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## 2021/22 Revenue Budget Monitoring Report for the Period Ending 30 September 2021

Executive Portfolio Holder: Peter Seib, Finance and Legal Services  
SLT Lead: Karen Watling, Chief Finance Officer  
Lead Officers: Paul Matravers, Lead Specialist – Finance  
Hannah Brown, Specialist - Finance  
Contact Details: [paul.matravers@southsomerset.gov.uk](mailto:paul.matravers@southsomerset.gov.uk) or 01935 462275  
[hannah.brown@southsomerset.gov.uk](mailto:hannah.brown@southsomerset.gov.uk) or 01935 462473

### Purpose of the Report

1. The purpose of this report is to seek Council's approval for Revised Estimates for the 2021/22 revenue budget based on quarter two actuals and forecasts of the year end position.

### Public Interest

2. This report proposes Revised Estimates for this financial year based on revenue budget variations estimated for the 2021/22 financial year. It gives an explanation of the significant key variances and why budgets therefore need to be amended. It also incorporates the continuing impact that Covid-19 is having on the Council finances.
3. Maintaining the financial health and resilience of the organisation is important to ensure the ongoing delivery of priority services within our community. The Council also has a legal obligation to set and maintain a balanced revenue budget position.

### Recommendations

4. That Full Council:
  - a. Approve Revised Estimates for the 2021/22 revenue budget as shown in Table One and as described in paragraphs 9 to 33 in this report.
  - b. Approve the deletion and the consequential movement of reserve balances as set out in Table Five.
  - c. Note the forecast year end reserves position shown in Appendix B and described in paragraphs 56 and 57.

### Background

5. The 2021/22 original net budget of £16.743m was approved by Council in February 2021. This represents the financial plans that the Executive manages, under their



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delegated authority and in accordance with the Financial Procedure Rules. All of the Council's income and expenditure has a responsible budget holder.

6. The Quarter One revenue budget monitoring report advised that the Chief Finance Officer, along with the Finance and Senior Leadership Teams were to undertake an in depth review of the 2021/22 budget as it has become apparent that some projects that were either grant or reserve funded have not been budgeted to show the gross expenditure and income. Although this does not affect the bottom line position, it is important that there is transparency and that the budget fully reflects the use of resources and shows the scale of expenditure being incurred.
7. The Finance team have worked with budget holders and reviewed areas where budget pressures have become apparent. The review involved, where necessary, realigning some historic budgets to reflect current spend and income patterns and identifying additional budget requirements where spend or income is projected to be significantly different from the approved budget.
8. The revised estimates proposed in this report will ensure that the Council has a robust budget which will feed into the updated Medium Term Financial Plan and the budget work that is required for Local Government Reorganisation in Somerset.

### Summary of the Current Financial Position and Revised Estimates

9. This report covers the period 1 April to 30 September and a summary of the year to date budget position is shown below in Table One, analysed by categories of expenditure and income. The table also provides a forecast outturn for 2021/22. It is proposed that the forecast outturn is approved as the Revised Estimate for the year.
10. As at the end of September 2021 the forecast revenue budget position is an **under spend** at year end of **£543,900**, which is a **3.18% variance**.

**Table One: 2021/22 Year to-date figures and Forecast Outturn**

	Year to date - April to September 2021				Forecast Outturn 2021/22		
	Budget	Actual	Variance		Budget	Forecast	Variance
<b>Expenditure</b>							
Employees	£9,496,143	£9,230,774	(£265,369)	97%	£18,313,140	£19,380,020	£1,066,880
Premises	£1,813,010	£1,869,908	£56,898	103%	£3,014,930	£3,325,720	£310,790
Transport	£429,328	£317,763	(£111,565)	74%	£1,015,780	£913,230	(£102,550)
Supplies & Services	£4,219,641	£4,060,030	(£159,611)	96%	£7,389,980	£7,828,820	£438,840
Third Party Payments	£4,006,560	£4,008,947	£2,387	100%	£8,059,410	£8,376,910	£317,500
Housing Benefits payments	£11,985,180	£12,372,557	£387,377	103%	£24,660,360	£24,688,360	£28,000
Capital Financing	£80,500	£30,235	(£50,266)	38%	£2,841,320	(£257,120)	(£3,098,440)
Revenue Reserve transfers	(£190,530)	(£235,255)	(£44,725)	123%	£1,558,300	£1,791,370	£233,070
	£31,839,831	£31,654,957	(£184,874)	99%	£66,853,220	£66,047,310	(£805,910)
<b>Income</b>							
Government grants	(£13,153,748)	(£14,484,357)	(£1,330,609)	110%	(£26,400,120)	(£27,510,120)	(£1,110,000)
Other grants and contributions	(£280,415)	(£989,926)	(£709,511)	353%	(£1,165,700)	(£1,400,350)	(£234,650)
Sales	(£1,044,351)	(£887,435)	£156,916	85%	(£2,046,660)	(£1,769,090)	£277,570
Fees and charges	(£9,365,668)	(£9,447,621)	(£81,953)	101%	(£17,984,630)	(£16,830,550)	£1,154,080
Investment income	(£537,060)	£757,887	£1,294,947	-141%	(£2,148,240)	(£1,973,230)	£175,010
	(£24,381,242)	(£25,051,451)	(£670,209)	103%	(£49,745,350)	(£49,483,340)	£262,010
<b>Net Budget</b>	<b>£7,458,590</b>	<b>£6,603,506</b>	<b>(£855,083)</b>	<b>89%</b>	<b>£17,107,870</b>	<b>£16,563,970</b>	<b>(£543,900)</b>

(Variance column: bracketed figures = underspend / surplus income, unbracketed figures = overspend / income shortfall)

11. Managers have provided a forecast of expenditure and income for the year for their service area as part of their management responsibilities and in line with good financial management and financial procedures rules. This report is a high level summary of the exceptions (budget variances) that managers have forecast. The key variances from the Original Budget approved by Council in February 2021 are explained below along with the rationale for using the forecasts as the basis for the Revised Estimate.

### Employees

12. As reported in Quarter One, employee costs are expected to overspend the current approved budget due to the difficulties being experienced by some services, namely Building Control and Development Management, to recruit suitably qualified staff.
13. As a result, these services are currently reliant on the use agency staff and this is at a premium cost. This is an issue facing other authorities and is not specific to the Council. Service Managers are planning a recruitment drive to attract professionals to the authority. But this is not expected to materially make a difference in this financial year and therefore it is proposed that the original staffing budget is increased by £1.066m to reflect the reality of the situation and to ensure continuity of service delivery.

### Premises

14. An increase to the original budget is required as, at the 30 September; there is a forecast overspend due to additional business rate expenditure and insurance related expenditure for commercial properties: the latter of which will be recovered from the service charge to tenants when billed.



15. Actual expenditure is currently showing an underspend, mainly related to staff travelling costs and due to the changes to working practices. It is anticipated that this position will remain unchanged during the year and therefore the budget can be decreased by £98k.

#### Supplies and Services

16. This category of expenditure covers a wide range of costs. The most significant variances to note are forecast overspends on IT of £380k, Development Control consultancy spend of £194k, legal costs overspend of £71k and additional treasury management expenditure of £109k. These are offset by savings of £682k from the Arts and Entertainment budgets arising from reduced performance costs as a result of venue closure due to COVID-19.

#### Third Party Payments

17. It is forecast that this category of expenditure will overspend by £317.5k mainly arising from additional costs in respect of the Somerset Waste Partnership (SWP).
18. The total forecast overspend for the Partnership is currently £1.186m with SSDC's share being £320k. The Partnership is having to incur additional costs due to Covid 19 (i.e extra cleaning and staggered starts) and the national driver shortage which has also led to the suspension of garden waste collection.
19. These additional costs will be funded from using an element of the COVID grant of £838,000.

#### Housing Benefit payments

20. The actual position to date is an over spend of £387k: however this is a timing issue between SSDC making the payments and the government giving us the Housing Benefit Subsidy Grant. It is anticipated that the spend relating to rent allowances will be in line with budget at year-end, however, there is a forecast adverse variance of £28k that relates to Discretionary Housing Payments
21. Due to an increase in the number of people who are eligible to apply for a Discretionary Housing Payment the expenditure is likely to exceed the Government funding that the Council will receive: If that is the case the overspend will be funded from the Housing & Homelessness earmarked reserve.

#### Capital financing charges

22. A zero based budget review of capital financing charges has been undertaken in light of the expanding capital programme and to ensure the MRP (Minimum Revenue Provision) set aside for the repayment of debt and the interest rate assumptions are robust.



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23. Table Two shows the original and proposed revised budget: there is a significant reduction in the estimates.

**Table Two: Original and Revised Estimates for Capital Financing Charges**

Budget Element	Original Budget	Revised Budget	Change
Interest Payable	2,833,150.00	177,770.00	(2,655,380.00)
MRP for Capital Financing	1,641,970.00	1,198,910.00	(443,060.00)
<b>Total</b>	<b>4,475,120.00</b>	<b>1,376,680.00</b>	<b>(3,098,440.00)</b>

24. The changes are complex and technical and result from a combination of factors as follows:

- The financing costs have increased from the Original Budget assumptions because of the increased size of the capital programme – however for this year, and for the medium term, these increased costs are “masked” as they can be funded from the changes explained in the following bullet points.
- The Original Budget assumed that expenditure from the £150m commercial investment budget would be on commercial property acquisitions which would result in both an interest and an MRP cost to the revenue budget. However a significant element of the budget (£46.5m) has been invested in commercial loans to subsidiary companies which, because the loans will be repaid, does not require MRP costs to be charged to the revenue budget.
- Prevailing current Interest rates arising from external borrowing are lower than originally anticipated.
- Notional interest and MRP costs were included in the original Commercial Investment budget as an internal borrowing charge with the amount for interest charges credited to the treasury management as an actual unbudgeted amount at year-end. These notional charges are overstated as compared to the actual costs the council is incurring. The Chief Finance Officer has decided to change this methodology and remove the internal borrowing charges preferring instead to show robust estimates of the actual financing charges likely to be incurred corporately by the Council in the revised budget, and in the budgets going forwards. The impact on the revenue budget from this change is a reduction of £2.4m.

### Government Grants

25. As previously reported, the Council has received additional grant funding this year, including a COVID-19 Local Authority Support grant of £838k and a grant from the Contain Outbreak Management Fund of £216k.
26. The Council has submitted a claim for £56k through the Government’s income compensation scheme for COVID related income shortfalls from April to June 2021: which will help to offset some of the shortfalls within Fees and Charges.



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27. The grant income is forecast to be fully used this financial year to support the revenue budget position.

### Other grants and contributions

28. Income received from grants and contributions is above the budget figure: this is largely due to the success by a number of service managers in obtaining funding from various organisations. The most significant grant funding received to date includes:

- Sports Council England - £181k;
- The Arts Council - £115k;
- National Lottery Heritage Fund - £36k
- The Cultural Recovery Fund - £35k.

29. £236k of the additional grant income will be fully used this year to support the revenue budget.

### Sales

30. There is currently a shortfall in sales income of £156k: this was expected as the Octagon and Westlands have been unable to operate as normal. The reduction in income has been offset by reduced running costs and a grant award from the Arts Council of £115k as mentioned in paragraph 30 above.

### Fees and charges

31. The fees and charges position to date is showing a surplus against the budget: however, this is because the funding for election running costs was received earlier than anticipated, and the year to date budget did not take this into account.

32. However, the year-end outturn is forecast to be a deficit of income against the budget as there are several income streams relating to demand led services where there are forecast shortfalls. The Original Budget included an assumption that income levels would still be adversely affected by Covid 19 and reduced the 2021/22 budget by £1.3m: however this has not been sufficient. The fees with a significant shortfall against the income target are:

- Car Parking fees - £305k
- Recovery of legal fees - £155k
- Venue hire - £69k
- Building regulation fees - £46k
- Planning application fees - £37k

### Investment income

33. The adverse variance showing to date in Table One is a timing issue and relates to accrued income which the Council will receive this year but has not received to date. The year-end projection forecasts a shortfall of £175k against the budget.



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This is a significant change to that shown in the Quarter One report which estimated a £780k surplus. The revised forecast arises from the change in budget approach described in the section above on Capital Financing Charges.

### Quarter Two revenue budget position for each service

34. Table Three below reflects the current and forecast budget position, for each service directorate.

**Table Three: 2021/22 Year to-date figures and Forecast Outturn**

	Year to date - April to September 2021			Forecast Outturn 2021/22		
	Budget	Actual	Variance	Budget	Forecast	Variance
Chief Executive	£314,300	£423,803	£109,503	£628,600	£635,910	£7,310
Commercial Services	£1,254,367	£110,088	(£1,144,280)	£6,635,480	£3,576,560	(£3,058,920)
Place & Recovery	£226,710	£341,160	£114,450	£214,140	£213,140	(£1,000)
Strategy & Support Services	£4,698,184	£5,156,804	£458,620	£6,880,220	£7,980,410	£1,100,190
Service Delivery	£965,028	£571,652	(£393,376)	£2,749,430	£4,157,950	£1,408,520
	<b>£7,458,590</b>	<b>£6,603,506</b>	<b>(£855,083)</b>	<b>£17,107,870</b>	<b>£16,563,970</b>	<b>(£543,900)</b>

(Variance column: bracketed figures = underspend / surplus income, unbracketed figures = overspend / income shortfall)

### Budget Virements

35. Under the Financial Procedure Rules, providing that the S151 Officer has been notified in advance, Directors/Managers may authorise any virements for an individual cost centre within their responsibility. Directors and Managers can authorise virements, up to a maximum of £50,000, for an overall Directorate that is within their area of responsibility. Portfolio Holders can approve virements between services within their areas of responsibility, up to a maximum of £50,000 per virement.
36. All virements outside of the criteria set out above require the approval of District Executive.
37. A virement for £28k is proposed to fund extensions to fixed term posts, the virement is across directorates and under Financial Procedure Rules such a virement requires District Executive approval. Details of the need for a virement are set out in the next section of the report.

### Review of Fixed Term Contracts and Secondments

38. The Senior Leadership Team, in consultation with managers and the unions, have undertaken a review of employees who are on a fixed term contract, or a secondment, or doing additional agreed hours and with these arrangements due to end before 31st March 2023. The purpose of the exercise was to review the business needs for the rest of this financial year, and either extend contracts or make arrangements permanent up to this date. As well as addressing business needs, it also gives the affected employees clarity over their role until this date.



39. This assessment has been finalised, and there is a financial cost for both 2021/22 and 2022/23. The financial implication is an additional cost of £28.2k in 2021/22, which can be funded by an identified underspend on an insurance budget that sits within the Support Services and Strategy directorate. The proposal by the Senior Leadership Team, and agreed by the Chief Finance Officer is to vire the budget underspend to services which have a budget pressure due to the agreed contract extensions or additional hours.
40. The maximum additional cost for 2022/23 is £253,060, however there is a possibility that grant funding to the value of £66,960 will be available reducing the additional budget pressure to £187,100. The 2022/23 additional budget requirement will go forward as a request for funding in the budget setting report.

### **Council Tax Support and Council Tax**

41. The Council Tax Support Scheme (CTS) provides for discounted tax charges to households with lower incomes. The Authority has set an estimate for 2021/22 of £10.402m within the Council Tax Base for annual CTS discounts, and total of £10.320m has been allocated as at the 30 September 2021. The cost of the CTS is allocated through the Council Tax Collection Fund and is shared between the preceptors in proportion to their relative shares of council tax due for the year (SSDC share is 14.13% for 2021/22).
42. The Hardship Scheme is in place for extreme circumstances with a budget of £30k for the year. By the end of September 2021, SSDC had processed 38 applications of which 24 were successful; the amount awarded was £18.2k.
43. The in-year collection rate for Council Tax for this time period is 54.12% for 2021/22 compared to 55.05% for the same period last year. At the end of September 2021, the total of £13.479m outstanding debt relating to previous years had been reduced by £2.003m.

### **Business Rates**

44. The in-year collection rate for Business Rates for this time period is 49.45% for 2021/22 compared to 59.64% for the same period last year. The downturn in collection is due to the impact of COVID-19 on the local economy. At the end of July 2021, the total of £5.502m outstanding debt relating to previous years had been reduced by £741k.
45. Non Domestic Rates income that the Council collects is distributed between Central Government, SSDC, Somerset County Council and the Fire and Rescue Authority under the Business Rates Retention funding system.
46. A Somerset Business Rates Pool (comprising the County Council and the Districts within the County Council area) has provided a positive impact on retained funding from Business Rates since 2018/19, retaining more funding locally rather than redistributed to central government. The pooling arrangement remains in place for





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2021/22. The Council's financial plans include an actual gain of £811k in 2021/22 and an estimated gain of £1m for 2021/22 as a contribution towards funding SSDC's Regeneration Programme. Actual gains are not confirmed (and received) until the end of each financial year.

47. An "in principal " decision to continue being a member of the Somerset Business Rates Pool was made by District Executive at its October 2021 meeting in order to meet government's deadline of the 8th October 2021. Confirmation of this will be required within a week of receiving the final finance settlement from central government (in January 2022). District Executive are therefore asked to delegate the formal decision on this matter to the Chief Finance Officer in consultation with the Finance and Legal Portfolio Holder with the expectation being that SSDC remains in the Business Rates Pool.

### Earmarked Reserves

48. The Council holds earmarked revenue reserves for a variety of good financial management reasons. Some reserves are for specific expenditure that will occur in the future, some reserves are held to mitigate possible risk, and others are reserves specifically built up over the past to help support the Medium Term Financial Plan. We also hold reserves for each Area Committee. Earmarked reserves are either revenue reserves (which can be used to fund both revenue and capital expenditure) or capital reserves which, unless the Secretary of State gives the council a specific dispensation, can only be used to fund capital expenditure.
49. Table Four below shows all the transfers that have been actioned for the year to date under the delegated authority given in the Financial Procedure Rules.

**Table Four: Transfers made (into) and out of Earmarked Reserves**

Reserve	Balance at 01/04/2021 £'000	Transfers £'000	Balance at 30/09/2021 £'000	Reason for Transfer
<b>Capital</b>				
Usable Capital Receipts	(18,073)	(10)	(18,075)	Receipt of repaid grants
<b>Revenue</b>				
Capital Reserve	(1,164)	(3)	(1,167)	Receipt of photovoltaic income.
Revenue Grants Reserve	(7,043)	6,590	(454)	Funding of COVID business grants.
Revenues & Benefits Reserve	(1,290)	102	(1,189)	Funding for transitional resources (£168k) less revenues new burdens grant received (£66k) transferred to reserve.
Park Homes Replacement Reserve	(287)	(30)	(317)	Transfer of annual contribution into reserves.
Business Support Scheme (Flooding)	(101)	10	(91)	Transfer to fund the costs associated with the River Parrett Trail
NNDR Volatility Reserve	(4,593)	14	(4,579)	Kickstart project funding
Ticket Levy Reserve	(120)	(15)	(135)	Ticket levies to reserve movements.
Community Safety Reserve	(44)	19	(25)	Funding of the Yeovil One Co-ordinator.
Housing & Homelessness Reserve	(441)	68	(373)	Funding of temporary staffing in 2021/22.
Spatial Policy Reserve	(258)	14	(244)	Transfer of Neighbourhood Planning Grant into reserves (£20K), less funding of a Planning post (£34K).
Climate Change Fund	(167)	105	(62)	Funding of staffing involved in this project.
Community Resilience Reserve	(126)	(120)	(246)	Grants allocated to fund future community resilience projects.

(Bracketed figures = balance or transfer into reserve, unbracketed figures = transfer from reserve)

50. The Chief Finance Officer along with SLT colleagues has undertaken a review of the reserves position and have recently implemented enhanced monitoring



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arrangements to better forward forecast the use of reserves. The forecast position as at the end of this financial year is shown in Appendix B.

51. The forecast position includes the use of reserves agreed by District Executive under their delegated authority since the February 2021 Budget Report was approved: namely £413k agreed in July 2021 to fund the Chard Regeneration Project and £107k agreed in October 2021 to fund the 2021/22 costs of employing a S151 Officer.
52. £1.276m of the Regeneration Fund is also forecast to be spent this financial year largely by using it to part fund capital expenditure on the Regeneration Programme but also to fund project management costs. The use of the Regeneration Fund is reported to the relevant Regeneration Boards and overseen by the Strategic Development Board.
53. The forecast position in Appendix B incorporates the recommendations made in Table Five below, on the deletion of some reserves and the consequential movement of balances between reserves. It is important to note that most of the recommendations shown in the table do not result in any new usage of the reserves: the changes are being recommended in order to rationalise the number of reserves held and make more transparent what the reserves are to be used for. The only new usage of reserves being proposed in Table Five is transferring £100k from the MTFP Support Fund to the LGR reserve for spending this year. Appendix B also includes the recommendations made in the Quarter Two capital monitoring report on using £20.2m of reserves to fund the capital programme: the latter are replicated in Table Six for ease of reference.

**Table Five: Recommendations to delete and move reserve balances**

<b>Earmarked Reserve</b>	<b>Balance £000s</b>
Delete the NNDR Volatility Reserve and move balance into the MTFP Support Fund. This reserve was established to mitigate both the risk of Business Rates income not being received as forecast and for any adverse changes arising from Local Government Funding reforms (for example an adverse Baseline Reset). This reserve therefore is essentially a corporate source of funding to support the Revenue Budget and MTFP position.	4,579
Delete the Yeovil Refresh reserve and move balance into the Regeneration Fund	112
Delete the Transformation Reserve and use balance to establish a new Somerset Local Government Reorganisation Reserve. (The reserve will need to be increased in 2022/23 to fund SSDC's share of the overall Somerset LGA Implementation Budget).	91
Delete various small reserves as they are unlikely to now be needed and move balances into the General Fund Balance (Deposit Guarantee Claims (£12k), Park Homes Replacement Reserves (£316k), Planning Obligations Delivery Reserve (£30k), Planning Delivery Reserve (£16k), Health Inequalities Reserve (£30k), Insurance Fund (£50k).	455
Move the Area Committee balances from the General Fund Balance into a new earmarked reserve	113
Fund the agreed carry forward of 2020/21 revenue budget, existing commitments, and the balance of any over or underspend in this financial year from the MTPF Support Fund instead of the General Fund Balance	68

Transfer of £100k from the Medium Term Financial Support Fund reserve to the Local Government Reorganisation earmarked reserve as it is anticipated that additional costs will be incurred in the period to 31 March 2022.	100
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**Table Six Recommendations to use reserves to fund the existing capital programme**

Earmarked Reserve	Balance £000s
Allocate £2m of the Useable Capital Receipts earmarked reserve to the Octagon Theatre Project to fund estimated expenditure for this and next financial year	2,000
The use of the remaining amount currently in the Useable Capital Receipts earmarked reserve to fund the revised 2021/22 capital programme	16,000
The use of the Capital Fund earmarked reserve to fund the revised 2021/22 capital programme	1,167
The use of the Commercial Investment Risk Reserve to fund capital works required in 2021/22 on the Council's commercial property portfolio	482
The use of the Cremator Replacement Capital Reserve to part fund the Yeovil Crematorium Project in 2021/22	549

## General Fund Balance

54. The General Fund Balance, if the recommendations shown in Table Five above are agreed, will now comprise of an unallocated revenue reserve available to be used for unforeseen risks and costs. The year-end balance is forecast to be £5.268m.
55. The current assessment of the minimum balance requirement is £2.8m. It is advisable to continue to hold a balance above this minimum to provide headroom and flexibility to manage risk and to avoid falling below recommended levels. A review of the minimum level balance requirement will be undertaken and reported in the February 2022 Budget Report.

## Summary of Overall Forecast Reserves Position

56. The Council held £60.886m in capital and revenue reserves as at the beginning of this financial year, 2021/22. If Council approves the use of reserves to fund capital expenditure shown in Table Six, and given other planned expenditure undertaken via delegation, then the balance of reserves at the year-end is forecast to be £29.522m.
57. Ignoring the movements between reserves recommended by the Chief Finance Officer shown in Table Five above, the key transfers into and out of the reserves explaining the estimated net use of reserves during this year (of £32.36m) are as follows:
- Transfer of Business Rated Pooling Gain of (£0.8m - estimated figure) **into** the Regeneration Fund.
  - Transfer of New Homes Bonus (£1.2m) **into** the MTFP Support Fund.
  - Transfer of received Covid grants (£1.1m) **into** the Covid Recovery Reserve and the Covid Grant Reserve to fund Council Expenditure.

- **Use of Capital Receipts Reserve (£18m)** to fund Octagon Theatre Project and 2021/22 capital expenditure.
- Use of revenue earmarked reserves (£3.5m) to fund 2021/22 capital expenditure (Capital Fund, Regeneration Fund, Commercial Investment Risk Reserve, and Cremator Replacement Capital Reserve).
- **Use of Businesses Rates S31 Grants Reserve (£11.7m)** to fund Collection Fund deficit.

## Financial Risks

58. As part of monitoring, an assessment of risk has been made and details of the current key risks are listed below with an update from the responsible officer.

Current Risk	Responsible Officer	Officer's Update
Interest Rates	Chief Finance Officer	Interest rates remain low but there is a strong possibility of a future increase in the bank rate due to rising inflation rates. Regular meetings with our external Treasury Management advisers are held to inform us of the potential risks and any need for action.
Level of borrowing needs	Chief Finance Officer	Recent and ongoing deep dive financial reviews on the council's regeneration programme have identified an increased need to borrow to fund the capital expenditure required. The Chief Finance Officer is making a number of recommendations in the quarter 2 capital budget monitoring report to reduce SSDC's borrowing needs by the use of earmarked reserves to fund capital expenditure plans.
Increase in Pay Award above amounts assumed in the Council's budget	This issue is a national one	This year's pay award for local government services employees remains unresolved as the unions have rejected the National Employers' full and final one-year pay offer that covers the period 1 April 2021 to 31 March 2022. The employers' offer will increase the bottom pay point by 2.75 per cent and would increase all other pay points by 1.75 per cent. The higher increase on the bottom pay point will ensure that the sector is compliant with the statutory National Living Wage of £9.50 that will come into effect on 1 April 2022. However, negotiations on any pay award for 2022-23 do not form part of this year's dispute and will be considered separately once the pay award for 1 April 2021 has been finalised. The unions have confirmed the timetable for their industrial action ballots, which will take place over the next three months.
Business Rate Income	Director-Service Delivery	The collection rate is down by 10.19% compared to the same period in the previous year quarter 2. This is a volatile measure affected by the timing of summonses and payments made by large businesses.
The Council Tax Support Scheme	Director-Service Delivery	The original budget for 2021/22 is £10.402m and a total of £10.320m has been awarded as at 30 September 2021. If costs exceed the assumption in the Council Tax Base this recovery risks a deficit in the Collection Fund to be paid in subsequent years in proportion to precept totals.
Housing Benefit Subsidy	Director-Service Delivery	Current predictions are for the housing benefit subsidy to be on budget at the year-end but the outcome will not be confirmed until the subsidy claim is externally audited in autumn 2022.

<b>Current Risk</b>	<b>Responsible Officer</b>	<b>Officer's Update</b>
Covid-19 and particularly its impact on income budgets	Senior Leadership Team	We continue to monitor the effects of the pandemic on our service provision and budget and particularly on our income from car parking charges, planning fees, Council Tax and Business Rates. SSDC holds sufficient reserves to compensate for any income shortfalls in the short to medium term.

### **Council Plan Implications**

59. The budget is closely linked to the Council Plan, and maintaining financial resilience and effective resource planning is important to enable the Council to continue to fund its priorities for the local community.

### **Carbon Emissions and Climate Change Implications**

60. There are no implications currently in approving this report.

### **Equality and Diversity Implications**

61. When the budget was set any growth or savings made included an assessment of the impact on equalities as part of that exercise.

### **Privacy Impact Assessment**

62. There is no personal information included in this report.

### **Background Papers**

Budget Setting reports to Full Council in February 2021.

Quarter One 2021/22 Budget Monitoring report to District Executive in September 2021

Quarter Two 2021/22 Budget Monitoring report to District Executive in December 2021