

REPORT OF THE
Cabinet
PART I

1. REVENUE BUDGET AND PRECEPT 2021/22

- 1.1. The Cabinet considered the proposed Revenue Budget and Precept for 2021/22 at its meeting on 9 February 2021 and resolved to make a number of recommendations to the County Council. The report considered by Cabinet is attached as Annex A to this Part I report and is referenced in recommendations a to m below.
- 1.2. The main changes that have been made to the figures presented to Cabinet are technical and relate to notifications from District Councils of final tax base, collection fund and business rates figures. These changes have been reflected in an amended Summary Revenue Budget for 2021/22 presented at Annex 1 to this Part I report.
- 1.3. In summary, as a consequence of the figures confirmed by the Districts the net deficit due to the Covid-19 pandemic in 2020/21 has increased marginally from £3.8m to £4.9m and the total unfunded cost and losses have fallen from £88.3m to just over £87m. In addition, in 2021/22 there is a net increase in income, compared to that previously assumed, of almost £4.7m which can be added to the Budget Bridging Reserve (BBR).
- 1.4. The impact of the figures provided by the Districts is set out in more detail below along with an explanation of how this feeds through to the Covid-19 financial response package.

Council Tax Base

- 1.5. The final council tax base figures provided by the Districts for 2021/22 result in a small increase in the total tax base over and above that set out in the report to Cabinet and lead to an increase in the council tax income to be included in the budget of more than £0.3m.

Council Tax Collection Fund

- 1.6. Each year the Districts determine and declare the estimated surplus or deficit on their Collection Fund which is made up of the final outturn position for the preceding year and the latest current year forecast. A share of this surplus or deficit is then passed back to the County Council to be reflected in budget setting for the coming year.
- 1.7. The outturn council tax collection position declared for 2019/20 by the Districts is a surplus of more than £4.4m.
- 1.8. However, the Covid-19 pandemic has impacted the in-year collection of council tax across Hampshire and the full estimated deficit forecast by the Districts for 2020/21 is approaching £6.7m.

1.9. In recognition of the impact Covid-19 has had on collection, the Government confirmed as part of the settlement announcement that they will put in place a Local Tax Income guarantee as follows:

- The repayment of collection fund deficits arising in 2020/21 can be spread over the next three years (2021/22 to 2023/24) rather than the usual period of one year to ease immediate financial pressures.
- The Government will fund 75% of the irrecoverable losses in this deficit in the form of a Section 31 grant which will be paid during 2021/22. However, a significant amount of the losses, such as those caused by bad debts, are not eligible for this funding as the Government consider them to be recoverable.

1.10. The net council tax collection fund surplus which is included within the 2021/22 budget is almost £2.2m as shown below:

	£'000	£'000
Balance of 2019/20 Surplus		4,417.9
Full Forecast Deficit for 2020/21	(6,674.4)	
Allocate 1/3 of the deficit to 2021/22		(2,224.8)
Net Surplus		2,193.1

1.11. The level of government funding, which the Districts are anticipating will be provided for irrecoverable losses, to be received by the County Council in 2021/22 is forecast to be £406,355.

Business Rates Collection Fund

1.12. As for council tax, each year the Districts determine and declare the estimated surplus or deficit on their business rates Collection Fund and this year an approach similar to that set out in paragraph 1.9 above has been applied.

1.13. The impact of the Covid-19 pandemic on business rates is anticipated to be material, but this is mainly due to the granting of additional reliefs (which are reimbursed by the Government), and the net business rate collection fund deficit which is included within the 2021/22 budget is almost £21.1m, as shown below:

	£'000	£'000
Balance of 2019/20 Deficit		(762.0)
Full Forecast Net Deficit for 2020/21	(1,198.6)	
Allocation of the deficit to 2021/22 (*)		(280.3)
Additional Covid Reliefs		(20,049.8)
Net Deficit		(21,092.1)

* Note that whilst the full net deficit forecast by the Districts for 2020/21 is approaching £1.2m this is made up of both surpluses and deficits at individual District Council level and as only deficits are spread across three years, the amount that is included for 2021/22 is not a third of this figure.

- 1.14. The Government will provide grant funding to fully meet the cost of the additional reliefs (£20.0m) and the level of government funding, which the Districts are anticipating will be provided for irrecoverable losses, to be received by the County Council in 2021/22 is forecast to be £157,656.

Business Rates Income

- 1.15. The final figures provided by the Districts for 2021/22 result in a small increase of almost £0.1m in business rate income compared to that originally assumed (excluding the impact of the pandemic) and an additional £0.6m in the form of Section 31 grants for non-Covid reliefs in the coming financial year.

Impact on the County Council

- 1.16. Due to the strategy that the County Council has adopted, managing the financial impact of the Covid-19 pandemic as a separate one-off event, some of the changes set out in the paragraphs above feed through to the financial response package, whilst others impact the 2021/22 budget position and therefore the contribution that can be made to the BBR.
- 1.17. This position is quite complex, but the following tables summarise the changes to the Covid-19 position and therefore the required financial response package in the current year and in total:

	£'000
Original Current Year Deficit	3,760
Lower Council Tax Income Losses	(826)
Lower Business Rate Income Losses	(1,201)
Lower Council Tax Grant	2,407
Lower Business Rate Support	742
Updated Current Year Deficit	<u>4,882</u>

	£'000
Original Total Gap	88,305
Increase in Current Year Deficit	1,122
Lower Business Rates Income Loss 2021/22	(2,385)
Updated Total Gap	<u>87,042</u>

- 1.18. This is a relatively small change given the overall scale of the impact of the pandemic and still sees the County Council needing to put in place a response package of more than £87m in order to meet the one-off financial consequences of Covid-19 over the medium term.
- 1.19. It is also worth reiterating that, the improvement in the council tax position has raised fears that there may be a lag in this area due to the support that has

been put in place by the Government for businesses and individuals alike. It is possible therefore that this position (along with that for business rates) could decline as we move through 2021/22 and government support comes to an end. It is not possible to predict this at this stage, but it will be kept under review and could lead to an increase in the Covid figures as the next financial year progresses.

- 1.20. With the impact of the pandemic being managed as a one-off event through the use of the financial response package, taking account of all of the remaining budget changes outlined in this report, the County Council can set a balanced 2021/22 budget as follows:

	£'000
Further Tax Base Growth	337
Council Tax Collection Fund Surplus 2019/20	4,418
Business Rate Collection Fund Deficit 2019/20	(762)
Additional Business Rate Income	83
Additional Non-Covid Business Rate Relief Grants	586
Contribution to BBR	<u>(4,662)</u>
Balanced Budget	<u>0</u>

- 1.21. The table shows that in 2021/22, because of the changes, the County Council can make a further contribution to the BBR to build the sum available for future years in line with the approved Medium Term Financial Strategy (MTFS). This will reduce the forecast deficit in the BBR from £7.3m as set out in the report to Cabinet to just over £2.6m, but the need to continue to make contributions remains, particularly due to the uncertainty surrounding the outcome of the next Comprehensive Spending Review (CSR).
- 1.22. Local authorities are required to report a formal council tax requirement as part of the budget setting process and the recommendations to Council in this report show that the Council Tax Requirement for the year is £707,383,847.
- 1.23. The recommendations from Cabinet to County Council are unchanged, although final figures reflect the technical adjustments that have been made.
- 1.24. The final local government finance settlement was published on 4 February 2021 and confirmed the figures which were released in December last year.

2. CAPITAL PROGRAMME 2021/22 TO 2023/24

- 2.1. The Capital Programme report was presented to Cabinet on 9 February 2021 and recommendations were made to the County Council. The report is attached as Annex B to this Part I report and is referenced in recommendations n to p below.
- 2.2. There have been no changes to the report since Cabinet however, the County Council's final bids seeking grant funding from the Public Sector Decarbonisation Scheme have not been successful at this stage but have been placed on a reserve list for the time being and may be considered for

funding should other approved schemes drop out. On this basis it will remain in the Programme until a final decision is received.

The full reports to Cabinet can be found at the following link:

[Cabinet](#)

RECOMMENDATIONS

A. Revenue Budget and Precept 2021/22

That the County Council approve:

- a. The Treasurer's report under Section 25 of the Local Government Act 2003 (Appendix 8 of the Cabinet report) and take this into account when determining the budget and precept for 2021/22.
- b. The Revised Budget for 2020/21 set out in Appendix 1 of the Cabinet report.
- c. The Revenue Budget for 2021/22 as set out in Appendix 5 of the Cabinet report and Annex 1 to this Part I report.
- d. Funding for one off revenue priorities totalling £11.6m as set out in paragraphs 113 to 128 of the Cabinet report.
- e. The re-alignment of grant budgets as set out in paragraphs 135 to 141 of the Cabinet report.
- f. That the **council tax requirement** for the County Council for the year beginning 1 April 2021, be £707,383,847.
- g. That the County Council's band D council tax for the year beginning 1 April 2021 be £1,350.45, an increase of 4.99%, of which 3% is specifically for adults' social care.
- h. The County Council's council tax for the year beginning 1 April 2021 for properties in each tax band be:

	£
Band A	900.30
Band B	1,050.35
Band C	1,200.40
Band D	1,350.45
Band E	1,650.55
Band F	1,950.65
Band G	2,250.75
Band H	2,700.90

- i. Precepts be issued totalling £707,383,847 on the billing authorities in Hampshire, requiring the payment in such instalments and on such date set by them previously notified to the County Council, in proportion to the tax base of each billing authority's area as determined by them and as set out overleaf:

Basingstoke and Deane	66,627.20
East Hampshire	51,407.07
Eastleigh	47,774.37
Fareham	43,804.50
Gosport	26,722.80
Hart	41,055.21
Havant	41,448.02
New Forest	71,538.70
Rushmoor	32,309.09
Test Valley	50,316.00
Winchester	50,810.47

- j. The Capital & Investment Strategy for 2021/22 (and the remainder of 2020/21) as set out in Appendix 9 of the Cabinet report.
 - k. The Treasury Management Strategy for 2021/22 (and the remainder of 2020/21) as set out in Appendix 10 of the Cabinet report.
- l. An increase to the allocation targeting higher yields from £235m to £250m (as set out in the Treasury Management Strategy in Appendix 10) partly to reflect the investments taken out on behalf of Thames Basin Heath and to provide extra flexibility given the added risk of negative interest rates at the short term end of the market.
- m. The delegation of authority to the Deputy Chief Executive and Director of Corporate Resources to manage the County Council's investments and borrowing according to the Treasury Management Strategy Statement as appropriate.

B. Capital Programme 2021/22 to 2023/24

That the County Council approve:

- n. The Capital Programme for 2021/22 and the provisional programmes for 2022/23 and 2023/24 as set out in Appendix 1 of the Cabinet report.
- o. An increase in the value of the Stubbington Bypass scheme from £34.495m to the value of £39.295m, noting that the increase of £2m associated with the impact of Covid-19 is to be funded from the allocation previously approved for that purpose by the County Council in July 2020, with the balance to be funded from a mix of Section 106 developer contributions and local resources.
- p. The addition of further decarbonisation schemes up to the value of £5.64m to the Culture, Communities and Business Services capital programme for 2020/21 funded by grants from the Public Sector Decarbonisation Fund.

ANNEX 1:**Revenue Budget 2021/22**

	Original Budget 2020/21 £'000	Adjustment £'000	Proposed Budget 2021/22 £'000
<u>Departmental Expenditure</u>			
Adults' Health and Care	421,336	(11,791)	409,545
Children's – Schools	901,977	40,571	942,548
Children's – Non Schools	208,613	6,243	214,856
Corporate Services	54,218	(1,700)	52,518
Culture, Communities and Business Services	43,496	(1,383)	42,113
Economy, Transport and Environment	109,553	(5,886)	103,667
	1,739,193	26,054	1,765,247
<u>Capital Financing Costs</u>			
Committee Capital Charges	141,035	0	141,035
Capital Charge Reversal	(143,314)	0	(143,314)
Interest on Balances	(13,436)	485	(12,951)
Capital Financing Costs	42,101	6,860	48,961
	26,386	7,345	33,731
<u>RCCO</u>			
Main Contribution	6,839	516	7,355
RCCO from Reserves	1,045	(1,045)	0
	7,884	(529)	7,355
<u>Other Revenue Costs</u>			
Contingency	71,349	47,046	118,395
Dedicated Schools Grant	(813,368)	(64,363)	(877,731)
Specific Grants	(235,617)	(31,141)	(266,758)
Levies	2,428	436	2,864
Coroners	1,998	393	2,391
Business Units (Net Trading Position)	136	(551)	(415)
	(973,074)	(48,180)	(1,021,254)
Net Revenue Budget	800,389	(15,310)	785,079
<u>Contributions to / (from) Earmarked Reserves</u>			
Transfer to / (from) Earmarked Reserves	(4,807)	28,880	24,073
Trading Units Transfer to / (from) Reserves	5	558	563
RCCO from Reserves	(1,045)	1,045	0
	(5,847)	30,483	24,636
Contribution to / (from) General Balances	900	0	900

	Original Budget 2020/21 £'000	Adjustment £'000	Proposed Budget 2021/22 £'000
NET BUDGET REQUIREMENT	795,442	15,173	810,615
NET BUDGET REQUIREMENT	795,442	15,173	810,615
Funded by			
Business Rates and Government Grant	(122,047)	(83)	(122,130)
Business Rates Collection Fund Deficit / (Surplus)	104	20,988	21,092
Council Tax Collection Fund Deficit / (Surplus)	(3,284)	1,091	(2,193)
COUNCIL TAX REQUIREMENT	670,215	37,169	707,384