with the publication of the plan during 2021. Within the Local Plan heading there is also spend on the Welborne project which is currently mainly funded through grants.
- (g) **Local tax collection** is showing an underspend for the year of just under £219,000 which is mainly due to variations in employees costs due to vacancies. This year has also seen almost £330,000 of hardship relief granted as a result of the pandemic but this has been matched in grants from central government. There has also been some additional grant income to cover administration of schemes.
- (h) **Community Parks and Open Spaces** is showing an underspend of £157,000 mainly due to a reduction in maintenance of grounds during the year along with an increase in income from recharging third parties. Staff costs have been below budget as vacancies have not been filled due to some work being put on hold or staff being redeployed during the pandemic. These underspends have been offset by an increase in the cost of repairing and maintaining the aging vehicle and plant fleet required to undertake the work.
- (i) **Local Land Charges** is showing a £54,000 underspend against the revised

budget. Income for the year was £45,000 over the budget for the year. The budget for income was reduced during the year but the demand for the service continued during the pandemic as the housing market remained active.

- (j) **Street Cleansing** is showing an underspend for the year of £45,000. There has been an increased spend on the cost of repairing vehicles along with additional costs for materials. These has been offset by reduced employee costs along with additional income from costs recovered from third parties.
- (k) **Planning Applications** is showing an increase against the budget of just over £3,000. The income from planning applications was very slightly under budget as the number of applications increased during the latter part of the financial year. There was also additional income due to costs recovered mainly as a result of legal work on planning agreements meaning overall for the service income was £31,000 over the budget. Other areas have shown an overspend in the use of consultants who have been working on specialist areas for major applications including Welborne and covering a vacancy.
- (l) **Housing benefits payments** were £7,000 over the budget for the year. The amount paid out in benefits was less than anticipated by £267,000 which was offset by reduced income from grant received with a small amount due for prior year adjustments giving reduced income against budget of £429,000. There was also additional income from money owed due to overpaid benefits and there was a reduction in the bad debts provision for doubtful debts totalling £155,000.
- (m) **Tree Management** is showing a small overspend for the year of just under £17,000. This is largely due to changes to the volume of tree work that has been carried out during the year when compared to previous years. In total, planned work (which also includes inspection costs, replanting works and general tree maintenance) cost around £161,000 for the year with 'good neighbour' work costing a further £26,000. Good neighbour work is work that is emanating from a customer request such as pruning back overhang which is encroaching onto another's land or trees that are blocking light. Other tree work including inspections, planting, urgent and general tree work cost an additional £65,000. There was a spend of £12,000 on Ash Die Back work that will continue to be an issue going into the next financial year as the majority of these trees in the borough will be affected.
- (n) The **Homelessness** service is showing an overspend of £130,000 mainly as a result of additional demand during the pandemic. The emergency budget was increased in anticipation of the demand and some costs have been offset by grant received from government to reflect the impact on the service during the pandemic. However, in spite of this increase the cost of bed and breakfast was still 20% over the budget.
- (o) **Planning Appeals** during the year have shown an overspend of £113,000. Generally planning appeal costs are met by the individual parties involved but occasionally costs can be awarded against a party if they are judged to have acted unreasonably. There have been a number of high profile appeals during the year including Newgate Lane North and South which, as they were undertaken virtually, they took longer than they would face to face. This appeal was due to run for a week and ended up running for 3 weeks resulting in additional costs. This has

meant that the overall cost of this appeal was £192,000 (£22,000 in 2021/22). The Great Tithe Barn tarmac car park appeal was also concluded at a cost of £33,000. Other appeals due to be heard in the year have been delayed until the new financial year. The costs shown against these appeals are external legal and consultants costs and do not include officer time.

- (p) The **Waste and Recycling Service** is showing an overspend for the year of £114,000 which is mainly as a result of a large increase in the repair and maintenance of vehicles due to an aging fleet. There has also been an increase in the use of agency staff within the service mainly covering vacancies and other absences. The service has also seen an increase in costs as a result of the pandemic as additional vehicles have been used to ensure that social distancing was maintained in vehicles. The recycling services has seen an increase in income particularly from glass as more has been collected from the bottle banks. There has also been an increase in the income received from HCC which was almost £60,000 over the budget after a large drop in income in the previous year.
- (q) **Parking Services** is showing a variation of just over £391,000 against the budget for the financial year. The emergency budget reduced the income budget for the year and assumed that there would be reduced usage during the year but with the second lockdown and with only essential shops being able to open the use of the car parks remained extremely low. The income was down by £1.2 million from the previous year and was over £400,000 below the revised budget. With reduced use of the car parks an opportunity was taken to undertake some increase maintenance which has resulted in an increase in costs of £27,000 over the normal repairs budget.

## THE COUNCIL'S FUNDAMENTAL PARTNERSHIPS

30. The table below shows the end of financial year performance relating to the Council's element of each of the fundamental partnerships:-

Service	Revised Budget 2020/21 £	Actual 2020/21 £	Variation £	
Building Control Partnership	206,300	133,610	-72,690	😊
Community Safety Partnership	186,500	206,685	20,185	😞
CCTV Partnership	159,900	165,038	5,138	😐
Project Integra	5,000	4,240	-760	😊
Portchester Crematorium Joint Committee	-160,000	-200,000	-40,000	😊
Environmental Health Partnership	1,481,600	1,409,877	-71,723	😊

31. There are no particular causes for concern within the Council's fundamental partnerships.

## OTHER BUDGETS

32. These budgets are used where spend or income cannot be shown against a specific service. Most are accounting entries that ensure that items such as depreciation or other capital charges do not have an impact on the council tax or where a service provided is funded from reserves.

## PROVISION FOR EXPENDITURE FUNDED FROM 2020/21 UNDERSPENDINGS

33. A proportion of work in the 2020/21 budgets has not been possible to complete during the financial year. However, whereas we would normally seek to request funding to carry forward a number of these budgets to next year, due to the overall financial position this is being restricted to just those programmes where there is already a commitment for these to be delivered.
34. In order to minimise the financial burden of this work on the budget for the current year, it is proposed that an equivalent sum from the reserves is used in 2021/22 to allow for their completion, as listed in the table below:

Description	Cost £	Justification
Community Grants	41,900	Grants committed in 2020/21 but not paid over including grants in COVID Community Support pot.
Economic Development and Regeneration	10,000	Research project undertaken by University of Portsmouth to assess impact of COVID on local businesses and identify future support needs.
	<b>£51,900</b>	

35. Taking into account the carry forward proposals above this will result in a final transfer to reserves for the year of £1,055,868.

## HOUSING REVENUE AND REPAIRS ACCOUNT

### Revenue Account

36. The financial impacts of the Covid-19 pandemic on income streams and costs incurred on the Housing Revenue and Repairs Account (HRA) were also considered during the year and the Council adopted a replacement emergency budget in September 2020. This recognised a reduction in rent income due to increasing rent arrears and void properties remaining vacant for longer periods of time. The budget for revenue repairs expenditure was also reduced as lockdown measures and restrictions impacted on works we were able to complete. On 1 February 2021, the Executive approved the revised breakeven budgets for the Housing Revenue and Repairs Account (HRA) which was £400,000 lower than the original base budget
37. Actual rent income was higher than the revised budget figure, and also slightly higher than the 2019/20 actual. Although the number of void properties has remained at a higher than usual level, rent arrears have not increased to the level that had been allowed for. This is as a result of work by the Rent Arrears Officer combined with

increased Universal Credit receipts. It has also meant that the adjustments for bad debt are less than anticipated which is reflected in lower Management and Finance expenditure compared with budget.

38. Revenue repairs expenditure was higher than the revised budget figure but less than the 2019/20 actual. We were able to complete more work as restrictions eased during the summer and over the winter period of restrictions and are experiencing increased costs of materials.
39. Capital Improvements are lower than budgeted overall. When financing these capital programme schemes, proportionately this has meant a lower transfer from the Capital Development Fund and higher revenue contributions that ultimately draw on the HRA Revenue Reserve. We have been able to maintain the full contribution to the Debt Repayment Fund for this financial year. This position is shown in the table below and detailed in Appendix B.
40. The HRA has recorded a deficit for 2020/21 of £218,844 as shown in the table below and in more detail at Appendix B. The deficit of £218,844 has been drawn from the HRA Revenue Reserve, and other Reserves have also decreased by £527,990.

	<b>Actual 2019/20 £'000</b>	<b>Revised Budget 2020/21 £'000</b>	<b>Actual 2020/21 £'000</b>
Income	-12,283	-12,263	-12,577
Management and Finance	4,957	5,284	5,155
Revenue Repairs	2,759	2,096	2,362
Capital Improvements	4,640	5,837	5,457
<b>Surplus(-)/Deficit</b>	<b>73</b>	<b>954</b>	<b>397</b>
Transfer from Capital Development Fund	-714	-2,094	-1,392
Transfer to Debt Repayment Fund	1,140	1,140	1,140
Transfer to Leaseholder Reserve	6	0	74
<b>Transfer of Balance to(-)/from(+) Revenue Reserve</b>	<b>505</b>	<b>0</b>	<b>219</b>

### HRA Capital Programme

41. The table below summarises the capital spend in the year against the revised budget which shows a lower spend than anticipated on HRA Capital Improvements. This area of spend will be reviewed again over the coming year as the next detailed programme of works is compiled. The underspent budgets against Improvements and Modernisation and Other Works and Services are proposed to be carried forward to support the programme of works.

42. Expenditure classified as stock repurchase has included buying back ten properties to replenish our housing stock. The new build scheme at Oak Tree Close was fully completed during the year, along with part of the Rose Court scheme. The remaining flats in the Rose Court scheme will be completed in 2020/21. Work to enable developments at Station Road, Stubbington Lane, Queens Road and Coldeast Scout Hut have also progressed during the year, with Contractors appointed for Station Road and Stubbington Lane. The underspent budget is proposed to be carried forward as work is completed and construction on other schemes commences in 2021/22.

<b>CAPITAL PROGRAMME</b>	<b>Budget 2020/21 £'000</b>	<b>Actual 2020/21 £'000</b>	<b>Carry over to 2020/21 £'000</b>
HRA Improvements and Modernisations	2,532	2,690	-158
Other Works and Services	160	160	0
New Builds	2,780	1,973	807
Stock Repurchase	1,500	1,708	-208
<b>CAPITAL PROGRAMME - TOTAL</b>	<b>6,972</b>	<b>6,531</b>	<b>441</b>

This spend has been funded as follows:

	<b>£000</b>
Use of Major Repairs Reserve to fund capital expenditure on HRA assets	2,690
Capital spend not increasing the asset value funded by the HRA Revenue Reserve	208
Homes England Grant funding to meet development costs	447
Capital Development Fund	1,392
S106 Developer Contributions	31
1:4:1 Capital Receipts to meet development costs	54
1:4:1 Capital Receipts to meet acquisition costs	513
Revenue funding to meet acquisition costs	1,196
<b>Total funding</b>	<b>6,531</b>

### HRA Reserves

43. A summary of reserves held by the HRA at the end of the year is set out below. HRA reserves have decreased overall by £746,834.

<b>Reserve</b>	<b>Purpose of Reserve</b>	<b>2019/20 Closing Balance £'000</b>	<b>2020/21 Transfers In £'000</b>	<b>2020/21 Transfers Out £'000</b>	<b>2020/21 Closing Balance £'000</b>
HRA Revenue Reserve	To fund unexpected operating costs	798	0	-219	579
Exceptional Expenditure Reserve	To fund any exceptional demands upon expenditure	1,500	2,365	2,365	1,500
Major Repairs Reserve	To fund capital expenditure on HRA assets	2,317	2,691 <sup>1</sup>	-2,690	2,318
Capital Housing Development Fund	To fund new developments	2,677	0	-1,392	1,285



Debt Repayment Fund	To repay debt	3,420	1,140	0	4,560
Leaseholder Reserve	To fund major repairs on blocks containing leasehold properties	287	74	0	361
1:4:1 Receipts	To fund 30% of costs of new acquisitions	1,890	216	567	1,539
<b>Total Reserves</b>		<b>12,889</b>	<b>5,346</b>	<b>6,092</b>	<b>12,142</b>

<sup>1</sup>The transfer in of £2,690,708 is the in-year depreciation charge

44. The combined balance on all Housing Revenue Account reserves is £12.142 million.

### **RISK ASSESSMENT**

45. An assessment of the risks and opportunities associated with this decision has been carried out and it is considered that there are no significant risks. However, the report does highlight the Council's worsening financial position.

### **CONCLUSION**

46. This report outlines the financial position during 2020/21 for the General Fund and the Housing Revenue and Repairs Account including effects of the pandemic and how this could continue to influence spending in future financial years.
47. The General Fund is showing a movement to reserves of £1,195,868 against the revised budget. It is important not to underestimate the effect the pandemic could have on services in the 2021/22 financial year as well as future years once restrictions are lifted. With this in mind the balance from 2020/21 will be added to the general fund reserves to potentially offset further loss of income. The effect of this will be reviewed in the Medium-Term Finance Strategy later in 2021.
48. The combined balance on all Housing Revenue Account reserves is £12,142,100 which is a decrease of £746,834.
49. Members are asked to note the contents of the report and approve the carry forward balance and budgets in order that the agreed work can be completed in the current financial year.

### **Enquiries:**

For further information on this report please contact Neil Wood. (Ext 4509)

**APPENDIX A**

**ACTUAL REVENUE EXPENDITURE TO 31 MARCH 2021**

	<b>Budget 2020/21 £</b>	<b>Actual 2020/21 £</b>	<b>Variation 2020/21 £</b>
<b>Licensing &amp; Regulatory Affairs Committee</b>			
Hackney Carriage and Private Hire Vehicles	7,500	13,948	6,448
Licensing	-31,600	-26,061	5,539
Health and Safety	140,600	138,553	-2,047
Election Services	316,100	261,634	-54,466
	<u>432,600</u>	<u>388,074</u>	<u>-44,526</u>
Accounting Adjustments in service	0	30,082	30,082
	<u>432,600</u>	<u>418,156</u>	<u>-14,444</u>
<b>Planning Committee</b>			
Processing Applications	108,200	111,629	3,429
Planning Advice	204,300	192,152	-12,148
Enforcement of Planning control	140,700	136,680	-4,020
Appeals	145,800	259,008	113,208
	<u>599,000</u>	<u>699,469</u>	<u>100,469</u>
Accounting Adjustments in service	0	149,158	149,158
	<u>599,000</u>	<u>848,627</u>	<u>249,627</u>
<b>Leisure and Community</b>			
Community Grants	341,500	236,260	-105,240
Community Development	213,700	231,018	17,318
Ferneham Hall	117,700	129,712	12,012
Fareham Leisure Centre	468,600	418,496	-50,104
Holly Hill Leisure Centre	368,000	306,007	-61,993
Community Centres	155,900	128,761	-27,139
	<u>1,665,400</u>	<u>1,450,254</u>	<u>-215,146</u>
Accounting Adjustments in service	1,419,100	2,987,138	1,568,038
	<u>3,084,500</u>	<u>4,437,392</u>	<u>1,352,892</u>

	<b>Budget</b>	<b>Actual</b>	<b>Variation</b>
	<b>2020/21</b>	<b>2020/21</b>	<b>2020/21</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Health and Housing</b>			
Housing Grants and Home Improvements	30,000	10,108	-19,892
Housing Options	26,300	36,389	10,089
Housing Benefit Payments	50,300	56,826	6,526
Housing Benefit Administration	429,800	421,433	-8,367
Homelessness	551,900	681,618	129,718
Housing Advice	438,300	435,445	-2,855
Housing Strategy	228,400	196,311	-32,089
Local Land Charges	29,900	-24,194	-54,094
	<u>1,784,900</u>	<u>1,813,937</u>	<u>29,037</u>
Accounting Adjustments in service	29,100	296,142	267,042
	<u>1,814,000</u>	<u>2,110,079</u>	<u>296,079</u>

<b>Planning and Development</b>			
Flooding and Coastal Management	86,100	84,122	-1,978
Public Transport	36,600	36,104	-496
Tree Management	345,300	362,000	16,700
Conservation & Listed Building Policy	28,600	28,811	211
Sustainability & Biodiversity	500	2,884	2,384
Local Plan	1,167,800	899,948	-267,852
	<u>1,664,900</u>	<u>1,413,869</u>	<u>-251,031</u>
Accounting Adjustments in service	88,300	213,871	125,571
	<u>1,753,200</u>	<u>1,627,740</u>	<u>-125,460</u>

<b>Policy and Resources</b>			
Democratic Representation and Management	1,160,400	1,060,212	-100,188
Commercial Estates	-542,900	-573,643	-30,743
Investment Properties	-3,317,700	-3,398,193	-80,493
Solent Airport and Daedalus	-367,100	-472,516	-105,416
Public Relations, Comms and Consultation	492,900	407,914	-84,986
Unapportionable Central Overheads	-16,400	-20,106	-3,706
Corporate Management	864,400	645,242	-219,158
Economic Development	194,600	165,721	-28,879
Local Tax Collection	922,900	704,159	-218,741
	<u>-608,900</u>	<u>-1,481,211</u>	<u>-872,311</u>
Accounting Adjustments in service	1,116,800	7,669,458	6,552,658
	<u>507,900</u>	<u>6,188,247</u>	<u>5,680,347</u>

	<b>Budget</b>	<b>Actual</b>	<b>Variation</b>
	<b>2020/21</b>	<b>2020/21</b>	<b>2020/21</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Public Protection</b>			
Pest Control	45,400	34,526	-10,874
Dog Control	24,600	24,227	-373
Food Safety	132,300	128,972	-3,328
Air Quality and Pollution	191,500	187,051	-4,449
Community Safety	346,800	347,908	1,108
Emergency Planning	42,000	52,659	10,659
Clean Borough Enforcement	126,600	120,397	-6,203
Off-Street Parking	139,100	530,592	391,492
Building Control	201,100	155,972	-45,128
	<u>1,249,400</u>	<u>1,582,303</u>	<u>332,903</u>
Accounting Adjustments in service	17,900	-334,220	-352,120
	<u>1,267,300</u>	<u>1,248,083</u>	<u>-19,217</u>
<b>Streetscene</b>			
Cemeteries & Closed Churchyards	-53,200	-142,753	-89,553
Parks, Open Spaces and Grounds			
Maintenance	1,654,000	1,497,281	-156,719
Outdoor Sport and Recreation	134,300	113,173	-21,127
Countryside Management	173,100	177,097	3,997
Allotments	8,300	1,366	-6,934
Street Cleansing	945,300	900,512	-44,788
Public Conveniences	230,800	221,364	-9,436
Household Waste	949,200	1,031,534	82,334
Trade Refuse	-7,300	-113,237	-105,937
Recycling	915,800	939,266	23,466
Garden Waste Collection	423,600	431,756	8,156
Street Furniture	63,200	44,052	-19,148
	<u>5,437,100</u>	<u>5,101,411</u>	<u>-335,689</u>
Accounting Adjustments in service	1,009,500	1,812,034	802,534
	<u>6,446,600</u>	<u>6,913,445</u>	<u>466,845</u>

## APPENDIX B

### DETAILED HOUSING REVENUE AND REPAIRS ACCOUNT TO 31 MARCH 2021

	Actual 2019/20 £'000	Revised Budget 2020/21 £'000	Actual 2020/21 £'000
<b>Income</b>			
Rents - Dwellings	-10,720	-10,662	-10,938
Rents – Garages	-330	-330	-333
Rents – Other	-20	-20	-20
Service Charges (Wardens, Extra Assistance, Heating)	-657	-634	-619
Cleaning	-191	-177	-171
Grounds Maintenance	-109	-112	-116
Other Fees and Charges	-39	-61	-41
Leaseholder Service Charges and Insurance	-61	-57	-62
Service Charges Repairs	-146	-210	-215
Other income	-10		-62
	<b>-12,283</b>	<b>-12,263</b>	<b>-12,577</b>
<b>Management and Finance</b>			
General Administrative Expenses	1,936	1,920	2,292
Sheltered Housing Service	516	542	519
Grounds Maintenance	229	235	256
Communal Cleaning	225	230	203
Communal Heating Services	129	105	97
Communal Lighting	42	35	42
Rents, Rates and Other Taxes	172	183	181
Corporate and Democratic Core	68	68	67
Corporate Management	71	89	70
Unapportioned Overhead	0	20	21
Bad Debts Provision	66	65	37
Bad Debts Written off	53	60	22
Debt Management Expenses	27	35	33
Interest Payable and Similar Charges	1,818	1,795	1,823
Interest Earned on Internal Balances	-118	-98	-134
Pension Fund Adjustments	-277		-374
	<b>4,957</b>	<b>5,284</b>	<b>5,155</b>
<b>Revenue Repairs</b>	<b>2,759</b>	<b>2,096</b>	<b>2,362</b>

**Capital Improvements**

Depreciation	2,639	2,693	2,690
Revenue Contribution to Capital	2,006	3,144	2,767
Transfer to Debt Repayment Fund	1,140	1,140	1,140
Transfer to Leaseholder Reserve			74
Contribution from Capital Development Fund	-714	-2,094	-1,392
<b>Surplus(-)/Deficit for Year</b>	<b>504</b>	<b>0</b>	<b>219</b>