

EMERGENCY BUDGET 2020/21 AND UPDATED MEDIUM TERM FINANCIAL PLAN 2020/21 – 2023/24

1. Recommendations

Cabinet are asked to recommend to Council;

- a) that the 2020/21 Revised General Fund Budget totalling £20.117m as outlined within the report and Appendix 1 be approved;
- b) that the Revised MTFP: 2021/22 onwards, as outlined in the report and Appendix 2-4 be adopted;
- c) the Revised General Fund Capital Programme of £13.414m as set out in appendix 5 be approved;
- d) that the Actions Required as set out in the report, be progressed; and
- e) that the reporting timeline as set out in section 10 be agreed.

2. Purpose of Report

- 2.1 To set out the proposed Emergency Budget for 2020/21, consider the initial development of the Medium Term Financial Plan 2021/22 onwards and consider the factors that will influence its delivery and that of the annual budget strategy 2021/22.

3. Background

- 3.1 The Council has a legal requirement to set a fully funded balanced budget. In light of the financial implications that COVID-19 will have on the Council's budget for 2020/21 the production of an Emergency Budget is necessary. The impact will also extend over the Medium Term, and so a full refresh of the Medium Term Financial Plan is also necessary.
- 3.2 The Council's underlying financial strategy including cost reduction and the crystallisation of efficiencies from all services, supported latterly with the targeting of new and additional income generation will continue. However, it will need to be supplemented with more fundamental delivery reviews and a re-prioritisation of services to align the budget and ultimately the funding the Council has available to Corporate Plan Priorities.
- 3.3 Actions need to commence on the development of future years' budgets. To support this work it is necessary that an assessment is made of the likely financial scenario based upon latest available information. To help support the important work of Portfolio Holders and officers in developing future plans, the future outlook and the current uncertainties are set out within this report and a prudent forecast set out

through appendices 2-4.

- 3.4 The long awaited Fair Funding Review (FFR) and Business Rate Reset (BRR) are still not confirmed, however the upcoming Comprehensive Spending Review (CSR) will be published in the Autumn which will undoubtedly set the context for the FFR and BRR.
- 3.5 The Medium Term Financial Plan has been populated using the most up to date information currently available covering the period to 2023/24. The effect of the Fair Funding Review and final design of the Business Rate Retention Scheme as outlined in 3.4, including the timing of the initial reset, and frequency thereafter of partial or full resets, and the ultimate proportion of rates to be retained by the District Council, has the potential to significantly amend the funding figures currently forecast.

4. Revised MTFP: Emergency Budget 2020/21

- 4.1 Due to the impact that Coronavirus has had on the Councils finances, a full and fundamental reset of the 2020/21 budget is required. The adjusted budget at Portfolio Level reflects the new expenditure pressures and income losses that are forecast to take effect to the end of the financial year, based a gradual 'return to normal' over the coming few months. The Portfolio budgets do not include an allowance for any detrimental impact as a result of any local lockdown or second wave of infection, however the residual contribution to reserves and the general fund balance reserve are still available should they be necessary. The Emergency Budget then includes the mitigations necessary to produce a re-balanced budget for 2020/21. At its core, the Emergency Budget will still have regard to the corporate priorities of the Council.

4.2 Impact to Portfolio Budgets due to COVID-19 – including direct support funding

Across the Portfolios total adjustments due to new COVID-19 related expenditure pressures (£1.305m) and unfunded income losses (£2.541m) total £3.846m. These can be seen at Portfolio level within Appendix 1, and supporting narrative for each Portfolio is provided below;

4.2.1 Community Affairs Portfolio

The Council was required to assist in meeting the needs of the most vulnerable as a result of the shielding measures introduced by the Government in March. The Council initially provided this service directly utilising Applemore Health & Leisure centre as a central resource point for dealing with food parcels, before onward delivery to individual households. In June, the Council entered into an agreement with the Lymington Basics Food bank to undertake this service at a set fee per food parcel.

In addition the Council set aside a sum of £25k to assist with the food banks and community groups that were actively involved in the joint effort to provide support to the most vulnerable, including those with changes in financial circumstances. A grant of £5k was received from Hampshire County Council in April to distribute funds across the District to support the Local Resilience Centres.

The impact to the Portfolio Budget is a net increase in budget requirement of £75,000.

4.2.2 **Economic Development Portfolio**

The Economic Development Team have played a key role in relaying information out to Business regarding the Support Grant Schemes and have been supported in this task by administrative officers from with Planning.

The team have administered the Discretionary Grant Schemes including the required evidence checking of applications and have completed this task within existing resources.

The net impact to the Portfolio Budget is £nil.

4.2.3 **Environment & Regulatory Services Portfolio**

Waste services required a re-prioritisation to ensure available resource was directed to the essential household waste and recycling collections and additional costs have been incurred in;

- the hiring of additional vehicles to ensure social distancing protocols have been adhered to,
- the purchase of essential PPE, including signage across the coast; and
- enhanced cleaning of the Public Conveniences, including revised opening protocols

Special collections stopped in March and recommenced in June, and Trade Waste customers continue to be offered collections as required. The garden waste service was temporarily suspended resulting in losses in income. Since the Garden Waste service resumed, take-up has increased, which will recuperate the earlier lost income. Charges for Beach Huts were also temporarily suspended following the lockdown announcement made on 23rd March.

The impact to the Portfolio Budget is a net increase in budget requirement of £517,000.

4.2.4 **Finance, Corporate Services and Investment Portfolio**

The Revenues and Benefits department has dealt with unprecedented levels of changes in circumstances (Housing Benefits), Council Tax Reduction Support enquiries (including the administration of the £884k Hardship Fund) and the administration of the Business Support Grants. New burdens funding of £170,000 has been received in recognition of the additional work in this area.

In readiness for a re-opening of the Council offices, risk assessments have resulted in various adaptations being made to accommodation and information offices. This includes, for example, protective Perspex screens at front desks and one-way signage.

In July, the Council entered into a funding arrangement with Hampshire County Council as a result of the County Council receiving an allocation of The Local Authority Emergency Assistance Grant for Food and Essential Supplies; a scheme for local authorities in England to use to support people who are struggling to afford food and other essentials due to COVID-19. The £134,000 NFDC scheme will take into account new Universal Credit claimants and align to Discretionary Housing Benefit and the Council Tax Reduction and Hardship schemes.

Due to anticipated reductions in pooled fund returns and a decrease in the base-rate to 0.1%, interest earnings for 2020/21 will be lower than originally budgeted.

The impact to the Portfolio Budget is a net decrease in budget requirement of £55,000 (considering the new burdens funding received), plus lost interest earnings income of £500,000.

4.2.5 Housing Services Portfolio (General Fund)

An increase in households and individuals presenting to the Council as a result of the Covid-19 situation has resulted in additional cost pressures for the Council through the sourcing of additional temporary accommodation. The need to find accommodation for those people finding themselves without a home at this time has been in line with Government guidance.

The Council has kept abreast of all funding opportunities for additional financial support in this area and has budgeted for additional specific funding of £100,000.

The impact to the Portfolio Budget is a net increase in budget requirement of £436,000.

4.2.6 Leader & Corporate Affairs Portfolio

An amount has been set aside within the Portfolio to provide financial support and resilience to individual Towns and Parishes within the District who find themselves in financial distress.

The impact to the Portfolio Budget is a net increase in budget requirement of £100,000.

4.2.7 Leisure & Wellbeing Portfolio

The closure of the Leisure Centres on 18th March has resulted in significant income losses occurring. As part mitigation, the majority of Leisure services' employees have been placed on Furlough during the time of closure. Income forecasts upon re-opening have been based on prudent expectations taking into account a phased approach including a reduced programme of classes. It is also expected to take some time before customer confidence returns in terms of mixing with others in a Leisure Centre environment.

The Council will fully utilise the income support scheme announced by the Government in early July. The reimbursement of irrecoverable income will be through quarterly claims and will need to take into account a 5% total deductible and take into account any other mitigating factors, for example the value of income received through the Furlough scheme. An allowance of £2.22M to be received through this scheme has been allowed for in the revised budget.

Dibden Golf Centre also closed temporarily and so the Council agreed to a waiver from its third-party operator equivalent to 12 week's rent.

The impact to the Portfolio Budget is a net increase in budget requirement of £1,843,000.

4.2.8 Planning & Infrastructure Portfolio

The most notable financial implication is down to the necessary cessation of charging in the Town and Village Car Parks, and the temporary closure and cessation of charging within the Amenity Car Parks. Amenity charging was re-introduced on 13th May, and parking clocks are available for purchase.

Planning income was also much reduced in April and May due to inactivity in the Housing Market.

As with Leisure & Wellbeing, it is anticipated that the income support scheme will be used to recover lost Sales, Fees and Charges income. An allowance of £620,000 to be received through this scheme has been allowed for in the revised budget.

The impact to the Portfolio Budget is a net increase in budget requirement of £430,000.

4.3 Mitigations within Portfolio's

Identified mitigations to counter the increase in expenditure and lost irrecoverable income have been identified totalling £1.183m. Some of these items will be one-off to 2020/21, and others will be on-going and so will be fed into the MTFP.

4.3.1 **Vacancy Control - £500,000**

With effect from 7 July 2020, the Council implemented a new Vacancy Control Procedure, with individual Business Cases requiring full agreement and sign off by the Service Manager, Executive Head and independent ratification from the Chief Finance Officer or Chief Executive. An allowance of £500,000 has been included within the revised budget for 2020/21. This saving has been allocated across the Portfolio's according to vacant posts already identified, with a balancing figure (to allow for additional posts as they come vacant during the remainder of the year) currently included within the Finance Portfolio.

4.3.2 **Asset Maintenance and Replacement Programme Review - £200,000**

A review of the programme was undertaken in the context of the new meaning of an 'essential' scheme to 2020/21. Reductions in the programme have been made to the value of £200,000 to the General Fund.

4.3.3 **COVID Budget Review - £483,000**

- Travel budgets have been reduced by £32,000 (a saving of 16%)
- The Training budget has been reset to the level more aligned to spend over the past few financial years (a reduction of £38,000)
- Operational Budgets at the Health & Leisure Centres have been reduced by £126,000 in the main to reflect lower expenditure during the period of closure
- New commercial property purchases made in 2020/21 with the additional net income of £139,000 now being included within the budget
- The Garden Waste Service has seen additional users join the scheme since it recommenced in April which will result in additional net income of £75,000
- The 2020 New Forest Show was cancelled, and so the annual budget of £15k is not required
- Other budget changes across the Portfolio's total £58,000

4.4 Other Mitigations to provide a balanced budget – including central un-ringfenced funding support

4.4.1 **Reserve Contributions - £1,245,000**

The original budget for 2020/21 retained £1.25m in the General Fund to provide the necessary budget should a pension fund deficit rematerialize in the 2022 actuarial review. £1.245m will be utilised to assist in the re-balancing of the 2020/21 budget

but the full annual budgeted sum of £1.25m will be left in the base budget within the forward looking Medium Term Financial Plan.

The original budget allowed for £1.062m to be placed into the Budget Equalisation Reserve to assist in producing a balanced budget over the Medium Term period. This contribution can be left alone within the make-up of the Emergency Budget and as outlined in 4.1, can be readily available to support any additional budgetary requirements in 2020/21 should that become necessary.

4.4.2 Revenue Contribution to Capital Outlay (RCCO) - £375,000

The original budget allowed for a contribution of £375,000 from the General Fund to contribute towards the capital programme financing. This method of financing is not being retained with the revised budget.

4.4.3 Interest Earnings - £270,000

Earnings in 2019/20 exceeded the budget and the Council's diverse investment Portfolio should continue to yield a return of around 50% of the previous financial years' outturn.

4.4.4 Public Sector Funding Support - £2,033,000

The revised budget for 2020/21 will include tranche 2 and 3 of the Public Sector Funding Support Grants distributed by the Government, totalling £2.033M to this Council. Tranche 1 (£70,401) was utilised in 2019/20. When also taking into account the income support scheme and furlough claims, the total funding support received by this Council will total nearly £6M.

4.4.5 Collection Funds - +£1,110,000

The budgeted collection fund surpluses for Business Rates and Council Tax at £892,000 and £218,000 respectively have been removed from the budget to reflect anticipated lower collection levels.

4.5 The latest Pay Award bargaining has resulted in an offer put to the unions by the employee side of 2.75% for 2020/21. The Medium Term expectation was 2% annually. The budget for 2020/21 has been adjusted by £150,000, with this additional cost being spread across the Portfolio's accordingly.

4.6 The changes as outlined throughout section 4 above and as represented by appendix 1 result in the achievement of a balanced budget for 2020/21 and does not require use of the £3m General Budget Reserve.

5. Summary of Proposals and Confirmation of Council Tax position for 2020/21

5.1 The revised General Fund net budget requirement for 2020/21 will be £20.117m (appendix 1), an increase of £923,000 on the original 2020/21 budget requirement.

5.2 COVID-19 related Expenditure pressures of £1.305m and COVID-19 related income shortfalls of £2.541m (net of anticipated income support scheme funding) have been added to the Council's budget for 2020/21.

5.3 Mitigation Savings and Adjustments totalling £1.216m and Public Sector Support funding of £2.033m have been allowed for within the revised budget.

- 5.4 The reserve transfers allowed for within the original budget for 2020/21 have been revised resulting in a net transfer to reserves of £1,067m, as opposed to the originally budgeted £2.312m.
- 5.5 An additional cost of pay award at £150,000 has been included within the revised budget.
- 5.6 The originally budgeted collection fund surpluses for Business Rates and Council Tax at £892,000 and £218,000 respectively have been removed in anticipation of lower collection rates.
- 5.7 Band D Council Tax remains unchanged at £178.36 and the cost to be met by council taxpayers remains unchanged at £12,751,474.

6. Revised MTFP: 2021/22 to 2023/24

- 6.1 It has been confirmed that the upcoming Comprehensive Spending Review (CSR) will be published in the Autumn. The Chancellor has stated that the CSR will prioritise issues including levelling-up economic opportunity across all nations and regions, investing in infrastructure, innovation and people, and improving outcomes in public services. For New Forest District Council, the key outcome of the CSR will be the way in which the relative needs formula is devised, which will have a direct implication to the design of the new Business Rate Retention scheme and baseline reset. As the CSR has the potential to effect the funding sources of this Council so significantly, this MTFP is currently drawn over a 3 year period, as opposed to the usual 4.
- 6.2 The Councils updated MTFP will have to make some judgements on the speed of recovery, especially in key income generating areas like Leisure and Car Parking and will need to reflect on the service reviews, that are underway in order to make a significant contribution to the budget deficit over the Medium Term Period.
- 6.3 Fundamentally, the MTFP will have regard to the revised budget for 2020/21, but the base starting point will be the original budget for 2020/21.
- 6.4 Funding Assumptions over the Medium Term
 - 6.4.1 The February 2020 MTFP included the removal of £2.398m in business rate growth for 2021/22 and allowed instead for a relatively modest redistribution of £400,000; this will represent the worst-case scenario.
 - 6.4.2 The best-case scenario will be modelled on the Council retaining business rate growth above the baseline in 2021/22, albeit, the growth will need to be reduced due to anticipated lower levels of collection. An assumed level of £2m will be allowed for. It is then assumed the reset will take effect from 2022/23, so in effect, this becomes a one-year gain.
 - 6.4.3 In both the best and worst-case scenarios, an allowance will be made for no future new homes bonus and a reduction in Council Tax in 2021/22 due to increased numbers of households having been awarded Council Tax Reduction, which directly impacts on the tax base calculation.

BUSINESS RATE RETENTION FUNDING	2020/21	2021/22	2022/23	2023/24
	Revised			
	Budget	Forecast	Forecast	Forecast
	£'000's	£'000's	£'000's	£'000's
WORST-CASE BRR FORECAST	6,681	4,726	4,740	4,642
BEST-CASE BRR FORECAST	6,681	6,326	4,740	4,642
MID-CASE	6,681	5,526	4,740	4,642
RANGE BETWEEN WORST AND BEST-CASE	0	1,600	0	-0

6.4.4 As so much rests on the CSR and the reset of the Business Rate Retention scheme, the mid-case scenario has been used to feed into the MTFP (Appendix 2) at this stage.

6.5 Recovery Assumptions in the Medium Term Financial Plan

6.5.1 The main area of financial pressure here is the recovery of income in the Health & Leisure Centres. Annual income levels pre covid-19 were forecast at £7m. The latest assumption as included in the emergency budget for 2020/21 is that income will total c£2m. It is also very likely that it will take some time for income to fully recover. Within the MTFP, full recovery will be achieved by the end of year 2 (for the start of year 3).

6.5.2 The worst-case scenario will be based on an overall recovery of 60% of pre covid-19 income levels, so an annual income target for 2021/22 of £4.2m, a 90% recovery for 2022/23, so an annual income target of £6.3m, with the full pre covid-19 income level restored for 2023/24.

6.5.3 The best-case scenario will be based on an overall recovery of 80% of pre covid-19 income levels, so an annual income target for 2021/22 of £5.6m, a 95% recovery for 2022/23, so an annual income target of £6.65m, with the full pre covid-19 income level restored for 2023/24.

WORST-CASE INCOME FORECAST: 60% Recovery Yr 1	2020/21	2021/22	2022/23	2023/24
	Revised			
	Budget	Forecast	Forecast	Forecast
	£'000's	£'000's	£'000's	£'000's
BEST-CASE INCOME FORECAST: 80% Recovery Yr 1	2,000	4,200	6,300	7,000
MID-CASE INCOME FORECAST	2,000	5,600	6,650	7,000
RANGE BETWEEN WORST AND BEST-CASE	0	4,900	6,475	7,000
	0	1,400	350	0

6.5.4 The Mid-case scenario has been used in drawing up the body of this initial MTFP.

For clarity of the figures, those in the table shown above represent the anticipated income budget required. The MTFP at appendix 3 shows the movement from the original budget (i.e. £7m base budget to move to an income of £4.9m results in an adjustment in the MTFP in the 2021/22 financial year of the difference @ £2.1m)

6.6 Budget Adjustments over the Medium Term

6.6.1 Increases in costs are expected to total c£2.175m over the next 3 year period, based on current activity and latest figures received. The assumptions include the following areas of pay and price increases;

- Annual Pay Award of 2.75% for 2021/22, and 2% per annum thereafter
- Incremental progression
- Fuel and Energy Cost Increases

All other increases to be absorbed within existing overall Portfolio budgets, except where they are agreed policy or strategy developments

6.6.2 The plan also includes assumptions as a result of decisions and reviews that have commenced in prior years, where work is currently underway or is scheduled to commence. These savings and income adjustments totalling £890,000 to 2021/22 include:

- 2020/21 ICT Strategy 18-22 expenditure (£604,000)
- 2020/21 one-off Community Grant awards (£98,000)
- Removal of a one-off scheme to invest in back-up power at ATC (£100,000)
- Removal of a one-off budget to transfer a Public Convenience to Totton and Eling Town Council (£50,000)
- Reinstatement of planning income shortfall (£38,000 to 2021/22, fully recovered by 2023/24)

6.6.3 The plan also includes assumptions as a result of on-going savings / income generations totalling £170,000 that now need adding to the base budget going forward;

- Commercial Property Income (£139,000)
- Residential Property Income (£20,000)
- Reduction in SLA with CAB (£11,000)

6.6.4 New Budget Requirements also exist over the period, including:

- The Hampshire County Council Waste Review, estimated to cost this Council £700,000 per annum from 2021/22
- An estimated loss in collection fund revenue from Business Rates and Council Tax, assumed at £250,000 for each year up to and including 2023/24

6.6.5 The mitigation measures introduced and identified during 2020/21 will need to continue over the medium term. This includes;

- the removal of £375,000 of Revenue Contribution to Capital Outlay
- £500,000 identified through the vacancy control
- £350,000 identified through the budget review

7. **Forecast Budget Deficit and Actions Required**

7.1 Forecast Budget Deficit

7.1.1 The budget deficit outstanding, after allowing for the items as outlined through section 6 above, is £2.473m to 2023/24. There is a significant deficit forecast for 2021/22, predominately as a result of the income adjustment required in Health & Leisure, with the deficit reducing over the following 2 financial years. The annual budget deficits are represented by the following table:

	2021/22	2022/23	2023/24	Total to 2023/24
Estimated Budget Deficit Before Council Tax Contribution (£'000)	3,019	-460	-86	2,473

7.1.2 The government currently allows for the maximum allowable Council Tax increases in all of their funding assumptions going forward. At the present time, this is the greater of £5 or 2.99% per annum. The revised deficits, **after** allowing for maximum allowable Council tax increases over the period (equivalent to c£360k PA, worth an additional £1.085m by year 3) are shown within the following table:

	2021/22	2022/23	2023/24	Total to 2023/24
Estimated Budget Deficit After Council Tax Contribution (£'000)	2,660	-822	-450	1,388

7.1.3 To summarise, over the period covered by this Medium Term Financial Plan, assuming maximum allowable Council Tax increases are applied, the Council requires additional funding or income, or reduced expenditure, or most likely a combination of both, equating to £1.388m. There is a more immediate pressure to 2021/22 due to the scale of the forecast income losses as a result of the COVID-19 recovery.

7.2 Actions Required and Underway

7.2.1 The Council has been proactive in its approach to deal with the forecast deficits over the period. In order to ensure that planned and further savings and efficiencies are realised and income generation improved, reviews and strategy developments need to maintain momentum and be driven by EMT and Portfolio Holders, supported by member panels, task and finish groups and officers around the Council.

7.2.2 The reviews and strategies that are underway which are targeted with making a significant contribution to the forecast budget deficit include:

- Commercial / Residential Property – Officers are working on implementing the two approved strategies to invest in Commercial and Residential Property, with an outcome of both being the generation of new additional income, targeted at £1m once fully rolled out (£666,000 currently outstanding).
- Leisure Delivery Review – A task and finish group is currently considering alternative models of delivery for the Council's Health & Leisure Centres. The financial outcome of this review combined with the operational review is targeted at significantly reducing the annual subsidy on Health & Leisure.
- Reduced Leisure Centre Activity – to reflect on the impact of COVID-19 on business practice and less activity based on the reduced customer usage a full audit of all costs, including staffing will need to be undertaken

- Several other strategy developments are in early stages, including Waste and Parking. The outcome of these could also have a significant bearing on the figures as included within the MTFP.
 - Portfolio Holders are undertaking reviews of Fees and Charges in their respective service areas to ensure the fees as set are in line with the Council policy of maximising income where possible. Additional weight has been put on those services with income shortfalls as a result of COVID-19 to ensure the period of recovery for lost income is as short as possible.
 - Portfolio Holders will report back to September Overview and Scrutiny Panels on their progress
 - Portfolio Holder for Finance to conduct a review into NFDC owned assets to ensure their added value to the Council in achieving the aims and priorities as required by the Corporate Plan and the need to balance a budget over the Medium Term
- 7.3 The Council can utilise the accrued balance in the Budget Equalisation Reserve to assist in covering the budget shortfall in 2021/22, but that as a measure that buys time, and does not address the need to identify the remaining budget deficit of £1.388m.
- 7.4 Appendices 2-4 summarise in numbers the MTFP information covered in sections 6 and 7 within this report.

8. Capital Programme

- 8.1 The original Capital Programme for 2020/21 totalled £9.894m. This would have been supplemented ordinarily with the rephasing from 2019/20 (£3.061m). As a result of the Emergency Budget review for 2020/21, the programme has been reviewed and also now takes into account commercial and residential acquisitions made in 2020/21, and the Emergency Works required to Milford Sea wall at £1.5m (covered in detail within the Council agenda). The resultant revised Capital Programme budget for 2020/21 totals £13.414m. The projects now included in the proposed programme for 2020/21 and their financing is shown within Appendix 5.
- 8.2 Hardley Depot - £5.54m over 2 years
 In August, the Cabinet adopted a recommendation put forward by the Finance & Resources Task and Finish group to proceed with this project to Invitation to Tender Stage, with the full Business Case including accurate tendered figures to act as the ultimate go / no-go decision to be made later in the financial year.
- 8.3 Smarter Working - £500,000
 At a meeting of the Finance & resources Task and Finish group in August, an update was given on the return to ATC plan, which included some necessary accommodation changes to facilitate a phased return to the office and the longer term organisational strategy being developed, to include the new working arrangements based on a mix of home / office working for most office based employees.

The Smarter Working board will be re-established and will ratify use of the £500,000 budget included within the revised Capital Programme and receive updates on expenditure within this project. Up to £80,000 of this has already been earmarked for

the provision of ICT for elected members to ensure the effective carrying out of their democratic function, although it looks like the call on these funds will be significantly less than this pre-approved worst-case figure.

8.4 Public Convenience Modernisation Programme

At this stage, the modernisation programme is intended to be frozen in 2020/21, with a budget being re-instated for 2021/22. This 2020/21 freeze includes the funds for additional enhancements that were programmed for the Lymington Quay Public Convenience project, which was due to be subject to a separate Cabinet decision.

9. The Housing Revenue Account

9.1 The impact to the Housing Revenue Account budget as a result of COVID-19 has been fairly minimal. Planned and non-essential maintenance repairs were initially stopped but recommenced as soon as supply chains were re-established, and new safe working practises imbedded. This might result in some underspend in maintenance expenditure but efforts will be made with contractors to reinstate the planned programme over the remainder of the year.

9.2 Rent arrears have seen a marginal increase, but it is anticipated that these will be partially reversed once Universal Credit claims are processed. The rent recovery team continue to work closely with tenants who fall into arrears to understand the individual circumstances that lead to this occurrence. To date, the Council has used a 'soft' approach in terms of debt recovery, partly due to the unavailability of the courts, but also due to uniqueness of the current situation. The council will ultimately seek to recover all amounts due and will continue to work closely with third parties, such as the DWP to ensure this is the case.

9.3 At this stage, no budget variations are being proposed. Regular Financial Monitoring reporting will be re-established, which will include any necessary adjustments to the budget, including for example, the additional 0.75% pay award, and any implication to the maintenance budget as a result of the temporary cessation during the latter part of March into April.

10. Reporting Timeline

10.1 It is important that the Medium Term Financial Plan in continually updated based on new information. It must also support the ambition of the Council and remain driven by the objectives to be set out in the Corporate Plan. The organisation must be able to support both and must remain vigilant and susceptible to change. A timeline is set out below for Cabinet which supports the development of the MTFP, through to the final setting of the 2021/22 budget:

	Cabinet Meeting	Report
1.	November	Medium Term Financial Plan to 2024
2.	December	Setting the Council Tax Base
3.	February	MTFP to 2024 and setting of 2021/22 budget

11. Crime and Disorder / Equality and Diversity / Environmental Implications

- 11.1 As a result of increased remote-working, journeys made by NFDC officers and Councillors have reduced, resulting in a positive effect to the Council's carbon footprint.

12. Portfolio Holder Comments

- 12.1 Whilst the report looks to provide formal ratification of the 2020/21 revised general fund budget the focus moves to the longer-term impact on our Medium Term Financial Plan and how we address the legacy issues arising from COVID-19.

- 12.2 In the ever-changing landscape which is Local Government there can be few hard and fixed certainties and we are faced with a range of options for both our revenue and expenditure. Going forward within our MTFP we have based our assumptions on the mid-point within any spread thus taking a prudent approach to our forward planning.

Such an approach ensures two things; firstly and most importantly, we do not over extend the Councils finances as we go forward, and secondly, that we do not inhibit the Council so ensure that we continue to provide the vital support and services to our community. I feel we can be confident in adopting this position and this is in no small part through the historically sound financial management of this Council and the swift and decisive actions in repositioning our priorities in light of the pandemic all of which has helped us in maintaining our levels of reserves.

For Further Information Please Contact:

Alan Bethune

Chief Financial Officer (S151)

Telephone: (023) 8028 5001

E-mail: Alan.Bethune@nfdc.gov.uk

MEDIUM TERM FINANCIAL PLAN 2020-2024

REVISED GENERAL FUND BUDGET 2020/21

	2020/21 £'000's	2020/21 £'000's	2020/21 £'000's	2020/21 £'000's	2020/21 £'000's	2020/21 £'000's	2020/21 £'000's
Budget		Expenditure Adjustment	Income Adjustment	Expenditure Adjustment	Income Adjustment	Total Adjustment	Updated Budget
		COVID	COVID	MITIGATION	MITIGATION		
PORTFOLIO REQUIREMENTS							
Community Affairs	1,497	80	-5	40		115	1,612
Economic Development	-11			-74		-74	-85
Environment and Regulatory Services	9,177	240	277	-84	-75	358	9,535
Finance, Corporate Services and Improvement	3,863	249		-232	-172	-155	3,708
Finance - New Burdens Funding			-170	0		-170	-170
Finance - Emergency Assistance Grant			-134	0		-134	-134
Housing Services	1,847	536		10		546	2,393
Housing Services - Accomodation Support Funding			-100	0		-100	-100
Leader and Corporate Affairs	68	100		0		100	168
Leisure and Wellbeing	1,403	100	5,063	-205		4,958	6,361
Leisure and Wellbeing - Income Support Scheme			-2,220	0		-2,220	-2,220
Leisure and Wellbeing - Furlough			-1,100	0		-1,100	-1,100
Planning and Infrastructure	1,361		1,050	-95		955	2,316
Planning and Infrastructure - Income Support Scheme			-620	0		-620	-620
	19,205	1,305	2,041	-640	-247	2,459	21,664
Reversal of Depreciation	-1,545			10		10	-1,535
Contribution to/(from) Earmarked Revenue Reserves	-256			-179		-179	-435
Contribution to Revenue Reserves	1,250			-1,245		-1,245	5
NET PORTFOLIO REQUIREMENTS	18,654	1,305	2,041	-2,054	-247	1,045	19,699
Minimum Revenue Provision	1,181			-10	33	23	1,204
RCCO	375			-375		-375	0
Interest Earnings (Net)	-730		500		-270	230	-500
New Homes Bonus	-286					0	-286
GENERAL FUND NET BUDGET REQUIREMENTS	19,194	1,305	2,541	-2,439	-484	923	20,117
COUNCIL TAX CALCULATION							
Budget Requirement	19,194	1,305	2,541	-2,439	-484	923	20,117
Less:							
Settlement Funding Assessment							
Revenue Support Grant	0					0	0
Business Rates Funding Target	-3,997					0	-3,997
	-3,997	0	0	0	0	0	-3,997
Covid Support Funding							
Public Sector Funding Support - Tranche 2			-1,783			-1,783	-1,783
Public Sector Funding Support - Tranche 3			-250			-250	-250
	0	0	-2,033	0	0	-2,033	-2,033
Locally Retained Business Rates	-2,398					0	-2,398
Budget Equalisation Reserve	1,062			0		0	1,062
Estimated Collection Fund (Surplus)/Deficit Business Rates	-892		892			892	0
Estimated Collection Fund (Surplus)/Deficit Council Tax	-218		218			218	0
Use of General Budget Reserve	0					0	0
COUNCIL TAX	12,751	1,305	1,618	-2,439	-484	0	12,751
TAX BASE NUMBER OF PROPERTIES	71,492.90						71,492.90
COUNCIL TAX PER BAND D PROPERTY	178.36						178.36
GENERAL FUND BALANCE 31 MARCH	3,000					0	3,000

MEDIUM TERM FINANCIAL PLAN 2020-2024 - MID-CASE

	2020/21	2020/21	2021/22	2022/23	2023/24
	Original	Revised			
	Budget	Budget	Forecast	Forecast	Forecast
	£'000's	£'000's	£'000's	£'000's	£'000's
FUNDING					
Business Rates Baseline	3,997	3,997	4,077	4,158	4,242
- Business Rates Tariff Adjustment					
- Business Rates Retained Surplus	2,398	2,398			
- Business Rates Collection Fund Deficit(-) / Surplus	892				
Transition Grant / Business Rate Redistribution			1,200	400	400
Revenue Support Grant					
New Homes Bonus	286	286	249	182	0
Contribution to (-) Budget Equilisation Reserve	-1,062	-1,062			
Total Government Determined Resources	6,511	5,619	5,526	4,740	4,642
Council Tax					
Base from Previous Year	12,542	12,542	12,751	12,626	12,806
Change in Collection Fund Surplus	-2	-218			
Base Line Adjustment - Additional Properties	73	70	75	80	85
Base Line Adjustment - Additional CTR reducing the Tax Base			-200	100	100
Agreed Increase	357	357			
Total Council Tax	12,970	12,751	12,626	12,806	12,991
TOTAL FUNDING	19,481	18,370	18,152	17,546	17,633
Cumulative Change from Original 2020/21		1,111	1,329	1,935	1,848
%age change		6%	7%	10%	9%

MEDIUM TERM FINANCIAL PLAN 2020-2024 - MID-CASE

SUMMARY OF BUDGET MOVEMENTS

	2021/22	2022/23	2023/24
	Forecast	Forecast	Forecast
	£'000's	£'000's	£'000's
Baseline Funding 2020/21	19,481	19,481	19,481
Budget Requirement 2021/22			
Pay & Price Increases			
Pay Award (2%)	400	400	400
Pay Award (+0.75%)	300		
Increments	175	175	175
Prices (Utilities, Fuel & Maint.)	50	50	50
Pay & Price Increases	925	625	625
Cumulative Pay & Price Increases	925	1,550	2,175
Budget adjustments relating to one-off items			
Investment as outlined in ICT Strategy 18-22 (20/21)	-604		
Funding of One-off Community 'Construction Grants' (20/21)	-98		
Investment in back-up power contingency ATC	-100		
Transfer of Public Convenience to Totton & Eling TC	-50		
Planning Income Adjustment (based on 19/20)	-38	-100	-100
Pension Deficit Contribution			1,250
Pension Deficit Contribution to reserve			-1,250
	-890	-100	-100
Ongoing Savings Analysis			
Commercial Property Income	-139		
Residential Property Income	-20		
Reduction in community revenue grants / SLA's	-11		
	-170	0	0
Cumulative effect of Adjustments and Savings	-1,060	-1,160	-1,260
New Budget Requirements			
HCC T19; Waste Collection	700		
Collection Funds' Deficit	250		
Investment in an Electoral Review of the District		-15	
	950	-15	0
COVID-19 Recovery			
Health & Leisure Centre Income Recovery (Middle Ground)	2,100	-1,575	-525
Removal of RCCO	-375		
Vacancy Management	-500		
Budget Review	-350		
	875	-1,575	-525
Cumulative effect of New Requirements and COVID Recovery	1,825	235	-290
TOTAL BUDGET REQUIREMENT	21,171	20,106	20,106
Total Funding Available (as above)	18,152	17,546	17,633
Estimated Cumulative Surplus / Shortfall (-)	-3,019	-2,560	-2,473

COVID ADJUSTED MEDIUM TERM FINANCIAL PLAN 2020-2024 - MID-CASE

OPTIONS IDENTIFIED TO CLOSE BUDGET SHORTFALL

£5 Council Tax Increase 2021/22

£5 Council Tax Increase 2022/23

£5 Council Tax Increase 2023/24

Cumulative Council Tax Increase

Commercial / Residential Property Investment 2020/21

Commercial / Residential Property Investment 2021/22

Commercial / Residential Property Investment 2022/23

Cumulative Property Investment Income**MTFP24 Savings In Progress**

In Progress: Leisure Delivery Review

In Progress: Boundary Review

MTFP24 Potential....

Potential: Business Rate Changes

Potential: Fair Funding Review

Potential: Waste Strategy

Potential: Parking Strategy

Potential: Triennial Pension Valuation 2022

Annual Contribution to (-) / Use of Budget Equilisation Reserves**Estimated Cumulative Surplus / Shortfall (-)**

	2021/22	2022/23	2023/24
	Forecast	Forecast	Forecast
	£'000's	£'000's	£'000's
	359	359	359
		362	362
			364
	359	721	1,085
	16	16	16
	400	400	400
		250	250
	416	666	666
	saving ?	saving ?	saving ?
			saving ?
	+/- ?	+/- ?	+/- ?
	saving ?	saving ?	saving ?
		+/- ?	+/- ?
		+/- ?	+/- ?
			+/- ?
	2,244	0	0
	-0	-1,173	-722

Reserves Supporting the MTFP

General Fund Balance

Budget Equilisation Reserve

3,000	3,000	3,000	3,000
2,837	593	593	593

MEDIUM TERM FINANCIAL PLAN 2020-2024

CAPITAL PROJECTS REQUIREMENTS WITH FINANCING

	Portfolio	PROJECT REQUIREMENTS £					2020/21 PROJECT FINANCING £				
		2020/21 Original	Rephasing from 2019/20	2020/21 'Essential'	2021/22	2022/23	NFDC Resources / Loan	TBC	Better Care Fund	Grant	DC / CIL
Disabled Facilities Grants	HSG	1,200,000		1,200,000	1,200,000	1,200,000			1,200,000		
Strategic Regional Coastal Monitoring (15-21)	ENV	1,495,000	249,000	1,495,000					1,495,000		
Hurst Spit	ENV		246,000								
Barton Drainage Test (19-21)	ENV	50,000	175,000	225,000					225,000		
Public Convenience Modernisation Programme	ENV	300,000	225,000		300,000	300,000					
Public Convenience Additional Enhancements	ENV/LEADERS	75,000			75,000						
Lymington Sea Wall	ENV	400,000									
Emergency Works - Milford Sea Wall				1,500,000			150,000	1,350,000			
New Depot Site	F,CS&I	3,000,000	540,000	2,000,000	3,540,000	2,000,000					
V&P; Replacement Programme	F,CS&I	1,682,000	87,000	1,490,000	2,000,000	1,490,000					
Smarter Working; Future Delivery	F,CS&I	500,000		500,000	500,000	500,000					
Commercial Property Acquisitoons	F,CS&I			3,000,000		3,000,000					
Residential Property Acquisitions	F,CS&I			1,500,000		1,500,000					
Open Space Schemes	P&I	292,000	528,000	155,000	200,000	200,000				155,000	
Transport Schemes	P&I	265,000	327,000	150,000	175,000	175,000				150,000	
Mitigation Schemes	P&I	635,000	684,000	199,000	500,000	500,000				199,000	
TOTAL GENERAL FUND CAPITAL PROGRAMME		9,894,000	3,061,000	13,414,000	8,490,000	3,875,000	8,640,000	1,350,000	1,200,000	1,720,000	504,000
											13,414,000
LOAN FINANCED							-4,790,000				
RESIDUAL NFDC RESOURCES							3,850,000				