



## Revenue Outturn Report and Covid-19 Financial Impact Update 2020/21

### Cllr John Izett – Cabinet Member for Finance and Major Projects

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<b>Report to:</b>	<b>Cabinet Council</b>
<b>Meeting Date:</b>	<b>6 July 2021 15 July 2021</b>
<b>Ward(s):</b>	<b>All</b>
<b>Key Decision:</b>	<b>No</b>
<b>Appendices:</b>	<b>Appendix 1 – Joint Manydown Committee</b>
<b>Papers Relied On:</b>	<b>Quarter 3 Revenue Monitoring Report and Covid-19 Financial Impact Update 2020/21</b>

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#### **FOREWORD – Cabinet Member for Finance and Major Projects**

This report sets out the outturn position for the council's revenue budget for 2020/2021. It was a financial year like no other before it with the impact of the Covid-19 pandemic affecting our communities and our financial situation.

That we are able to report an overall favourable variance of £2.55M against the revised revenue budget, that Council approved in October 2020, is proof of the wisdom of our fiscally responsible policies and of the early action taken to reduce expenditure ahead of the impacts of the pandemic and before we knew what level of government support, we would be receiving. This has been achieved in the context of increasing expenditure amounting to £1.37M and a reduction in council income of £4.69M. Most of this has been offset by funding of £5.09M from the Government, however there are ongoing financial impacts as result of the pandemic and economic situation which will continue into the Medium Term Financial Strategy period.

Some activity that was planned has been delayed resulting in a recommendation to carry forward £0.46M of budget into 2021/22, together with a carry forward of £0.89M relating to Covid-19 grant income to continue the support we have been giving to the community and a transfer to the MTFs Risk Reserve of the remaining £1.20M of the surplus.

I would like to thank our Executive Director of Corporate Services, her finance team and officers generally for their hard work and commitment in delivering this impressive outcome which allows us to boost both the Climate Change and Economic Recovery Reserves. This has been achieved in the most demanding, complicated and uncertain of circumstances both in terms of financial management and additional pressures in assisting our residents and our local businesses through the pandemic.

**It is recommended that:**

**Cabinet notes:**

- 1** The net revenue expenditure on services in 2020/21, before year end transfers to reserves, resulted in a favourable variance of £2.55M lower than the rebased budget approved by Council in October 2020, as detailed in sections 2 and 8;
- 2** The year end contributions to reserves that have been proposed in line with the approved financial policies, as detailed in section 3;
- 3** The significant financial impact that Covid-19 is having on the council, including the outturn costs of £8.05M and reduced income of £4.69M in 2020/21 which has been covered so far by £11.56M of funding allocated to 2020/21 from Government, as detailed in sections 4 to 7;
- 4** The likely ongoing financial implications of Covid-19 on the Medium-Term Financial Strategy in future years;
- 5** The achievement of planned savings and pressures for 2020/21 as detailed in section 9 and 10;
- 6** That budget virements amounting to £1.78M which were processed during quarter four, as summarised in section 11; and

**Cabinet requests Council to approve:**

- 7** The transfer of the outturn surplus of £2.55M to earmarked reserves – Covid-19 Grants Reserve £0.89M; Budget Carry Forward Reserve £0.46M; and MTFS Risk Reserve £1.20M as detailed in section 3.

## Background, Corporate Objectives and Priorities

In accordance with the council's Financial Procedures, the Chief Financial Officer (CFO) has a responsibility to provide financial information and to report on the overall budget position of the council. To provide assurances that the council's budgets are well managed and maintained, regular budget monitoring is undertaken with variances and required actions reported.

This report provides the final 2020/21 outturn position for revenue spend along with variance explanations against the rebased budget 2020/21 as at 31 March 2021. The report also summarises the overall position with regard to the impact of Covid-19, the funding that has been made available nationally and how the council's finances have been affected.

In February 2020, Council approved the annual general fund net revenue budget for 2020/21, however due to the impact of Covid-19 an in-year rebasing of the 2020/21 budget was undertaken as approved by Council in October 2020.

The outturn variances explanations have been discussed and agreed with Executive Directors, Heads of Services and Budget Managers in accordance with the council's Policy and Budget Framework which supports the development of an effective and efficient council.

## Glossary of terms

Term	Definition
BDBC	Basingstoke and Deane Borough Council
Covid-19	Coronavirus Disease Pandemic
CFO	Chief Financial Officer
DWP	Department of Work and Pensions
HCC	Hampshire County Council
HMRC	Her Majesties Revenue and Customs
MGC LLP	Manydown Garden Communities Limited Liability Partnership
MDV LLP	Manydown Development Vehicle Limited Liability Partnership
MTFS	Medium Term Financial Strategy
MHCLG	Ministry of Housing, Communities and Local Government

## Main Considerations

### 1 Executive summary

- 1.1 This report sets out the outturn position as at the 31 March 2021 for revenue expenditure and income against the rebased budget that was approved by Council in October 2020 to take account of the initial impacts of the Covid-19 pandemic. The report also sets out the funding that has been received and used specifically to support the community and the activity that the council has needed to undertake as a result of the pandemic.

- 1.2 Covid-19 has had a significant impact on the council's finances through 2020/21 and will continue to do so into 2021/22, with some ongoing impact likely in future years. This was taken account of in preparation of the MTFs and budget for 2021/22 that was approved by Council in February 2021. This will be further monitored and considered alongside the effectiveness of economic recovery.
- 1.3 As a result of the early actions taken in 2020/21, moratorium on non-essential spend and recruitment freeze, to mitigate the unknown financial impact of the pandemic, along with uncertainty of what additional funding the council was likely to receive, the council ended 2020/21 in a strong financial position. As a result, there was the opportunity to utilise the in year surplus from those early interventions to further support the priorities of the council by making in year allocations of £1.00M to the Climate Change Reserve and £1.00M to a newly created Economic Recovery Fund Reserve.
- 1.4 In reading this report, where the reasons for variances are set out, it should be noted that some favourable variances are as a result of not being able to progress some planned activities due to the impact of the pandemic not just a reduction in expenditure. These will be progressed in 2021 as relevant.
- 1.5 Covid-19 support grant funding of £13.42M was received from the Government during 2020/21. £5.04M of this related to compensation for service expenditure pressures and loss of income in 2020/21. Additionally, funding was received to meet specific response measures to the pandemic and the financial impact of the emergency response.
- 1.6 The quarter three forecasts were based on the expected easing of lockdown and the roadmap at that point. The outturn position has been impacted by the further national lockdown and further support funding received. Overall these factors have improved the position at the year end.
- 1.7 Of the grant funding received, excluding business grants, there is unspent grant of £1.86M at year end. It is anticipated the £1.86M will be fully utilised in the forthcoming year. £0.97M of this funding is specific service related and has been accrued into the new financial year. The remaining £0.89M is subject to a carry forward request.
- 1.8 The overall cost pressure to the council from Covid-19 in 2020/21 was £1.18M after allowing for Government funding. This consists of £8.05M of additional costs and £4.69M of reduced income which exceeds the Government funding received of £11.56M which related to 2020/21. (£13.42M received less £1.86M to be spent in 2021/22). The overall impact can be seen in Table 2 in section 2 and is detailed further in section 7.
- 1.9 As shown in Table 1 below the final net revenue outturn position for 2020/21 as at 31 March 2021, is an overall surplus of £2.55M which is a favourable movement of £1.47M compared to the quarter three position of a £1.08M surplus following the approval to set aside £2.00M in the Climate Change Reserve and a new Economic Recovery Fund Reserve in March 2021.
- 1.10 Note the £2.55M surplus is after a £11.94M business rates statutory adjustment which is required to account for the timing differences of business rates grants and collection in financial periods (see Table 2, section 5 and paragraphs 8.67 to 8.70).

**Table 1 – Summary Revenue Outturn and Transfers To Reserves For Approval**

	<b>Budgeted Expenditure Outturn 2020/21 £M</b>	<b>Covid-19 Outturn 2020/21 £M</b>	<b>Total Outturn 2020/21 £M</b>
<b>Net Expenditure (Surplus):</b>	<b>(2.84)</b>	<b>0.29</b>	<b>(2.55)</b>
<b>Year End Reserve Movements For Approval:</b>			
To Covid-19 Grants Reserve	0.00	0.89	0.89
<b>Net Expenditure (Surplus) After Covid-19 Grant C/Fwd</b>	<b>(2.84)</b>	<b>1.18</b>	<b>(1.66)</b>
<b>Year End Reserve Movements For Approval:</b>			
To Budget Carry Forward Reserve			0.46
To MTFS Risk Reserve – Manydown MHCLG Studies			0.28
To MTFS Risk Reserve – Outturn Surplus			0.92
<b>Overall (Surplus)/Deficit</b>			<b>0.00</b>

- 1.11 The outturn surplus reduces to £1.66M after taking account of the £0.89M of unspent Covid-19 grants which were forecast to be fully spent at quarter three and are requested to be carried forward to be used in 2021/22. This results in a favourable movement of £0.58M since the last reported position of a £1.08M surplus.
- 1.12 The actual outturn for 2020/21 has been shown in two columns to separate the Covid-19 outturn from the non Covid-19 outturn for the year. The table confirms that net savings of £2.84M from business as usual activities were achieved against the latest approved budget. Savings will have been achieved through the mitigations that were put in place such as the recruitment freeze and moratorium on spend and better than expected income levels, e.g. planning income, compared to the rebased budget position.
- 1.13 The financial outturn position includes achieving £0.70M (49.22%) of agreed savings proposals, contained within the MTFS. The ability to fully deliver the previously agreed savings was delayed mainly as a result of Covid-19, as detailed in section 9, however spend against agreed pressures is £0.30M (47.28%) as detailed in section 10. This overall outcome is a total of £0.38M of unachieved savings and pressures in 2020/21.
- 1.14 Additional grants of £35.74M were received from the Government as part of their response to the Covid-19 pandemic, where the council was deemed to be acting as an agent and so passporting these funds onto the eventual beneficiaries e.g. businesses. As at 31 March 2021 there was a balance of £3.44M remaining to be paid out which is being held as a receipt in advance (creditor) to be spent in 2021/22. Whilst it is the intention that the grants will be fully passed on, any eventual unspent sums would be required to be repaid to the Government.

- 1.15 The report seeks Cabinet to note and recommend that Council agrees the year end reserve transfers as shown in Table 1, to the Budget Carry Forward Reserve of £0.46M for Local Plan work, Leisure Needs and Recreation Assessment, Smart Digital resourcing and Elections costs to be spent in 2021/22 and later years; to transfer £0.28M to the MTFs Risk Reserve in respect of additional grants received for future Manydown Capacity Studies; and to allocate the remaining balance of £0.92M to the MTFs Risk Reserve to improve the council's financial resilience and provide funding for any additional Covid-19 costs in 2021/22. Further explanation is shown in section 3.
- 1.16 Whilst the 2021/22 budget is balanced, uncertainty still exists for the next financial year with infection rates, the impact of different variants and the success of the roll out of vaccines not clear and uncertainty on the timing and impact of lockdown measures easing, all of which will impact on the economy and the council's financial situation. As with 2021/22 this will be closely monitored to allow appropriate mitigations to be put in place in a timely manner.
- 1.17 A base budget review is being undertaken to review the assumptions and data that was used to set the 2021/22 budget with particular focus on the ability to deliver previously agreed savings, the current position following 2020/21 outturn and the latest forecasts and assumptions as quarter 1 of 2021/22 comes to a close.
- 1.18 Explanations for outturn variances compared to the latest approved budget can be found in section 8.

## **2 Revenue Outturn Position 2020/21**

- 2.1 Table 2 provides a summary of the final revenue outturn position by portfolio for 2020/21 and shows movements since the quarter three report. The overall outturn surplus is £2.55M before allowing for £0.89M unspent Covid-19 grants which are required to be carried forward to be spent in 2021/22. This action reduces the surplus to £1.66M, a favourable movement of £0.58M since the last reported position of a forecast £1.08M surplus.
- 2.2 The Covid-19 financial impact in 2020/21 was a revenue cost pressure of £1.18M after allowing for Government funding. This consists of £8.05M of additional costs and £4.69M of reduced income which exceeds the Government funding received of £11.56M which related to 2020/21. (£13.42M received less £1.86M to be spent in 2021/22). The overall impact can be seen in Table 2 in section 2 and is detailed further in section 7.
- 2.3 It should be noted that the previous quarterly reports excluded the circa £6.00M of specific Covid-19 grant funded expenditure as this was forecast to be fully spent so a nil impact on council finances.
- 2.4 Explanations of the overall outturn variances compared to the latest approved budget are detailed in section 8.
- 2.5 In addition, Appendix 1 provides details of the final outturn position for the Joint Manydown Committee.

**Table 2 – Revenue Outturn Position 2020/21**

	Original Budget 2020/21 £M	Re-based Budget 2020/21* £M	Budget Move-ments since Rebasing £M	Latest Approved Budget 2020/21 £M	Actual Outturn excl Covid-19 2020/21 £M	Actual Outturn Covid-19 Related 2020/21 £M	Total Actual Outturn 2020/21 £M	Outturn Variation 2020/21 £M	Variance Change Between Outturn and Q3 £M
<b>Portfolio Services:</b>									
Leader	0.23	0.78	4.49	5.27	0.30	4.39	4.69	(0.58)	(0.52)
Homes and Families	(0.13)	(0.40)	0.07	(0.33)	(0.70)	0.23	(0.47)	(0.14)	0.14
Planning , Infrastructure and Natural Environment	0.33	1.67	0.15	1.82	(0.11)	0.30	0.19	(1.63)	(0.54)
Communities, Culture and Partnerships	2.37	2.19	(0.04)	2.15	1.96	0.00	1.96	(0.19)	(0.14)
Finance and Service Improvement	1.57	3.53	(1.14)	2.39	1.07	0.70	1.77	(0.62)	(0.58)
Borough Development and Improvement	0.40	0.52	0.07	0.59	0.18	1.25	1.43	0.84	0.34
Environment and Enforcement	1.23	3.57	(0.01)	3.56	1.57	2.30	3.87	0.31	(0.10)
Regeneration and Property	0.15	(0.10)	0.52	0.42	0.51	0.00	0.51	0.09	0.07
<b>Total Net Cost of Portfolio Services</b>	<b>6.15</b>	<b>11.76</b>	<b>4.11</b>	<b>15.87</b>	<b>4.78</b>	<b>9.17</b>	<b>13.95</b>	<b>(1.92)</b>	<b>(1.33)</b>
Holding and Agency Accounts	(0.31)	(0.23)	0.00	(0.23)	(0.38)	0.00	(0.38)	(0.15)	(0.21)
Business Units	26.67	26.02	(0.60)	25.42	25.45	0.01	25.46	0.04	0.02
<b>Net Cost of Services</b>	<b>32.51</b>	<b>37.55</b>	<b>3.51</b>	<b>41.06</b>	<b>29.85</b>	<b>9.18</b>	<b>39.03</b>	<b>(2.03)</b>	<b>(1.52)</b>
<b>Corporate Income:</b>									
Investment Property Accounts	(16.55)	(16.22)	(0.34)	(16.56)	(17.86)	0.92	(16.94)	(0.38)	0.98
Interest and Investment Income	(3.56)	(1.90)	0.00	(1.90)	(2.80)	0.62	(2.18)	(0.28)	(0.03)
Council Tax Income	(8.48)	(8.48)	0.00	(8.48)	(8.48)		(8.48)	0.00	0.00
Retained Business Rates	(3.65)	(3.65)	0.00	(3.65)	(16.36)		(16.36)	(12.71)	(12.71)
Retained Business Rates - Statutory Adjustment (to Business Rates Risk Reserve)	0.00	0.00	0.00	0.00	11.94		11.94	11.94	11.94
Government Grants	(3.67)	(10.06)	(3.58)	(13.64)	(4.25)	(11.40)	(15.65)	(2.01)	(1.05)
Government Grants - Covid-19 Receipts In Advance	0.00	0.00	0.00	0.00	0.00	0.97	0.97	0.97	0.97
<b>Corporate Income</b>	<b>(35.91)</b>	<b>(40.31)</b>	<b>(3.92)</b>	<b>(44.23)</b>	<b>(37.81)</b>	<b>(8.89)</b>	<b>(46.70)</b>	<b>(2.47)</b>	<b>0.10</b>
<b>Approved Movement In Reserves</b>	<b>3.40</b>	<b>2.76</b>	<b>0.41</b>	<b>3.17</b>	<b>5.12</b>	<b>0.00</b>	<b>5.12</b>	<b>1.95</b>	<b>(0.05)</b>
<b>Net Expenditure (Surplus)/Deficit</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>(2.84)</b>	<b>0.29</b>	<b>(2.55)</b>	<b>(2.55)</b>	<b>(1.47)</b>
<b>Year End Reserve Movements:</b>									
To Covid Grants Carry Forward Reserve	0.00	0.00	0.00	0.00	0.00	0.89	0.89	0.89	0.89
<b>Net Expenditure (Surplus)/Deficit After Covid-19 Grants</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>(2.84)</b>	<b>1.18</b>	<b>(1.66)</b>	<b>(1.66)</b>	<b>(0.58)</b>
<b>Year End Outturn Surplus Reserve Movements:</b>									
To Budget Carry Forward Reserve	0.00	0.00	0.00	0.00	0.46	0.00	0.46	0.46	0.46
To MTFs Risk Reserve	0.00	0.00	0.00	0.00	1.20	0.00	1.20	1.20	1.20
<b>Overall (Surplus)/Deficit</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>(1.18)</b>	<b>1.18</b>	<b>(0.00)</b>	<b>(0.00)</b>	<b>1.08</b>

Positive variance figures represent an increase in the forecast expenditure or reduced income between quarter three and quarter four, while figures in brackets represent reductions in the forecast losses or increased income.

### **3 Treatment of Revenue Outturn (Contributions to Reserves)**

3.1 As shown in Table 2 the overall revenue outturn for 2020/21 was a favourable variance of £2.55M. This is after allowing for a business rates timing adjustment of £11.94M as discussed in paragraphs 8.67 to 8.70.

3.2 The following contributions to reserves are recommended for approval.

#### To Covid-19 Grants Reserve £0.89M

3.3 The following grants were awarded to the council during 2020/21, but expenditure can be incurred up to March 2022 and therefore will be incurred in 2021/22. It is therefore recommended that the unspent grants are transferred to a new Covid-19 Grants Carry Forward Reserve to be released and spent in 2021/22.

Council Tax Hardship Grant £0.46M

Compliance and Enforcement £0.01M

Clinically Extremely Vulnerable £0.27M

Certain Outbreak Management Fund (COMF) £0.15M

#### To Budget Carry Forward Reserve £0.46M

Local Plan - £0.16M

3.4 There has been a delay in some of the local plan evidence base studies commissioning (sustainability appraisal, viability, transport and economic need) due to the availability of consultants and also in part due to the nature of some of the studies. It will still be necessary to carry out this work and therefore a carry forward is requested.

Planning Development Staffing - £0.11M

3.5 The number of planning applications has been slowly building over the past two years, particularly householder and minor matter applications which are high in numbers and not reducing. A carry forward is requested to bring in agency staff for a six month period. This is an income generating area and therefore the additional resource is important to process existing activity and to ensure the timely completion of future activity.

Leisure and Recreational Needs Assessment (LRNA) - £0.03M

3.6 This work was partially completed in 2020/21, but required the input of national governing bodies before Sport England are able to provide sign off for the LRNA. The Covid-19 lockdowns impacted the availability of the national governing bodies where employees were furloughed, which has delayed sign off. This work is committed to and is now on course for a September 2021 completion date.

#### Smart Basingstoke Programme £0.12M

- 3.7 The carry forward will be used to appoint a Programme Manager at the optimum time to support the delivery of key digital infrastructure projects including the Basing View 5G Living Lab and the Rural Gigabit fibre spine. Both projects have been delayed due to the impact of Covid-19 on services and resources and are now progressing in 2021/22. It is expected that £0.03M (25%) of the funding will be required in 2021/22, £0.6M (50%) in 2022/23 and a further £0.03M (25%) in 2023/24 to service the development, implementation and on-going delivery of both projects.

#### Elections - £0.04M

- 3.8 With the elections having taken place in 2021/22 rather than 2020/21 there was insufficient budget in place to cover these costs. A carry forward is requested to meet the cost of the 2021/22 elections.

#### To MTFS Risk Reserve – Manydown MHCLG Funded Studies £0.28M

- 3.9 In February 2021, MHCLG provided additional Gardens Town Capacity Funding for Manydown of £0.36M. Whilst received in 2020/21 it has been awarded for activity to be undertaken in future years. It is proposed to transfer this into the MTFS Risk Reserve for release into future years as required. The requirement for 2021/22 will depend on contributions also received from Society of Merchant Venturers (SMV) once agreed with them.

- 3.10 The quarter three report agreed a transfer of £0.54M to the MTFS Risk Reserve in respect of delayed MHCLG funded projects. The outturn resulted in a £0.08M of costs where works have since been brought forward. Therefore, an offsetting reduction in the reserve draw is needed of £0.08M from the MTFS Risk Reserve. This will leave £0.46M in the reserve to be released into 2021/22 and future years for this purpose.

#### To MTFS Risk Reserve - £0.92M

- 3.11 It is proposed that remaining balance is to be added to the MTFS Risk Reserve, in line with the approved financial procedures. It is proposed that this is earmarked to support any further future pressures as a result of Covid-19 or to further support Economic Recovery Action in 2021/22 and future years.

#### **4 National Position – Local Government Funding and Covid-19**

- 4.1 The table below provides an updated position on the funding that has been made available from Government as a result of the pandemic. Most of this was reported previously. There are additional items in relation to specific grants in respect of Domestic Abuse Grant and Restart Grant.
- 4.2 The funding streams received by both Basingstoke and Deane and Hampshire County Council are shown in Table 3 below.

**Table 3 – Government Funding Allocation for Covid-19  
(June 2021 - as known at time of report)**

<b>Funding Stream</b>	<b>National Allocation</b>	<b>Basingstoke and Deane</b>	<b>Hampshire County Council</b>
Business Grants	£12.3BN	£21.92M	N/A
Additional Restrictions Grant		£6.52M	N/A
Restart Grant		£6.10M	
Closed Business Lockdown Payment	£1.1BN	£5.49M	
Local Restrictions Support Grant		£4.91M	N/A
COVID-19 direct funding to LA	£6.2BN	£3.18M (£0.81M relating to 2021/22)	£94.37M
Income Compensation Scheme – Sales, Fees & Charges	£0.9BN (from first two claims)	£2.16M (whole of 20/21)	£5.00M (from first two claims)
Discretionary Grants	£0.6BN	£1.03M	N/A
Council Tax Hardship Fund	£0.5BN	£1.02M	N/A
New Burdens Grant	N/A	£0.61M	N/A
National Leisure Recovery Fund	£100M	£0.40M	Unknown
Contain Outbreak Management Fund	£780M	£0.39M	£6.19M
Test and Trace Isolation Payments	£63M	£0.30M	N/A
Clinically Extremely Vulnerable	£0.1BN	£0.27M	£0.76M
Reopening High Streets Safely Fund	£50M	£0.16M	N/A
Rough Sleepers		£0.14M	N/A
Welfare Assistance/Emergency Assistance Funding	£63M	£0.13M	£1.07M
Surge Enforcement Funding/Compliance and Enforcement	£60M	£0.07M	N/A
Christmas Wet Led Pubs Grant		£0.07M	
Supported Housing	£433M	£0.06M	N/A
Domestic Abuse Grant	£117M	£0.04M	£2.30M
Business Improvement Districts Support Grant	£6M	£0.02M	N/A
Community Hub Grant	N/A	£0.01M	N/A

- 4.3 Details of these funding schemes were provided in the previous monitoring reports however, the new funding streams are noted below:

#### **Domestic Abuse Grant**

- 4.4 To cover the costs of the new duty on the provision of support within domestic abuse safe accommodation services for 2021-22, which provides support for victims and their children in domestic abuse safe accommodation.

#### **Restart Grant**

- 4.5 The Restart Grant scheme supports businesses in the non-essential retail, hospitality, leisure, personal care and accommodation sectors with a one-off grant, to reopen safely as Covid-19 restrictions are lifted. Eligible businesses in the non-essential retail sector may be entitled to a one-off cash grant of up to £6,000.

### **5 Business Rates**

- 5.1 The collection rate for business rates for the 2020/21 liability was 99.63% as at 31 March 2021 which exceeded the target rate of 99.2% by 0.43%. The collection rate can be volatile due to various factors including appeals, changes in rateable values, companies going into liquidation. In the last year there has also been the additional impact of Covid-19 on business rates collection.
- 5.2 The collection rate for the 2020/21 liability is higher than usual, which is thought mainly to be due to grants (of nearly £38M) provided to help support local businesses during Covid-19 and additional Covid-19 related business rates relief mentioned below (of nearly £34M). The council is expected to be fully compensated by the government for its share of these grants and reliefs that have been awarded to businesses.
- 5.3 The total collectable business rates for the year were £45M compared to the amount of £77.64M in business rates budgeted to be collected in 2020/21. The reason for this reduction is due to the additional business rates reliefs provided to businesses in the retail, hospitality and leisure sectors.
- 5.4 There was a deficit balance of £30M on the business rates collection fund account for 2020/21 (as billing authority the council must maintain a collection fund account to record the amounts of business rates income and expenditure to be shared between itself, central government and other major preceptors) of which the council's 40% share was £11.94M. This deficit is mainly due to the additional business rates reliefs awarded due to Covid-19 that were not known about when the budget was set. The accounting regulations allow for this deficit will be carried forward to be taken into account in future years' estimates. The result of this will enable a transfer to the business rates risk reserve in 2020/21 to be used as required in future years to help offset the deficit amount carried forward.

## **6 Council Tax**

- 6.1 The collection rate for council tax for the 2020/21 liability was 97.95% which was 0.65% below the target collection rate of 98.6%. Covid-19 will have played its part in the lower collection rates although it is difficult to determine how much is directly due to Covid-19.
- 6.2 Due to Covid-19 the payment free months were moved from the end of the year to the beginning (i.e. from February and March 2021 to April and May 2020). Active debt recovery action was also paused in line with most other councils for half of the year and there was additional support from the Covid-19 hardship fund grant funding for residents that were entitled to council tax reduction which helped maintain the collection rates. No enforcement action for arrears for 2020/21 has been taken in line with Government advice.
- 6.3 There was a deficit balance of £0.5M on the council tax collection fund account for 2020/21 (as billing authority the council must maintain a collection fund account to record the amounts of council tax income and expenditure to be shared between itself and the other major preceptors) of which the council's share was £0.05M. This will be taken into account in future years' estimates.
- 6.4 The furlough scheme has now been extended with an expected end date of September 2021 which is expected to have an impact on taxpayers' ability to continue to pay. In addition, it is expected that there will be an increase in working age claimants for the Council Tax Reduction Scheme and the assumed resultant loss of income has been taken into account in setting the budget for 2021/22.

## **7 Financial Impact on BDBC of Covid-19 and Mitigating Actions**

- 7.1 As a result of the unprecedented impact of Covid-19, and in common across local government several actions were taken to mitigate the council's financial position. As previously reported, tighter controls on expenditure were put in place on non-essential or discretionary spending that could be deferred or not made at all.
- 7.2 Additionally, a recruitment freeze was put in place. However, exceptions were made to ensure that essential services can still be delivered, and key posts covered or recruited to.
- 7.3 Table 2 summarises the overall 2020/21 financial impact of Covid-19 on the council as at 31 March 2021 and has been reported to MHCLG through the regular data collection returns that local authorities must complete.
- 7.4 The full year cost pressure from Covid-19 in 2020/21 including specific grant funded expenditure was £1.18M as detailed in table 4.
- 7.5 The numbers noted in paragraph 7.4 above and table 4 for the Covid-19 financial impacts are compared to the original budget as this is the basis of reporting to MHCLG and for claiming of compensation for loss of Sales, Fees and Charges. It should also be noted that the previous quarterly reports excluded the circa £6.00M of specific grant funded expenditure as this was forecast to be fully spent so a nil impact on council finances.

## **Government Funding (To Date)**

- 7.6 Central government has provided support for local government through a variety of schemes and funding streams with new ones continuing to be announced. At present most of these schemes only provided support for 2020/21.
- 7.7 As noted in Table 3 above, £5.34M of funding has been received or allocated to date, £3.18M from direct funding to local authorities for expenditure losses and £2.16M coming from the income compensation scheme. Further new burdens funding of £0.61M has been received which amounts to a total of £5.95M. £0.05M of this was received and accounted for in 2019/20 and new grant of £0.81M has been allocated by the government for use in 2021/22.
- 7.8 The Income Compensation Scheme claim for April 2020 to November 2020 was based on actual income losses and resulted in a payment from government of £1.62M having been received in 2020/21. The return covering December 2020 to March 2021 was submitted in May 2021 and requests income compensation of £0.54M. As part of the Local Government Finance Settlement, a further period of April 2021 to June 2021 will be compensated under this scheme.
- 7.9 The position for future years will need to be kept under review with forecasts updated accordingly and as necessary additional management action may be required to mitigate any funding shortfalls. The financial impact will be reported through the quarterly budget monitoring reports in year.

## **Summary of Covid-19 Impacts By Service Area**

- 7.10 Table 4 shows the 2020/21 grants, expenditure and income by service area. Explanations for the significant variances are included in section 8 which provides reasons for variances over £0.02M.
- 7.11 A total expenditure of £1.37M, highlighted in light grey in the table, has been incurred within services, along with the reduced service income of £4.69M as a result of the Covid-19 pandemic. The remaining expenditure has been in relation to additional costs incurred linked to Covid-19 government initiatives and grants.
- 7.12 The overall net pressure is shown as £1.18M.

**Table 4 – Summary Covid-19 Financial Impact 2020/21**

<b>Portfolio</b>	<b>Service Area</b>	<b>Specific Grant Income 2020/21 £M</b>	<b>Additional Costs 2020/21 £M</b>	<b>Reduced Income 2020/21 £M</b>	<b>Net Impact Covid-19 2020/21 £M</b>	<b>Change Since Quarter 3 £M</b>
Leader	Emergency Planning	0.00	0.46	0.00	0.46	0.00
Leader	Emergency Planning	(0.78)	4.71	0.00	3.93	3.93
Homes and Families	Housing Benefits	(0.06)	0.36	0.00	0.30	0.30
Homes and Families	Homelessness	(0.07)	0.00	0.00	(0.07)	(0.07)
Planning, Infrastructure and Natural Environment	Building Control	0.00	0.00	0.12	0.12	(0.11)
Planning, Infrastructure and Natural Environment	Parks and Open Spaces	0.00	0.00	0.10	0.10	(0.01)
Planning, Infrastructure and Natural Environment	Planning Development	0.00	0.00	0.00	0.00	(0.08)
Planning, Infrastructure and Natural Environment	Public Transport Support To Operators	(0.08)	0.00	0.16	0.08	(0.08)
Finance and Service Improvement	Local Tax Collection	(0.00)	0.57	0.11	0.68	0.51
Finance and Service Improvement	NNDR Collection	(1.03)	1.04	0.00	0.01	0.01
Finance and Service Improvement	Elections	0.00	0.00	0.01	0.01	0.00
Borough Development and Improvement	Sports And Recreation	0.00	0.87	0.35	1.22	0.40
Borough Development and Improvement	Markets	0.00	0.00	0.03	0.03	0.00
Environment and Enforcement	Car Parking	0.00	0.00	2.19	2.19	(0.06)
Environment and Enforcement	Environmental Health Licensing	0.00	0.00	0.03	0.03	0.00
Environment and Enforcement	Household Residual Waste	0.00	0.00	0.00	0.00	(0.11)
Environment and Enforcement	Local Land Charges	0.00	0.00	0.00	0.00	(0.01)
Environment and Enforcement	Private Hire and Hackney Carriages	.000	0.00	0.05	0.05	0.00
Environment and Enforcement	Public Conveniences	0.00	0.02	0.00	0.02	0.00
Environment and Enforcement	Street Cleansing	0.00	0.01	0.00	0.01	0.01
<b>Net Cost Of Portfolio Services C/fwd</b>		<b>(2.02)</b>	<b>8.04</b>	<b>3.15</b>	<b>9.17</b>	<b>4.63</b>

**Table 4 – Summary Covid-19 Financial Impact 2020/21 (continued)**

<b>Portfolio</b>	<b>Service Area</b>	<b>Specific Grant Income 2020/21 £M</b>	<b>Additional Costs 2020/21 £M</b>	<b>Reduced Income 2020/21 £M</b>	<b>Net Impact Covid-19 2020/21 £M</b>	<b>Change Since Quarter 3 £M</b>
<b>Net Cost Of Portfolio Services B/fwd</b>		<b>(2.02)</b>	<b>8.04</b>	<b>3.15</b>	<b>9.17</b>	<b>4.63</b>
Business Units	Business Units	0.00	0.01	0.00	0.01	0.01
<b>Net Cost Of Services</b>		<b>(2.02)</b>	<b>8.05</b>	<b>3.15</b>	<b>9.18</b>	<b>4.64</b>
Investment Property Accounts	Industrial And Commercial (inc. the Malls)	0.00	0.00	0.92	0.92	0.55
Interest Investment Income	Interest and Investment Income	0.00	0.00	0.41	0.41	(0.01)
Interest Investment Income	Return on Manydown	0.00	0.00	0.21	0.21	0.00
Government Grants	Council Tax Hardship Funding Grant Income	(1.02)	0.00	0.00	(1.02)	(1.02)
Government Grants	Covid-19 LA Support Grant	(2.32)	0.00	0.00	(2.32)	0.00
Government Grants	BEIS Business Support Grant - ARG	(5.10)	0.00	0.00	(5.10)	(5.10)
Government Grants	Fees and Charges Support Grant	(2.16)	0.00	0.00	(2.16)	0.28
Government Grants	Emergency Assistance Grant	(0.13)	0.00	0.00	(0.13)	(0.13)
Government Grants	Clinically Extremely Vulnerable (CEV)	(0.27)	0.00	0.00	(0.27)	(0.27)
Government Grants	Council Tax - Income Tax Guarantee Scheme	(0.07)	0.00	0.00	(0.07)	(0.07)
Government Grants	Other (including new burdens grants)	(0.33)	0.00	0.00	(0.33)	(0.27)
Government Grants – unspent receipts in advance	Other – Local Restrictions Grant £0.05M and ARG £0.92M	0.97	0.00	0.00	0.97	0.97
<b>Corporate Income</b>		<b>(10.43)</b>	<b>0.00</b>	<b>1.54</b>	<b>(8.89)</b>	<b>(5.07)</b>
<b>Total Covid-19 Impact</b>		<b>(12.45)</b>	<b>8.05</b>	<b>4.69</b>	<b>0.29</b>	<b>(0.43)</b>
Carry Forward Grants		0.89	0.00	0.00	0.89	0.89
<b>Net Covid-19 Expenditure Shortfall</b>		<b>(11.56)</b>	<b>8.05</b>	<b>4.69</b>	<b>1.18</b>	<b>0.46</b>

## **8 Explanation of Final Outturn Revenue Variances (greater than £0.02M)**

### **Portfolio Services**

#### **Leader Portfolio – £0.58M favourable**

##### **Emergency Planning - £0.65M favourable**

- 8.1 This budget has been used to deal with approved spend in response to the emergency situation caused by Covid-19. Covid-19 related grant income, predominantly from central government was received during the course of the year through a variety of grant schemes. The proposal is that all this unspent grant be carried forward to be spend in 2021/22 as per the grant guidelines.
- 8.2 £0.26M has been spent on a variety of items including £0.10M on IT equipment to aid working from home and a further £0.10M on providing accommodation for the homeless. £0.20M in grant funding allocation was used to support local community and volunteer groups who provided emergency food parcels and other support to vulnerable residents in response to the Covid-19 pandemic. The funding was used to cover the purchase of food, volunteer expenses, the hire of premises and other additional costs incurred by these organisations to provide the emergency support.

##### **Corporate Management - £0.07M adverse**

- 8.3 Additional external audit fees of £0.06M have been accrued for relating to the 2019/20 accounts audit. This is based on a notification from Ernst and Young LLP as a result of a protracted and challenging audit of accounts and increases in auditing requirements since the audit contracts were awarded. At the time of writing this report, discussions with the Public Sector Audit Appointments Ltd (PSAA) to discuss the additional fees payable have yet to take place.

#### **Homes and Families Portfolio - £0.14M favourable**

##### **Homelessness - £0.21M favourable**

- 8.4 Additional income has been received to help cover the additional cost incurred in relation to Homelessness, the cost of which is included within the additional Covid-19 expenditure and has been offset by Emergency Planning.

##### **Housing Benefits - £0.11M adverse**

- 8.5 The council has an obligation to recover overpayments of Housing Benefit that occur from errors made by claimants. These come to light from information that the council holds compared to what is held by the DWP or HMRC about earnings and pensions. Our staff have access to that information via a controlled information sharing protocol which means that the discrepancies have reduced in value although they have increased in volume. Overall, this means that the expected level of overpayments to be recovered has reduced compared to that assumed in the budget.

- 8.6 In addition, the pandemic has meant that variations in claimant's income are much less than in previous years which has also reduced the occurrence and value of overpayments. Enforcement of debt was less pro-active during the pandemic therefore recovery was lower than expected. Universal Credit is now being paid to more working age claimants which reduces our claim volumes overall which in turn reduces overpayments.
- 8.7 Bed and breakfast usage increased during the Covid-19 pandemic due to the governments 'everyone in' scheme which instructed local authorities to rehouse all rough sleepers in emergency accommodation.

**Other Variances - £0.04M favourable**

- 8.8 Various other minor variances make up the residual variance amount.

**Planning, Infrastructure and Natural Environment Portfolio - £1.63M favourable**

**Planning Development - £1.13M favourable**

- 8.9 This part of the service was expecting to suffer a greater financial impact resulting from the pandemic, however continued investment into the property and construction sectors has meant that the income levels were not reduced as expected. Income from planning was greater than anticipated in quarters two and three and this trend continued further in quarter four with the year end position of overall income amounting to £1.11M which is £0.05M more than the original budget. In addition to this there were savings of £0.02M in expenditure on supplies and services which contributed to this favourable variance.

**Public Transport Support to Operators - £0.21M favourable**

- 8.10 The full year Covid-19 impact has been a significant reduction in income of £0.16M from the centre shuttle as a result of lower usage of the service both during periods of lockdown and in between. The lockdown during January, February and March 2021 meant there was no chance for any income to be recovered during quarter four. This was partially offset by Covid-19 support funding of £0.08M received from Hampshire County Council.
- 8.11 Throughout the pandemic the reduction in public transport usage and changes to services meant that overall savings were achieved following the removal of low usage journeys on the shuttle bus service as previously agreed and savings due to the amalgamation and re-routing of some other supported bus services. It should be noted that these cost savings have been achieved with a minimal impact on service users.

### **Building Control - £0.14M favourable**

- 8.12 When the budget rebasing exercise was carried out, building control income levels were expected to be much less than the original budget. Fee income over the first nine months of the year averaged just over 50% of what was originally budgeted. The final quarter of the year was forecast to remain at this level, although performed better with 35% of the year income coming during quarter four. The outturn has been that income has been £0.14M above the rebased income figure.

### **Planning Policy - £0.16M favourable**

- 8.13 The delay in commissioning some of the local plan evidence base studies, due to the availability of consultants and also in part due to the nature of some of the studies has resulted in a favourable variance of £0.16M. Those studies are still required so it is proposed that those funds not spent in 2020/21 are carried forward into 2021/22 so that those studies can be progressed.

### **Local Land Searches - £0.06M favourable**

- 8.14 The additional income from Land Charges represents the high numbers of property purchases which continued over the year as a direct result of the stamp duty exemption.

### **Parks and Open Spaces - £0.03M adverse**

- 8.15 Reduced levels of income from sport facilities fees and charges during the first half of the year was forecast to steadily improve during the second half of the year. The resurgence of the virus and subsequent action taken by the Government meant the second half of the year looked very similar to the first half, resulting in further losses of income with an inability to generate income while the facilities were closed.
- 8.16 The remainder of the variance relates to £0.02M of unachievable income from an approved budget proposal for charging parishes for play area maintenance.

### **Other Variances - £0.04M adverse**

- 8.17 Various other minor variances make up the residual variance amount.

### **Communities, Culture and Partnerships - £0.19M favourable**

#### **Community Safety - £0.09M favourable**

- 8.18 The council holds a budget for the council's contribution towards the cost of the Safer North Hants shared service. This council became the administering authority in October 2020 and are now charging a management fee and receiving contributions from Hart District Council and Rushmoor Borough Council towards the cost of the service. This has resulted in an in year saving of £0.09M. The signing of the legal agreement along with the agreement over allocation of this council's contribution towards the ending of the previous agreement was not finalised until late in 2020/21.

### **Arts & Heritage - £0.05M favourable**

- 8.19 Due to restrictions imposed on social gatherings and events as a result of Covid-19, as well as many community facilities were closed, the programme of activities was not able to proceed as planned and activities had to be cancelled.

### **Community Support & Development - £0.03M favourable**

- 8.20 The whole service area has been severely impacted by Covid-19 with national restrictions placed on community-based activities and limited ability to plan. The main element of underspend relates to the area supporting Children Young People and Families including support to organisations to provide out of school activities targeted at need, and ongoing uncertainty.

### **Events and Public Entertainment - £0.02M favourable**

- 8.21 Covid-19 and the various periods of lockdown and restrictions imposed by government caused the delivery of events and other public facing activities to be severely impacted. As a result, it was not possible to deliver the planned programme of events as anticipated so the budget was not spent.

### **Finance and Service Improvement - £0.62 favourable**

#### **Local Tax Collection - £0.44M favourable**

- 8.22 This variance is due to not having fully spent the £1.02M Council Tax Hardship fund grant received, which will be carried forward into 2021/22 to be used for the purpose it was granted.
- 8.23 The impact of Covid-19 meant that there was reduced income as a result of courts being closed. Recovery action and summonses recommenced in October 2020 but have been further affected by subsequent periods of lockdown. The actual level of income received was not known until the end of quarter four. This is slightly more favourable than forecast as a result of managing to take more cases to court than anticipated. Note that the overall impact compared to the original budget was reduced court cost income of £0.11M.

#### **Non-Distributed Costs – Pension - £0.10M favourable**

- 8.24 The 2020/21 budget included an amount of £0.12M to be paid to the pension fund to clear a small residual deficit following the last triennial pension fund valuation in 2019/20. Given that the economic impact of the Covid-19 pandemic is likely to impact the overall value of the pension fund, it would be prudent to re-evaluate this position following the next triennial valuation. Therefore, this payment was not made in 2020/21 resulting in a favourable variance.

#### **Elections - £0.06M favourable**

- 8.24 As a result of Covid-19 there has been a move away from the traditional paper-based approach to making greater use of technology. Savings on postage and delivery costs have been the result.

### **Democratic Representation - £0.04M favourable**

- 8.25 Saving on members allowances and training, travelling and refreshment costs as a result of Covid-19 pandemic and holding meetings virtually together with savings achieved due to not being to hold mayoral and civic events in person during 2020/21.

### **Other Variances - £0.02 adverse**

- 8.26 Various other minor variances make up the residual variance amount.

### **Borough Development and Improvement Portfolio - £0.84M adverse**

#### **Sports and Recreation – £0.91M adverse**

- 8.27 Due to government restrictions to deal with Covid-19 the leisure facilities operated by the leisure contract provider have been closed for significant periods of time during 2020/21.
- 8.28 As the event was 'unforeseeable' and directly attributable to the enforced closure and subsequent ongoing restrictions on opening by Government legislation, independent legal advice confirmed that a "qualifying change in law" under the contract was a valid basis for the request for financial relief for both the closure and restricted opening periods.
- 8.29 Financial support was therefore requested by the leisure contract provider to cover the period from April 2020 onwards, due to the facilities either having been closed during lockdowns or running at a loss while open due to government-imposed restrictions on the service they deliver. At quarter three conversations were ongoing with the leisure provider, these have now been finalised in relation to 2020/21.
- 8.30 An agreement has been reached to provide financial relief to the leisure provider for losses incurred during the periods of closure and the reopening periods, where operating at full capacity has not been possible due to government restrictions resulting in operational losses for the contract provider. In addition, the leisure contract payments due to the council during 2020/21 in relation to the Golf Centre and Tadley Swimming Pool were not received as part of the agreement with the leisure provider relating to losses incurred, following government imposed closures and restrictions as a result of Covid-19.
- 8.31 Delays in the delivery of the new fitness suite at Tadley Swimming Pool has resulted in an agreement with the leisure services provider that responsibility for the delay is shared by both parties resulting a contribution of £0.05M from the council to the leisure services provider. The variance is reduced because of the Leisure and Recreation Needs Assessment being delayed as a result of National Governing Bodies having furloughed staff. This work was 50% complete as at 31 March 2021, with the remainder of the work (£0.03M) to be completed early in 2021/22 and a carry forward has been requested for this purpose.

### **Top of the Town - £0.12M favourable**

- 8.32 A budget of £0.13M is held for Town Centre Strategy works. The programme of works was pushed back from the planned start at the end of 2020 to the beginning of 2021. This has resulted in delayed spend of £0.09M which will now take place in 2021/22. In addition to this, one off budget of £0.03M which was to support the 5G Living Lab will now not take place during the year and will be incurred in 2021/22.

### **Markets - £0.04M adverse**

- 8.33 This is a result of reduced income due to the lockdown resulting in only essential food traders being allowed to continue as a service to the public and this reduced the number of market traders operating.

### **Other Variances - £0.01M adverse**

- 8.34 Various other minor variances make up the residual variance amount.

### **Environment and Enforcement Portfolio - £0.31M adverse**

#### **Household Residual Waste - £0.15M favourable**

- 8.35 Although the garden waste and bulky services were suspended for a period of 10 weeks between late March and early June 2020 during the initial period of lockdown, both services have seen an increase in use since they resumed. There has been an increase in green waste service users to over 14,700. There has also been a significant increase in the use of bulky collections. Both services have run as normal since, with income levels exceeding expectations and consequently income was in line with the original budget by the end of the year.

#### **Cemeteries - £0.09M favourable**

- 8.36 Although a reduction in income was forecast when the budget was rebased in October 2020, income is currently at a similar level to the same period last year. The popularity of the new niches is having a positive impact on the income.

### **Environmental Health Licensing - £0.06M favourable**

- 8.37 Licencing income levels have increased due to the number of licence renewals being higher than anticipated. It was expected that many premises would not renew their entertainment licences however due to a change in the Business and Planning Act, whereby the need to apply for planning permission for "change of use" was waived, businesses were able to stay open during lockdown to provide takeaway services and were able to continue to operate albeit on a limited basis.

### **Private Hire & Hackney Carriages - £0.04M favourable**

- 8.38 This sector was significantly impacted by the first lockdown at the beginning of 2020/21 and has not substantially recovered since. The impact has been less licenses purchased and a reduction in income. This has been countered by a small reduction in expenditure in relation to driver checks and assessments.
- 8.39 A prudent approach was taken in rebasing the budget for 2020/21, with the actual income being more favourable than this assumed position.

### **Car Parking - £0.62M adverse**

- 8.40 As a result of the various lockdowns during the year, income levels from car park use, season tickets and penalty charge notices have reduced considerably. These have all contributed to the reduction in income generated. The governments Sales, Fees and Charges (Income Compensation Scheme) has however allowed 72.25% of these losses to be recovered which is reported under Government Grants.
- 8.41 The year end position is slightly better than forecast at quarter three with car parking income during the lockdown in quarter four performing slightly better than during the first lockdown.

### **Other Variances - £0.03M adverse**

- 8.42 Various other minor variances make up the residual variance amount.

### **Regeneration and Property - £0.09M adverse**

#### **Manydown MHCLG Studies - £0.08M adverse**

- 8.43 In quarter three a carry forward request was made to defer and transfer £0.54M of costs into the MTFS Risk Reserve to be released into 2021/22. As a result of rephasing of some of the Manydown South work more has happened in the final quarter than originally anticipated which is work that is required for the next round of submissions to the Local Planning Authority. As a result, the costs were £0.12M higher. Part of this has been funded by Society of Merchant Venturer's (SMV) agreeing to cover some of the joint project costs £0.04M, the balance being £0.08M.

#### **Other Variances - £0.01M adverse**

- 8.44 Various other minor variances make up the residual variance amount.

**Holding and Agency Accounts - £0.15M favourable**

**Vehicles - £0.08M favourable**

- 8.45 Less grass cutting than usual took place during the year as a result of COVID-19, leading to a one-off in year saving, combined with a number of vacant posts during 2020/21 and the new agreement with Hart District Council not having been finalised which meant full contract participation was not possible.

**IT Hardware & Software Maintenance Costs - £0.07M favourable**

- 8.46 The largest factor in this underspend is reduced print works as a result of Covid-19 with limited events taking place through 2020/21. In addition the closure of the Deanes building and the restricted number of staff on site reduced the use of printing and photocopying.

**Agency – BDBC Parking Control - £0.06M favourable**

- 8.47 Income from on-street Parking Control Notices has exceeded the rebased budget expectation.

**Agency – Highways - £0.06M favourable**

- 8.48 Additional income received here is offset by additional expenditure relating to staffing costs under business units.

**Agency – Hart Street Cleansing - £0.04M favourable**

- 8.49 This variance is a result of the new contract agreement with Hart District Council having been partially implemented during the year therefore there was less expenditure in this area.

### **Council Offices - £0.04M favourable**

- 8.50 A combination of underspends and additional income which has been partially offset by higher than budgeted costs on rates and recharges all a result of working arrangement being very different this year as a result of Covid-19. Useful to have some detail on this please

### **Agency - BID - £0.03M adverse**

- 8.51 This variance relates to the accounting treatment of the central recharge, with a favourable variance for the same amount being reflected in Business Rates.

### **Agency – Hart Grounds Maintenance - £0.06M adverse**

- 8.52 The shared service agreement with Hart District Council was due for renewal in April 2020, at the point of setting the 2020/21 budget the agreement had not been finalised, meaning the estimate made when setting the budget was different from the final position.

### **Other Holding Accounts - £0.10M adverse**

- 8.53 Due to rephasing of the Manydown North Project the level of activity and the associated costs anticipated as being recoverable from MGC LLP and MDV LLP was considerably lower and as a result income was lower than budgeted.

### **Business Unit Accounts - £0.04M adverse**

- 8.54 There are various over and under spends across the authority as a result of staffing changes during the year, with staff movement during quarter four resulting in an adverse movement of £0.02M between the quarters three forecast and the outturn position.

### **Investment Property Accounts - £0.38M favourable**

#### **Manydown Development - £1.30M favourable**

- 8.55 In signing the contracts for the Manydown Joint Venture, upfront costs incurred by the council have been reimbursed totalling £1.23M. The balance of £0.07M is as a result of a tighter tight control on project fees resulting in lower support costs on section 106 and a successful mediation with the provider of the Master planning works. BDBC also recovered a higher amount from HCC as staff time allocated to Manydown North was higher than anticipated.

#### **Basing View Regeneration - £0.13M favourable**

- 8.56 Of the overall variance, £0.05M relates to two items. Delays in making the section 106 contribution to HCC in relation to Norn Hill junction underpass, which has come about as a result of it taking longer than originally anticipated for HCC to confirm the section 106 position. The time frame for consultancy work currently ongoing in relation to other sites in Basing View has proved to be overly optimistic, resulting in spend now taking place in early 2021/22.
- 8.57 There is additional interest income of £0.08M from the contractor in relation to the new Eli Lilly building.

### **Leisure Park - £0.06M favourable**

- 8.58 The variance relates to reduced spend on the Leisure Park in the year as a result of the development not progressing at the speed previously anticipated. This has come about as a result of the developer experiencing financial challenges as a result of Covid-19 as its portfolio comprises retail and leisure (pubs), two of the sectors most affected. They deployed a cash conservation strategy which meant they did not have the ability to progress the project. In addition to this, some of the work previously expected to be carried out by consultants, was progressed in house.

### **Manydown Development Phase 2 - £0.03M favourable**

- 8.59 A lower than forecast recharge of staff costs from HCC and a higher allocation of BDBC staff time has led to a higher recovery of costs from HCC, the overall net effect is a lower net cost from that forecast at quarter three.

### **Property Investment Strategy - £0.15M adverse**

- 8.60 £0.13M relates to a delay in the completion of new Eli Lily building combined with a change in the accounting treatment for the total rent due for the site over the length of the lease. In addition, a tenant vacated units 1 to 4 Armstrong Road resulting in reduced income of £0.02M.

### **Industrial & Commercial - £0.45M adverse**

- 8.61 £0.24M of this variance is due to reduced property rental income. This reflects the net impact of rent reviews and changes in occupation for various sites and units across the property portfolio.
- 8.62 The remaining £0.21M adverse variance is due to reduced income of £0.05M on legal and surveys fees, as a result of the ongoing impacts of Covid-19. As well as additional costs of £0.16M in relation to maintenance, business rates and professional fees for property investments. It is not possible to be 100% certain that this is all a result of Covid-19, but given the current climate it is the most likely reason for tenants choosing to leave properties when contracts come to the end.

### **The Malls - £0.54M adverse**

- 8.63 The variance is due to an increase of £0.55M in the allowances for doubtful debts which are assessed in year, before the provision is made at year end. The provision has increased mainly due to the impact of Covid-19 and lockdowns, which have particularly affected the retail sector during 2020/21.

### **Interest and Investment Income - £0.28M favourable**

- 8.64 There was a shortfall of £0.48M compared to the original budgeted income for 2020/21 which was reflected in the rebased budget. Estimates for the amount of income to be received during the year had been set prior to the onset of the Covid-19 pandemic which resulted in a dramatic reduction in interest rates to all-time low levels. The council's short-term investments were particularly affected by the fall in interest rates and these accounted for £0.29M of the reduction in income compared to the original budget.
- 8.65 Since the rebased budget, average balances remained higher than forecast earlier in the year along with returns on the council's property fund investment also being higher than originally forecast which has resulted in a favourable outturn variance.

### **Return on Manydown - £0.05M adverse**

- 8.66 The return on the Manydown in the form of interest from the C loan notes for the land purchase was set at £0.20M originally, but with the land acquisition delayed until 2021/22 instead of half way through 2020/21 no income was received from the C loan notes during 2020/21.

### **Business Rates Income - £0.77M favourable**

- 8.67 The council's retained income from business rates was £4.42M after transferring £11.94M to the Business Rates Reserve. This was £0.77M additional income compared to the budget of £3.65M. No transfer to or from the reserve had been budgeted for in 2020/21. The transfer to reserves has been necessitated due to Covid-19 and the accounting regulations.
- 8.68 In 2020/21 the actual amount of business rates collectable was significantly less than estimated mainly due to Covid-19 relief schemes announced by government. This resulted in a deficit for 2020/21 which, under the regulations, is required to be carried forward to be accounted for in future years. Removing the deficit created by the application of reliefs resulted in an artificially higher level of rates income for the year (before any transfer to reserves).
- 8.69 The additional income is being offset by the corresponding transfer to the reserve to be used as required in future years to help offset the deficit amount carried forward and to smooth any other fluctuations caused by the general volatility of business rates income.
- 8.70 Therefore, this has resulted in the council's total retained income of £4.42M. The balance in the reserves has increased to £13.4M although it is expected that the majority of this will be required to be used in 2021/22.

### **Government Grants - £1.04M favourable**

- 8.71 The council received significantly more grant income from central government than in previous years as a result of Covid-19. Many of these grants were ringfenced for specific purposes but there were also three tranche payments to aid the council with additional pressures as well as the New Burdens funding and income recovery through the Sales Fees and Charges (Income Compensation Scheme).
- 8.72 The full extent of grant income was only partially known when the budget was rebased meaning further funding has been received since that had not been budgeted for. See table 3 for the full list of grant income allocated to be received.
- 8.73 Covid-19 Government grants totalling £5.95M were received or notified during 2020/21. £3.18M in direct revenue funding to cover additional pressures related to Covid-19, £2.16M from the Fees and Charges Support grant (£1.63M has been received and the remaining £0.53M is forecast awaiting but not yet confirmed) and £0.61M is New Burdens funding.
- 8.74 A total of £2.36M has been received through four direct revenue funding contributions from government since the pandemic began, with a further payment of £0.81M due in 2021/22. The first contribution of £0.05M was received in 2019/20 and three further contributions totalling £2.31M received in 2020/21.
- 8.75 The government's Sales, Fees and Charges scheme (income compensation scheme) has compensated the authority for lost income during the first eight months of the year totalling £1.63M. A claim for the last four months of 2020/21 has been submitted, requesting £0.53M, for which confirmation has not yet been received. A fourth claim will be submitted in the new year to cover losses incurred during the first four months of 2021/22.
- 8.76 New Burdens funding of £0.61M relating to Covid-19 was received during 2020/21.

### **Executive Commitments – £0.74M favourable**

- 8.77 Executive commitments and the East of Basingstoke Natural Environment Masterplan, totalling £0.96M, were approved for spend in 2020/21, £0.66M of which was one-off funding. Due to the impact of Covid-19 and subsequent council decisions none of these commitments were completed in 2020/21. The rebased budget reduced the 2020/21 budget to £0.22M, of which £0.13M was spent in year. Table 5 below summarises the commitments.

**Table 5 – Summary of Executive Commitments**

<b>Executive Commitment</b>	<b>2020/21 Approved Budget £M</b>	<b>2020/21 Rebased Budget £M</b>	<b>Actual Spend 2020/21 £M</b>	<b>Actual Underspend 2020/21 £M</b>	<b>One-off / Ongoing Budget</b>
Town Centre Strategy	0.30	0.16	0.07	(0.09)	One-off
Basingstoke Gateway Strategy	0.10	0.04	0.04	0.00	Ongoing
Safer and more connected communities - increase in front line services to directly support communities to feel safe and resilient	0.10	0.02	0.03	0.01	Ongoing
Borough Regeneration Funded from Reserves	0.25	0.00	0.00	0.00	One-off
East of Basingstoke	0.11	0.00	0.00	0.00	One-off
Councillor Ward Grant Scheme	0.10	0.00	0.00	0.00	Ongoing
<b>Total</b>	<b>0.96</b>	<b>0.22</b>	<b>0.13</b>	<b>(0.09)</b>	

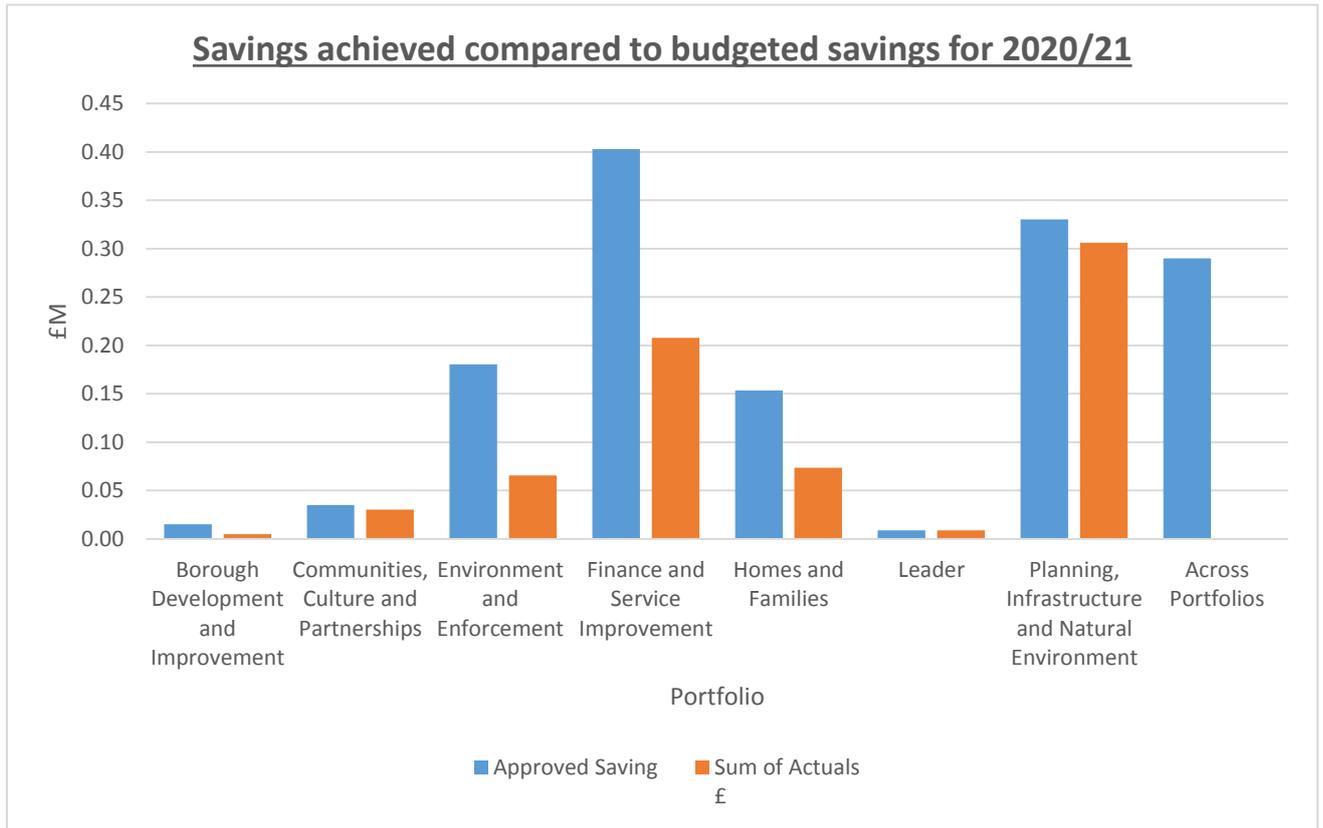
**Recruitment Freeze - £0.63M favourable**

- 8.78 Vacant posts were reviewed earlier in the year and the forecast allowed for a vacancy freeze, except in specific circumstances. Posts currently filled by existing agency staff have also been reviewed with savings possible from reprioritising work.
- 8.79 The vacancy freeze for 2020/21 produced £0.63M in net savings and originally applied to 13.79 full time equivalents out of a total establishment of 576.5. This equates to 2.39% of establishment posts and reflects the posts that were agreed to be held vacant during 2020/21. Three of these posts were filled for a period of time due to demands on workload.
- 8.80 There were other vacancies in essential service areas which were filled to support service delivery.

**9 Savings Position 2020/21**

- 9.1 The original 2020/21 approved revenue budget for 2020/21 (by council in February 2020) included newly identified savings of £1.42M. 49% of these savings have been achieved (£0.70M), meaning 51% (£0.72M) has not been achieved, predominantly as result of the impact of Covid-19. Explanation for the variances are shown below. The impact of not achieving all savings has been reflected in the rebased 2020/21 budget and the ongoing impact has been considered as part of setting the budget for 2021/22 and the updated MTFS. Chart 1 below shows the achievement of savings by portfolio.

**Chart 1 – Savings Achievements 2020/21**



**Savings Variance Explanations (greater than £0.02M):**

**Environment and Enforcement Portfolio - £0.12M adverse**

**Car Parking - £0.10M adverse**

- 9.2 In relation to Sunday parking charges and the removal of the free hour, a decision was taken to temporarily suspend the increase in charges as a result of Covid-19. The new changes did however come into effect from the beginning of August 2020.
- 9.3 A proposal to increase income by 5% for season tickets was not realised due to a considerable reduction in the number of people purchasing season tickets. A one-off increase in income from advertising on the reverse of the parking tickets was also not achieved due to the number of tickets being sold in the car parks being much lower than anticipated.

**Public Conveniences - £0.02M adverse**

- 9.4 Originally planned to consider future options for the public conveniences in parish areas following the local elections. This work is now expected to be implemented in 2021/22.

## **Finance and Service Improvement Portfolio - £0.20M adverse**

### **Customer Services Business Unit – Creation of Digital Enabling/Services Team - £0.05M adverse**

- 9.5 These savings were to be achieved as part of a wider restructure of Customer Services. This review will be undertaken in 2021/22.

### **Accountancy Business Unit – Additional accountancy support for Manydown Project including charge to Manydown Garden Communities LLP - £0.05M adverse**

- 9.6 Accountancy support to the Manydown project was due to be provided by the council, however the council is not currently in a position to provide this support. The proposed saving of £0.03M and the anticipated income generated from Manydown Garden Communities LLP of £0.02M was also not achievable.

### **Council Tax Collection - £0.04M adverse**

- 9.7 An increase in Council Tax court cost income was proposed however this has not been achievable due to the temporary suspension of debt recovery action as a result of Covid-19.

### **Business Rates Income - £0.03M adverse**

- 9.8 An increase in the income for Business Rates by using the Analyse Local services was proposed but this was dependant on active debt recovery processes. Debt recovery through the Covid-19 response has been restricted by Government guidance. The process will now begin fully again. As a result, the saving was not achieved in 2020/21.

### **Other Variances - £0.03M adverse**

- 9.9 Various other minor variances make up the residual variance amount.

## **Homes and Families - £0.08M adverse**

### **Housing Benefits - £0.08M adverse**

- 9.10 This is due to changes in the Housing Benefit overpayment collection process as a result of the moratorium in spend that was put in place during 2020/21 as a result of Covid-19.

## **Planning, Infrastructure and Natural Environment Portfolio - £0.02M adverse**

### **Play Areas – Street Care - £0.02M adverse**

- 9.11 It was originally planned to introduce fees for carrying out Parish Play Area inspections following the local elections; however, this will now not happen until 2021/22 and therefore the anticipated income as a result of this was also delayed.

## **Across Portfolios - £0.29M adverse**

### **General Savings - £0.24M adverse**

- 9.12 Council approved a saving of £0.24M in February 2020 linked to the review of the operating model of the council, including structures, pay and benefits and the impact of the council wide transformation programmes. Due to Covid-19, and redeployment of resources the work to achieve this saving has only just commenced. Therefore, the saving has not been achieved in 2020/21.

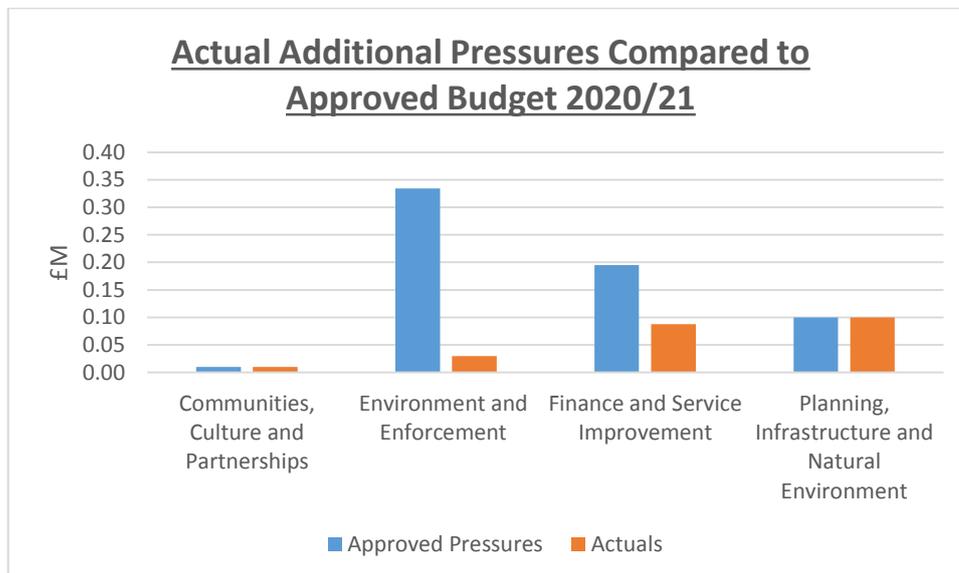
### **Procurement Savings - £0.05M adverse**

- 9.13 Recruitment of a fixed term twelve-month contract for a project officer approved by Council in February 2020 was delayed due to Covid-19. The role is to undertake a full review of the council's procurement and contract activity with a view to making longer term financial savings. As a result of the delay of the recruitment, which completed in August, the full year procurement saving was not made in 2020/21. This is partially offset by the savings realised by the delay in recruitment.

## **10 Additional Pressures Position 2020/21**

- 10.1 The original 2020/21 approved revenue budget for 2020/21 (by council in February 2020) included newly identified pressures of £0.64M. 47% of these pressures were required (£0.30M), meaning 53% (£0.34M) were not, predominantly as result of the impact of Covid-19. Explanation for the variances are shown below. The impact of not achieving all the savings target is reduced to £0.38M by the savings on approved pressures. Chart 2 below shows the spend against approved pressures by portfolio.

**Chart 2 – Additional Pressures 2020/21 Outturn position**



## **Additional Pressures Variance Explanations (greater than £0.02M):**

### **Environment and Enforcement Portfolio - £0.34M favourable**

#### **Cemeteries - £0.05M favourable**

- 10.2 In relation to Sunday parking charges and the removal of the free hour, a decision was taken to temporarily suspend the increase in charges as a result of Covid-19. The new changes did however come into effect from the beginning of August 2020.

#### **Recycling - £0.25M favourable**

- 10.3 This relates to two pressure bids for loss of glass recycling credits and the loss of dry mixed recycling income pressed through the Material Recovery Facility. These actions are dependent on HCC, who are now planning to action them in 2021/22.

### **Finance and Service Improvement - £0.02M favourable**

#### **Procurement - £0.02M favourable**

- 10.4 The additional pressure was budgeted to be £0.04M for an extra member of staff within the procurement team, however due to the recruitment freeze this post was not filled until halfway through the year, meaning the additional budget was only partially spent in 2020/21.

## **11 2020/21 Budget Virements 1 January 2021 to 31 March 2021**

- 11.1 To allow for the proper management of budgets, the council's financial regulations allow for budget transfers (virements). Budget virements are processed for a number of reasons including release of council reserves, managing the financial impacts of operational changes and increasing budgets following additional grant funding being received.
- 11.2 Portfolio service budgets were decreased by £1.09M during quarter four, as a result of adjustments in the way Covid-19 grant income was accounted for following new guidance issued and some funds being returned to reserves. Table 6 below provides a summary of the virements actioned.

**Table 6 – Summary of Budget Virements 1<sup>st</sup> January 2021 to 30<sup>th</sup> March 2021**

<b>Description</b>	<b>£M</b>
Portfolio Services	(1.09)
Business Units	(0.27)
Trading Accounts	(0.42)
Grant Income	0.55
Reserve Movements	1.23
<b>Net Movement</b>	<b>0.00</b>

## **Explanations for Virements greater than £0.05M**

### **Portfolio Services - £1.09M Decrease**

#### **Leader Portfolio - £0.49M (increase from grants)**

##### **Emergency Planning - £0.49M Increase**

- 11.3 A number of virements have been posted relating to grant income received from central government for targeted support in relation to the impact of Covid-19.

#### **Finance and Service Improvement Portfolio - £1.05M Decrease**

##### **Business Rates - £1.03M Decrease**

- 11.4 £1.03M relates to the Discretionary Business Rates grant which was received during quarter one, however following additional advice as to how this should be accounted for, an adjustment has been made to account for the income within the service budget rather than within corporate grant income.

##### **Other Adjustments - £0.02M Decrease**

- 11.5 Various other minor budget adjustments make up the residual amount.

#### **Regeneration and Property Portfolio - £0.54M Decrease**

##### **Manydown - £0.54M Decrease**

- 11.6 £0.54M has been transferred back into the MTFS Risk Reserve in 2020/21 to be utilised in 2021/22 in relation to the slippage on the Manydown Capacity funding activity as detailed and approved by Council in March 2021.

##### **Other Portfolio - £0.01M Increase**

##### **Other Adjustments - £0.01M Increase**

- 11.7 Various minor budget adjustments make up the residual amount.

#### **Business Units - £0.27M Decrease**

- 11.8 £0.28M has been returned to the transformation reserve, as a result of salary and external project management costs being capitalised. The remaining £0.01M relates to New Burdens grant funding used to cover additional Environmental Health staffing costs.

#### **Trading Accounts - £0.42M Decrease**

- 11.9 £0.42M has been transferred back into the Manydown Housing Reserve as a result of project savings, as detailed and approved by Council in March 2021.

#### **Grant Income - £0.55M Decrease**

A number of accountancy adjustments were undertaken at year end following additional guidance having been received in respect of the accounting treatment for Covid-19 grants that had been received earlier in the year.

## **Reserve Movements – net £1.23M to reserves**

### **Return to Reserve - £1.23M**

- 11.10 The £1.23M return to reserves has arisen from £0.54M being returned to MTFs Risk Reserve and £0.42M to the Manydown Housing Reserve as noted in the quarter three report and in paragraphs 11.6 and 11.9 above. £0.28M was transferred back to the Transformation Reserve as per paragraph 11.8 above and the balance of £0.01M for other minor budget adjustments.

### **12 Legal Implications**

- 12.1 There are no legal implications arising from this report.

### **13 Financial Implications**

- 13.1 This report is about the overall financial position of the council and the impact that C-19 has had already and the likely future considerations. There are therefore no additional implications that are not covered by the report and its recommendations.

### **14 Risk Management**

- 14.1 A risk assessment has been completed in accordance with the council's risk management process and has identified no significant (Red or Amber) residual risks that cannot be fully minimised by existing or planned controls or additional procedures.
- 14.2 Risk implications are included within the report.

### **15 Equalities Implications**

- 15.1 Consideration has been given to the implications of the financial information in this report for the protected characteristics groups and the Public Sector Equality Duty. No equalities issues or differential impacts for any groups have been identified.

### **16 Consultation and Communication**

- 16.1 There is no requirement for consultation on the contents of this report.

### **17 HR Implications**

- 17.1 There are no HR implications arising from this report.

### **18 Climate Change Implications**

There are no implications in this report that will impact on climate change. Future spend implications on actions to tackle climate change will be considered as these are brought forward.

## **19 Conclusions and Summary**

- 19.1 The financial year 2020/21 has been like no other and due to the changing national picture in relation to the impact of the Covid-19 pandemic, it has been difficult to accurately forecast the impact on income expenditure. The numerous funding mechanisms from Government eg emergency grants, specific grants, passported grants to business, income loss schemes, tax compensation scheme have resulted in a complex set of management accounts being reported, with many variables making up the bottom line.
- 19.2 Control measures put in place such as the moratorium on non-essential spend, the pause on non-essential recruitment and the rebasing of the budget have helped reduce the pressure on the council's finances, along with further funding support from central government.
- 19.3 Whilst the 2021/22 budget is balanced, uncertainty still exists for the next financial year with infection rates, the impact of different variants and the success of the roll out of vaccines not clear with further uncertainty on the timing and impact of lockdown measures easing.
- 19.4 A base budget review is being undertaken to review the assumptions and data that was used to set the 2021/22 budget with particular focus on the ability to deliver previously agreed savings, the current position following 2020/21 outturn and the latest forecasts and assumptions as quarter 1 of 2021/22 comes to a close.

## **20 Options Considered and Rejected**

- 20.1 No other options have been considered.

**Date: 6 July 2021**  
**Decision taken by: Cabinet**  
**Date: 15 July 2021**  
**Decision taken by: Council**

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<b>Version</b>	Final
<b>Dated</b>	18 June 2021
<b>Status</b>	Open
<b>Confidentiality</b>	It is considered that information contained within this report and appendices do not contain exempt information under the meaning of Schedule 12A of the Local Government Act 1972, as amended, and therefore can be made public.

**Joint Manydown Committee – Final Outturn Position - Draft**

	<b>Original 2020/21 Budget £</b>	<b>Q3 Reforecast 2020/21 Budget £</b>	<b>2020/21 Actuals £</b>	<b>2021/22 Budget £</b>
<b>Expenditure</b>				
Land Management fee <sup>1</sup>	11,500	11,500	38,493	20,000
Professional fees Re rent review and land management <sup>2</sup>	0	67,900	60,440	48,000
Tree Works and Maintenance <sup>3</sup>	7,000	0	(7,000)	7,100
Ground Rent	0	0	10	0
Subscriptions <sup>4</sup>	0	100	102	100
<b>Expenditure Sub Total</b>	<b>18,500</b>	<b>85,900</b>	<b>92,045</b>	<b>75,200</b>
<b>Income</b>				
Wayleave/Phone masts/Licences <sup>5</sup>	(2,400)	(2,400)	(13,146)	(2,400)
Farm Business tenancy <sup>6</sup>	(176,200)	(176,200)	(193,096)	(152,900)
<b>Income Subtotal</b>	<b>(178,600)</b>	<b>(178,600)</b>	<b>(206,242)</b>	<b>(155,300)</b>
<b>Net (Income)/Expenditure<sup>7</sup></b>	<b>(160,100)</b>	<b>(99,100)</b>	<b>(114,197)</b>	<b>(80,100)</b>

## Notes to Above

<sup>1</sup> Land Management from HCC was replaced with a combination of HCC/BDBC Legal fees and BDBC Staff costs in 2020/21. This total cost includes for internal land management costs of £18,029, Internal legal support for the rent review of £14,349, Arbitrator fees £1,115 and potential farmer compensation claims for lost income of £5,000.

<sup>2</sup> An external consultant was utilised to complete the rent review as well as perform a full lease holding review of the Farm Business Tenancy. This is an activity that was previously performed by HCC staff, however, due to their limited resources, additional temporary resources were brought in to undertake the work.

<sup>3</sup> No Tree maintenance was performed during this year or last so the accrual for expected fees via HCC for previous financial year 2019/20 were released.

<sup>4</sup> The subscription paid in year covered the online filing system for VAT which is needed to comply with the change in VAT filing rules. This will be an ongoing annual cost but was not known at time of budgeting.

<sup>5</sup> The Manydown Company have advised of additional equipment being added to the Mast at Worting wood and as a result additional income was provided totalling £7,279 (Backdated for 12 years), the Councils proportion of the normal rent for the mast at Worting Wood is £2,366. In addition, two access licences were processed for EE and MDV LLP totalling £3,500.

<sup>6</sup> Farm Business Tenancy rent review is still being resolved but at year end we had a minimum rent position expected at £210,000 for the full year, as the rent is paid 6 months in arrears and the review was due Sept 2020 an accrual for 50% of the uplift was included at year end.

<sup>7</sup> Net income is shared equally between BDBC and HCC