

APPENDIX A - South Holland District Council – Q2 Finance Report 2021/22

Finance Summary

- The revenue forecast shows a surplus position of (£4k)
- In addition to this there is an efficiency savings target of £1.676m and as at 30 September, £1.095m savings have been achieved, leaving a balance of £581k to find.
- The HRA is forecasting a surplus budget of £1.896m.
- General Fund Specific and general reserves of the Council are forecast to be £13.182m at 31 March 2022.
- HRA reserves are forecast to be £23.207m at 31 March 2022.
- General Fund Capital spend at the end of Quarter 2 was £1.873m against a full year budget of £8.076m
- Capital receipts for the year are forecast to be £1.896m. Total capital resources at the end of 2021/22 are forecast to be £25.536m.
- HRA Capital spend at the end of Quarter 2 was £1.233m against a full year budget of £14.984m
- The Council held investments of £51.744m as at 30 September 2021.

Section 2 – Finance

Section 2.1	Key Financial Issues in Quarter 2 of 2021/22
Section 2.2	Revenue Budget
Section 2.3	Housing Revenue Account Budget
Section 2.4	Capital Budget
Section 2.5	Treasury Management
Section 2.6	Debt Collection
Section 2.7	Business Rates and Council Tax Collection

Section 2.1 – Key Financial Issues in Quarter 2 of 2021/22

- On 29 July, the Ministry of Housing, Communities and Local Government published a press release to announce that the Changing Places toilets fund is now open for applications. Councils can now apply for a share of the £30m fund to install Changing Places toilets. The funding is to install larger accessible toilets for people who cannot use standard toilets, with equipment such as hoists, curtains, adult sized changing benches, and space for carers.
- On 20 August, the Ministry of Housing Communities and Local Government published a news story to announce that councils in England, Scotland and Wales will have access to a share of £5m to help provide housing and support to Afghans who have worked for this country in Afghanistan, but now face threats of persecution.

Inflation	July (%)	August (%)	September (%)
CPI	2.0	3.2	3.1
RPI	3.8	4.8	4.9

Section 2.2 – Revenue Budget

Table 1 details the forecast outturn by Directorate. This is based on the Quarter 2 position at 30th September 2021 officers' projections for the remainder of the financial year indicate an underspend of (£4k) (Excluding efficiency savings of £1.095m).

A further analysis by type of income and expenditure is shown on page 2 to 7.

Table 1 – Projected Net Spend by Directorate Area				
Directorate	Revised Budget 2021/22	Forecast Outturn 2021/22	Variance (underspend)/overspend	Comments on main variances
	£'000	£'000	£'000	
Corporate	546	221	(325)	Unallocated Covid Grant (£295k), (£30k) Fees and charges compensation claim.
Economic Growth	147	137	(10)	(£10k) saving on contractor costs
Finance	855	898	43	(£22k) Savings as per latest housing subsidy estimates (£2k) saving on court costs due to lower volume £65k income pressure for renewable heat incentive grant budgeted in GF, which should be in HRA.
Housing	0	0	0	
General Fund Assets	(159)	(87)	72	£34k pressure - Temporary arrangement of free car parking incentive for short stay car parks from 21 June to 30 September. £36k pressure – Increased salary costs in programme maintenance team. £3k increased Business rates.
Governance	986	967	(19)	(£8k) Staff vacancy savings (£9k) savings on postage and stationery.
Leisure & Culture	1,861	1,900	39	£31k pressure - Reduction in income from Markets, following changes to service provision approved in 2020/21 £6k Pressure reduced Fees and Charges £17k pressure external income budgets Income compensation scheme only available for 3 months in 2021/22 (£9k) Staff savings vacancies and kickstart funding (£4k) savings in performers and entertainers' fees. (£2k) Advertising savings
Neighbourhoods	4,390	4,495	105	£95k pressure – Increased costs for waste services to mitigate driver shortage, service is being reviewed to identify longer term solutions £12k pressure additional agency costs
Planning & Strategic Infrastructure	475	475	0	

Table 1 – Projected Net Spend by Directorate Area				
Directorate	Revised Budget 2021/22	Forecast Outturn 2021/22	Variance (underspend)/overspend	Comments on main variances
	£'000	£'000	£'000	
Regulatory	754	798	44	(£31k) salary vacancy savings (£14k) Land Charges inspection fees increase forecast. £26k External income reduction in building control consultancy and £12k license fees reduced activity £14k Fees for Ocella search engine hub £28k professional fees for air pressure testing and energy assessments. £9k work to empty property
Strategic Growth & Development	164	223	59	£29k staffing Breckland impact – staff previously employed by Breckland and charged to SHDC £30k Reduction is SWRR Infrastructure Fund
Strategic Projects	0	0	0	
Wellbeing & Community Leadership	1,408	1,421	13	£7k pressure Salary reforecast in community safety and community cohesion, combination of salary savings and contractor's fees. £5k pressure CCTV cameras (£9k) savings after staff cover costs (£35k) additional homelessness grants £9k additional costs for next steps programme (£36k) rough sleepers spend funded from reserves.
Sub Total – Directorates – net costs	11,427	11,448	21	
Recharges to HRA	(1,220)	(1,220)	0	
Internal Drainage Boards and Parish Precepts	3,546	3,546	0	
Investment Income	(182)	(172)	10	£10k pressure due to current economic climate
Impairment Allowance	0	0	0	
Capital Expenditure Charged In Year	825	825	0	
Transfers to/(from) Earmarked Reserves	(276)	(311)	(35)	Rough sleepers spend funded from reserves.
Efficiencies Requirement	(1,676)	(1,095)	581	See Table for efficiency savings
Other Income and Expenditure	1,017	1,573	556	
General Fund Budget net costs	12,444	13,021	577	

Table 1 – Projected Net Spend by Directorate Area				
Directorate	Revised Budget 2021/22	Forecast Outturn 2021/22	Variance (underspend)/overspend	Comments on main variances
	£'000	£'000	£'000	
Funding (Council Tax, Government grants and business rates)	(12,444)	(12,444)	0	
Total Budget - (Surplus)/Deficit	0	577	577	

Recommendation:

F1 That Cabinet notes the forecast revenue position for 2021/22 as detailed in **Table 1**.

Variations from Budget for the most significant items

	Table 2 - Q2 Variance (underspend)/ overspend	Comments
Employee Costs	137,035	(£250k) Saving from Solo management structure. (£21k) Savings relating to apprentice costs (£20k Salary savings in Governance - vacancies (£7k) Saving in Leisure and Culture, some cost partly funded from kickstart scheme (£214k) Staff savings in development management and planning policy. (£31k) salary savings in Regulatory cost centres. £95k pressure – Increased costs for waste services to mitigate driver shortage, service is being reviewed to identify longer term solutions. £36k Assets team relating to increased salary costs. £23k Building Control Consultancy cost - Net additional cost of £23k (gross £54k, partly offset by staff savings of (£31k)) £29k Pressure in Strategic growth & Development some staff impact post Breckland changes £22k Pressure in Wellbeing & community – Next Steps accommodation programme staffing
Premises Costs	5,792	Additional Business Rates Costs Assets - 4k and £2k pressure council tax for homelessness budgets
Transport Costs	3,930	Travel costs pressure in services
Supplies and Services	88,835	£13k pressure Community Safety. £14k pressure in Land Charges for Ocella Search Hub £27k Pressure Energy Assessment and other reports £8k Pressure treatment additional costs in Pollution control. (£6k) Internal work recharges (£2k) Chairman's costs savings
Third party payments	(7000)	Recharges forecast
Transfer Payments	(970,500)	(£970k) Mid-year estimate for Rent Allowances and Part of rent allowance and rebates
Total Expenditure	(744,908)	

Grants, Contributions and Reimbursements	(338,286)	(£295k) net surplus on Covid Grant, there will be more spend offset as identified (£30k) Rent Rebate administration 16k universal credit grant reforecast 8k pressure electoral register grant reduction (No IER in 21/22) 30k reduction in SWRR find grant (£68k) other Homelessness related Grants
Fees and Charges	(30,000)	Covid compensation claim
Rents and other income	1,129,800	£970k Mid-Year Estimates for rent allowance payments £34k pressure - Temporary arrangement of free car parking incentive for short stay car parks from 21 June to 30 September. £31k pressure - Reduction in income from Markets, following changes to service provision approved in 2020/21. £10k pressure licensing fees £26k Pressure Building Control Consultancy £17k Peele School Leisure cost recharges lower (£45k) Garden Waste service expansion (£10k) Additional DFG admin income
Investment Income	10,000	£10k pressure - Investment income re-forecast based on current economic conditions
Total income	771,514	
Transfers to/from Earmarked Reserves	(35,800)	Rough Sleepers Initiative spend funded from reserves
Capital Accounting Adjustments	4,800	Additional depreciation
Funding	0	
Efficiency Savings Target	581,084	See efficiency savings table
Grand Total – Surplus	576,690	

Progress Against Savings Target

The 2021/22 budget includes a savings efficiency target of £1.676m, savings achieved so far are:

Table 2a – Efficiency Savings Description	Amount £'000	Comments
Vacancies	(200)	Savings in Commercialisation & Growth, Corporate & Strategic Growth
Dividend Income	(107)	From Welland Homes
Homelessness	(64)	Homelessness Grant Income
Car Mileage and Allowances	(81)	Lower Transport Expenses
Lower Tier Services Grant	(142)	Additional Grant Monies received
Local Council Tax Support Grant	(74)	Additional Grant Monies received
PSPS Contract Savings	(56)	Result of Boston joining PSPS
Business Rates on Public Conveniences	(17)	Public conveniences no longer rateable
Business Rates in Leisure & Culture	(38)	Leisure Service - 100% reduction in 1st qtr and then 66% reduction
Garden Waste Income	(45)	Service expansion
Solo Management Structure	(250)	Post Breckland changes to staff costs
Corporate HR apprentice Training	(21)	Savings in HR for Apprentice Training
Total	(1,095)	
Target	(1,676)	
Savings to be Identified	(581)	

Other savings areas have been identified and work is underway to quantify the full extent of potential savings, these are:

- Alternative management arrangements
- Pay award negotiations
- South Holland Centre

Covid Revenue General Grant

The allocation for SHDC for 2021/22 is (£477k). So far during the year an expense of around £182k has been offset against this grant, leaving an allocated amount of (£295k).

Reserves

At 31 March 2022 specific reserves are forecast to be £13.182m, after a net transfer from reserves of £0.311m to cover future revenue and capital expenditure. **Table 3** reflects the forecast position.

Table 3 – Specific and General Reserves Balance Forecast				
Reserve	Balances at 1 April 2021 £'000	Forecast Contributions into Reserves £'000	Forecast Use of Reserves £'000	Forecast Balances at 31 March 2022 £'000
General Fund				
Council Tax	1,809	49	-19	1,839
Investment and Growth	4,489	843	-1,174	4,063
Replacement and Refurbishment	172	136	-77	231
Transformation	71	0	-17	54
Earmarked Grants	4,874	0	52	4,822
Specific Reserves Total	11,415	1,028	-1,339	11,104
General Fund	2,078	0	0	2,078
Total	13,493	1,028	-1,339	13,182
Housing Revenue Account				
HRA Working Balance	22,828	1,896	(2,318)	22,406
Insurance	200	0	0	200
Major Repairs	4,356	3,785	(7,540)	601
Total	27,384	5,681	(9,858)	23,207

Please note the following reserve movements that are due to take place in 2021/22:

- Council Tax
 - Additions – Elections and Noise monitoring equipment
 - Use of reserve (Revenue) – Contribution towards noise monitoring equipment
 - Use of reserve (Capital) – South Holland Centre
- Investment and Growth
 - Additions – Repayment of Workshop van, Leisure management cost recovery, new homes bonus and green waste capital repayment.
 - Use of reserve (Revenue) – Digital Strategy, Delivery Unit, Temporary establishment funding, PSPS Transformation plan, Environmental Services vehicle and equipment replacements programme, ICT infrastructure, Accommodation works, Ayscoughfee Hall lighting, works to Priory Road offices and Industrial Units, Sports Hall Boiler and Future Towns.
 - Use of reserve (Capital) – Temporary establishment funding, PSPS Transformation plan, Environmental Services vehicle and equipment replacements programme, ICT infrastructure, Accommodation works, Ayscoughfee Hall lighting, works to Priory Road offices and Industrial Units, Sports Hall Boiler and Future Towns.
- Transformation Reserve
 - Use of reserve (Capital) – Public Protection Software
- Earmarked Grants Reserve
 - Use of reserve (Revenue) – Establishment Funding.

Recommendation:

F2 That Cabinet notes the forecast reserve movements and balances as detailed in **Table 3**

Section 2.3 – Housing Revenue Account Budget

Table 4 – Projected Net Spend by Service Area				
Service Area	Revised Budget 2021/22	Forecast Outturn 2021/22	Variance (underspend)/ overspend	Comments on main variances
	£'000	£'000	£'000	
Rent Income – Dwellings	(15,280)	(15,280)	-	
Charges for Services and Facilities	(1,188)	(1,185)	3	
Contributions to Expenditure	(22)	(47)	(25)	£17k pressure on Court income, which is offset by a corresponding reduction in Supervision and management Court Costs (£42k) Grant income to be used against professional fees in Housing Enabling
Total Income	(16,490)	(16,512)	(22)	
Repairs and Maintenance	3,553	3,148	(405)	Repairs and Maintenance (£405k) underspend (£127k) – Savings forecast due to reprioritisation of work because of the scarcity of building materials increasing costs, the full extent of the increases in these costs are not yet known. (41k) salary savings – Vacant positions unfilled (£7.5k) Saving on Staff Travel budgets due to less activity (65k) Savings forecast on professional and contractor fees due to work reprioritisation (£4k) General Maintenance underspend (£145k) Renewable heat energy incentive, previously budget within GF with a budget of (£65k).

Table 4 – Projected Net Spend by Service Area				
Service Area	Revised Budget 2021/22	Forecast Outturn 2021/22	Variance (underspend)/overspend	Comments on main variances
	£'000	£'000	£'000	
Supervision and Management	2,690	2,738	48	<p>Supervision and Management (£48k overspend (£50k) of the Budget allocation for Professional and Contractors fees within Housing Enabling is not currently anticipated to be spent following a reprofiling of activity. (£25k) of professional fees are to be funded by grant.</p> <p>£29k (pressure) of the income budgeted from Welland Homes regarding project management costs, was received earlier than profiled following acquisitions at the end of March 2021 resulting in the income falling into last year.</p> <p>The delay in the purchase of Affordable housing (HRA) and Market Rental Homes for Welland Homes, will also result in a shortfall in income for 2021/22, although this will be reprofiled into future years (£37k pressure).</p> <p>£10k additional Agency costs to cover vacated role in housing enabling Housing Sewage Work Repairs are expected to exceed budget by £47k</p>
Rents, rates, taxes and other charges	72	63	(9)	
Depreciation	3,324	3,785	461	<p>Depreciation £461k Overspend This has been increased based upon last year's actual charges and additional charges on last year's capital spend. This is calculated based on assets in any given time and fluctuate.</p>
Movement in Allowance for bad debts	271	271	-	
Statutory recharge to the HRA for support services	2,275	2,275	-	
Total Expenditure	12,185	12,280	95	
Contribution from Operations	(4,305)	(4,232)	73	
Investment Income	(12)	(11)	1	
Interest Payable	2,347	2,347	-	
Net (Surplus)/Deficit	(1,970)	(1,896)	74	

Section 2.4 – Capital Budget

This section covers:

- Revisions to the Capital Programme
- Progress against the 2021/22 approved capital programme and the anticipated outturn
- Capital receipts to date for 2021/22
- Financing of the Capital Programme

Table 5 – General Fund Revisions to Capital Program				
2021/22 Revised Capital Program as at 30th June 2021				7,676
Movements from Previous Forecast				
Kings Road Acquisition				100
Disabled Facility Grants – Discretionary				300
Total				400
2021/22 Revised Capital Program as at 30th September 2021				8,076
Table 5 – 2021/22 Capital Programme and Q2 Forecast Outturn				
Scheme	Revised Budget 2021/22	Actual 30 Sept 2021	Forecast Outturn 2021/22	Variance (under)/over
	£000	£000	£000	£000
ICT Infrastructure	185	-	185	-
Public Protection Software	46	6	15	(31)
PSPS Transformation	113	-	113	-
AIM Upgrade	20	-	20	-
Priory Road Projects	155	-	155	-
South Holland Centre Projects	71	39	71	-
Castle Sports Boiler	5	-	-	(5)
Swimming Pool Boiler	136	2	136	-
Caste Sports Pool Fire Alarm	31	-	31	-
West Marsh Road Fire Alarm	13	-	13	-
West Marsh Road Electrical Rewiring	43	-	43	-
Ayscoughfee Hall	146	71	146	-
Temporary Accommodation	29	-	29	-
Industrial Units	63	-	-	(63)
Peele Leisure Lighting	19	19	19	-
Capital Acquisitions	1,100	-	1,100	-
Electric Vehicle Charging	21	-	21	-
NSAP Property Acquisitions	374	51	374	-
Kings Road Land Acquisition	100	6	100	-
Grants for Growth	565	200	565	-
Food Enterprise Zone	2	-	2	-
HIF Funding	1,000	-	1,000	-
Garden Waste	185	184	170	(15)
Grounds Maintenance	42	24	25	(17)
Environmental Services Operational	1,174	1,138	1,174	-
Fleet Maintenance Vehicles	69	-	40	(29)
Street Cleansing	35	-	35	-
Disabled Facilities Grants	1,072	133	1,072	-
Decent Homes	75	-	75	-
Welland Homes	1,187	-	28	(1,159)
Total (including new items)	8,076	1,873	6,757	(1,319)

Table 5 – Capital Programme – Comments on Delivery	
Scheme	Comments
Public Protection Software	(£31k) Following end of sharing agreement with Breckland this project will be split, and majority of costs for this year will be splitting the system and no further development.
Castle Sports Boiler	(£5k) Project postponed until next year with Budget vired to Swimming Pool Boiler Management system
Industrial Units	(£63k) Postponed until 2022/23
Garden Waste	(£15k) New Vehicle slightly under budget
Grounds Maintenance	(£17k) Mower cost less than expected and carry over from last year not spent
Fleet Maintenance Vehicles	(£29k) Spend will be less than expected as new equipment not required as expected following takeover of facility. Balance to be carried over into 2022/23

Recommendation:

F3 That Cabinet recommends to Council the 2021/22 capital position shown in **Table 4**.

Capital Receipts

Capital Financing

The current Capital Programme is financed from reserves and external borrowing in line with the Capital Strategy.

Table 6 indicates the forecast capital resources for the General Fund available to the Council at the end of 2021/22. The estimated position for the following two years is also provided.

Table 6 – Capital Resources			
	2020/21 £'000	2021/22 £'000	2022/23 £'000
Capital Resources* available at start of each year			
Capital Investment (estimate in future years)			
Additional Sources of Finance			
- New Capital Receipts (estimate in future years)			749
- Funding from other reserves and internal borrowing			
- External Grants	5,261	1,828	901
- Revenue Contributions	1,471	1,541	826
- External borrowing	901	3,388	3,786
- Budgeted contributions to capital reserve			
- Transfer from Capital Reserve to support ongoing projects			
Estimated Capital Resources* at end of each year			

* Capital Reserve and Capital Receipts

Table 7 – HRA to Capital Program	
2021/22 Revised Capital Program as at 30th June 2021	14,834
Movements from Previous Forecast	
Major Adaptations	150
Total	150
2021/22 Revised Capital Program as at 30th September 2021	14,984

Table 7 – 2021/22 HRA Capital Programme and Q2 Forecast Outturn				
Scheme	Approved Budget 2021/22	Actual 30 Sept 2021	Forecast Outturn 2021/22	Variance (under)/over
	£000	£000	£000	£000
Central Heating	942	505	942	-
Kitchen/Bathroom	1,491	339	1,491	-
Renewable Energy	1,152	-	1,152	-
Smoke Alarms	208	44	208	-
Roofs and Gutters	960	62	960	-
Doors and Windows	7	-	7	-
Flat Entrance Doors Sheltered Schemes	530	-	530	-
Chimneys	532	-	532	-
Paths and Drives	43	-	43	-
Boundary Walls	269	-	269	-
Fees	233	-	233	-
Sewerage Treatment Plant	433	10	433	-
The Square	1,011	5	1,011	-
Car Parks	117	-	117	-
ICT Strategy	148	-	148	-
Housing IT Systems Upgrade	180	50	180	-
ICT Infrastructure	6	-	6	-
Major Adaptions	893	202	893	-
Sheltered Alarm Upgrade	690	7	645	(45)
Housing Repairs Vehicles	50	-	50	-
Grounds Maintenance	7	9	8	1
South Holland Maintenance	65	-	-	(65)
Weston Development Scheme	355	-	50	(305)
Wignals Gate S106	555	-	525	(30)
Scheme Subject to detailed approval	4,107	-	1260	(2,847)
Total (including new items)	14,984	1,233	11,693	(3,291)

Table 6 indicates the forecast capital resources for the HRA available to the Council at the end of 2021/22. The estimated position for the following two years is also provided.

Table 7 – Capital Resources			
	2020/21 £'000	2021/22 £'000	2022/23 £'000
Capital Resources* available at start of each year	26,018	29,964	25,536
Capital Investment (estimate in future years)	(4,722)	(11,693)	(8,219)
Additional Sources of Finance			
- New Capital Receipts (estimate in future years)	1,833	1,896	1,999
- Funding from other reserves and internal borrowing			
- Major Repairs Reserve	3,816	3,785	3,390
- HRA Working Balance	3,019	1,584	1,278
- External Grants			
- Revenue Contributions			
- External borrowing			
- Budgeted contributions to capital reserve			
- Transfer from Capital Reserve to support ongoing projects			
Estimated Capital Resources* at end of each year	29,964	25,536	23,984

* Capital Reserve and Capital Receipts

Section 2.5 – Treasury Management

Investments at 30 September 2021

During the financial year the Council has made investments in line with the agreed Treasury Management Strategy.

Detailed in **Table 8** are the investments held by the Council at 30th September 2021 excluding accrued interest. Note this represents the position at this one point in time. The peaks and troughs in cash flow are managed on a daily basis. Because the Council collects money on behalf of other organisations which are paid out at future dates (e.g. Council Tax and Business Rates) the value of investments held at any point in time does not represent the value of SHDC's own resources.

Table 8 – Investments as at 30 September 2021			
Financial Institution	Amount (£)	Maturity Date	Yield
Lloyds Current Account	1,395,485	Instant Access	0.00%
Handelsbanken Plc	4,993,244	Instant Access	0.00%
CCLA Money Market Fund	4,650,000	Instant Access	0.024%
Lloyds 95 Day Notice Account	4,995,206	95 Day Notice	0.05%
Nationwide Building Society	2,000,000	18/11/2021	0.07%
Close Brothers	2,500,000	24/11/2021	0.25%
Standard Chartered	3,000,000	02/12/2021	0.12%
Goldman Sachs Investment Bank	5,000,000	31/12/2021	0.17%
Australia & New Zealand Bank	2,500,000	07/02/2022	0.11%
Thurrock Borough Council	2,000,000	11/03/2022	0.30%
Standard Chartered	2,000,000	16/03/2022	0.08%
National Westminster Bank (CD)	5,000,000	17/03/2022	0.16%
Close Brothers	2,500,000	24/03/2022	0.25%
Bayerische Landesbank London	3,000,000	07/04/2022	0.19%
Australia & New Zealand Bank	2,500,000	15/08/2022	0.18%
TOTAL	48,033,935		

Maturity Structure at 30 September 2021		
Duration	Amount (£)	Percentage of Total
Less than one week	11,038,729	21%
Less than one month	-	0%
One to three months	17,495,206	34%
Three to six months	14,000,000	27%
Six to nine months	3,000,000	6%
5Nine to twelve months	2,500,000	5%
More than twelve months (Welland Homes)	3,710,031	7%

Return on Investments

The Council's 2021/22 budget for investment income is £194.1k. At the end of September 2021 investment income projected to the end of the year is £183.9k. This figure is still an estimate as the actual returns on all investments may change during the second part of the financial year.

Treasury investments achieved an average rate of 0.114% compared to the benchmark average 3 month LIBID rate of -0.054%.

Welland Homes investments have achieved an average rate of 3.5%.

The combined rate achieved on all investments was estimated to be approximately 0.352%.

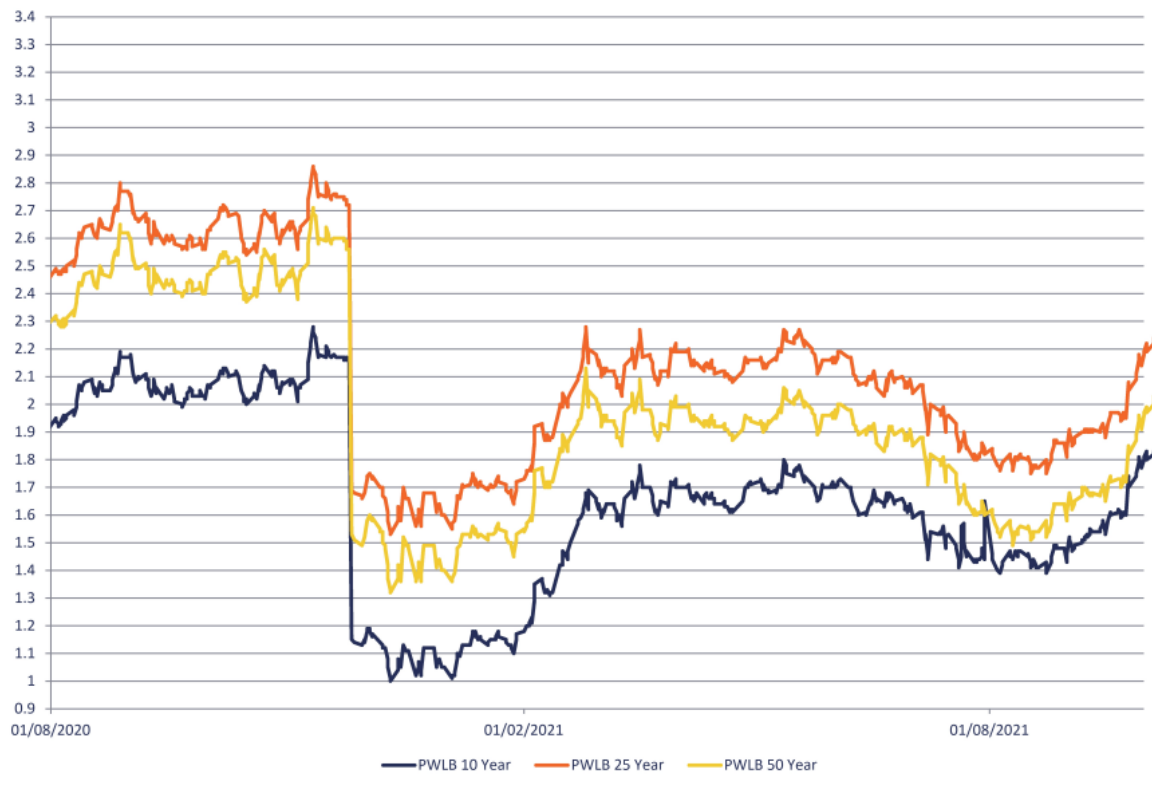
Borrowing

The Council has £67.5m of external borrowing as per the table below.

Entity	Amount (£)	Start Date	Maturity Date	Rate
Public Works Loan Board	67,456,000	28/03/2012	28/03/2062	3.48%

Borrowing costs for 2021/22 are projected to be £2.347m

PWLB borrowing rates have begun to rise again over the last two months. As at 30th September 2021 the 50 year PWLB certainty rate was 2.01%. This is the first time since May that PWLB rates have been above 2%. This increase reflects the change in market sentiment over the last two months regarding future interest rate hikes and inflationary pressures.



Summary

Interest rates have remained very low during September 2021. The Bank of England Base Rate remained at 0.10% in September. Market expectations have begun to shift towards rate hikes before the end of this year, however the more likely scenario is for rates to increase in Qu1 2022. This is dependent on the economy continuing to rebound and inflationary pressures continuing.

Rates on new investments with financial institutions and local authorities now range from 0.02% for one-month deposits through to 0.50% for one-year deposits. One year deposit rates have doubled from August, reflecting the market sentiment that UK base rate will rise in 2022.

PWLB borrowing rates had been on a falling trend during summer 2021 but have rebounded back to early 2021 levels during September. PWLB rates, especially long dates such as 50yrs, are rising due to UK inflation concerns.

Risks prevail in the financial markets and are subject to a continued high level of scrutiny with any significant issues arising being reported to the Council’s Audit and Governance Committee. Changes to credit ratings of financial institutions are monitored daily and where required reported to the Section 151 Officer for an agreed course of action to be taken.

Section 2.6 – Debt Collection

A review of debts is undertaken every month, and monitoring is reported against targets. In line with the new financial procedure limits there are no debts in excess of £1,050 requiring Cabinet approval for write off. Debts below this level have been submitted to the s151 Officer and Portfolio Holder for write off.

An analysis of the sundry debts the Council held as at 30 September 2021 is show in **Table 9**.

Table 9 – Sundry Debt Analysis							
0-30 days	31-60 days	61-90 days	91-120 days	121-183 days	184-365 days	Over 365 days	Total
£	£	£	£	£	£	£	£
30,331	41,707	36,121	852,873	350,056	47,210	200,025	1,558,323

Note: This does not include details of invoice amounts (£52,911) that are not yet due

Section 2.7 – Council Tax and Business Rates

Council Tax Support Scheme (CTS)

Following the statutory annual review during 2020/21, the 2021/22 scheme remains unchanged from the previous year, allowing for national up-ratings. This scheme continues to support the Government’s Welfare Reform agenda to bring further reductions to the national benefits bill. The scheme sustains the required protection of those of pension age, protects vulnerable customers and encourages people into employment.

Quarter 2 collection rate is comparable to the same point in 2020/21, but remains lower than pre-covid levels and there remains some uncertainty of the overall ongoing impact of CTS. In recognition, we continue to remain prudent in setting the bad debt provision in this area.

Council Tax – Quarter 2 In-Year Collection

The collectable debit for the year at 30 September 2021 was £54.3m with a collection rate of 56.64% achieved at 30 September 2021 (56.74% at 30 September 2020).

Business Rates

Table 10 – 2021/22 Business Rates Retention			
	Base Estimate included in 2021/22 budget	Forecast position at 31 March 2022	(Surplus)/Deficit in 2021/22 – will impact next year’s budget
	£	£	£
Non Domestic rating income for the year	(25,037,074)	(20,503,164)	4,533,910
Less: LCC share (10% for 21/22)	2,503,707	2,050,316	(453,391)
Less: Government Share (50% for 21/22)	12,518,537	10,251,582	(2,266,955)
South Holland District Council’s income (excluding renewables) (40% for 21/22)	(10,014,830)	(8,201,266)	1,813,564

The position in **Table 10** shows a large deficit against the base estimate, the main reason for this is the retail discount offered by the government in response to the Coronavirus pandemic to assist retailers. This discount will be reimbursed by the government however due to the way the Collection Fund is accounted for the income is received in 2021/22 but the Business Rates deficit will not be seen in the Council’s accounts until 2022/23. As a result of this circa £1.4m of income is due to be received in 2021/22 and this will need to be transferred into reserves at the end

of the financial year for use in the 2022/23 budget. The difference between this income and the deficit above is due to a reduction in gross rates across all businesses which is being closely monitored.

Business Rates Appeals

Except in certain circumstance, new appeals can no longer be made against the 2010 list.

As at 30 September 2021 the Rateable Value amount for properties under appeal in 2010 list (excluding multiple appeals for the same property) was £3.4m, relating to 10 properties on the latest list of outstanding appeals. 98% of this value comes from just 7 properties and does present some significant risk to the overall level of collectable debit should these appeals be successful, leading to significant reductions in rateable value. The appeals provision (£2.232m) is considered sufficient to cover the potential impact of these appeals.

Business Rates – 2021/22 In-Year Collection

The collectable debit for the year to 30 September 2021 is £24.2m with a collection rate of 51.82% achieved at 30 September 2021 (53.21% 30 September 2020). The target collection rate for 2021/22 is 97.1%. It should be noted that due to the application of COVID related additional reliefs in 2021/22 the collectable debits is some £3.2m lower than usual. Collectable debit increased from the end of quarter 1 onwards as the COVID related additional reliefs reduced from 100% to 66% for the remainder of the year. Collection rates compared to the previous financial year is less meaningful than usual.

Additional revenue budget notes

Income

The Council has a number of demand-led budget areas which are reliant on income for services provided.