



BOSTON BOROUGH COUNCIL

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**BUDGET SETTING REPORT AND MEDIUM TERM FINANCIAL STRATEGY (MTFS)
2021/22 – 2025/26**

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The 2021/22 budget and medium term outlook has been produced in a period of significant uncertainty and change and it is inevitable that the financial and service delivery challenges that have faced councils for the last few years are set to continue.

Using the Government's figures, the real change in Boston's Core Spending Power across the five years to 2020/21 was over 20%, with grant reductions well in excess of this. This meant that the Council's focus has been on finding savings in a period of austerity and almost £3m of net budget reductions have been achieved since 2011, enabling annual balanced budgets to be set and delivered.

The Chancellor's 2020 single year Spending Review in September set out the Government's overall public sector spending figures for the coming year, allocating resources between government departments for 2021/22. The Government also announced that a longer term Spending Review is now planned for next year, which should give councils a better understanding of the likely resources available in the medium term and assist their financial planning. It is expected that this will transfer resources from District and Boroughs to Unitary and County Councils to support a greater demand for adult and social care funding.

Despite the funding pressures over a number of years the Council has continued to support major developments within the Borough, such as the installation of the £100m plus Boston Barrier, the announcement of £21m funding for Accident & Emergency services at the Pilgrim hospital, the Council considering its response to the broader climate change agenda, the announcement of the award of up to £25m from the Government's Towns Fund to develop an innovative regeneration plan for the town, ongoing positive new house building numbers, progress with the Quadrant development and release of Housing Infrastructure Fund monies, and the construction of the new community football stadium.

In September 2019 the Council undertook a Peer Challenge with help from the Local Government Association, and in light of its findings and recommendations the Council updated its Corporate Plan during 2020 to give direction for the coming years. The outcome was very positive, and an action plan has been prepared and was approved by the Council.

The financial regime from 2021/22 following the conclusion of the 2020 Spending Review, the proposed Fairer Funding review and introduction of further localisation of business rates, will determine the Council's future financial landscape and constraints and opportunities in the coming years. The recent closure of large local businesses highlights the difficulties that the economy faces, whilst the changing way that people shop is impacting on the viability of town centres across the country. These changes mean that there are potentially significant risks to future funding levels, which will require careful management and planning. The challenge of delivering balanced budgets will therefore remain a key issue going forward.

In support of this the overall finances and risk management processes of the Council are robust, and alongside the annual budget, the quarterly performance reporting process will provide updates on the impacts experienced as things become clearer.

In 2021/22 a balanced budget is proposed that allows expenditure to be financed without the need to draw down on reserves. This means that Council can continue to provide services whilst also supporting its overall objectives. The Council will continue to strive

to be as efficient as possible in all its work, building on the Strategic Management Alliance that it has formed with East Lindsey District Council and existing partnership working initiatives, whilst ensuring it maximises the income it receives.

In support of this, the Council continues to develop its response to the 'commercial agenda' and the role of innovation and development of services to deliver new and increased income. An example is the Council's Commercial Waste Service that has delivered income growth to support the Council to deliver on its priorities and provides learning across all service areas to drive further commercialisation opportunities. In addition, following the Peer Review and continued high level of planning applications, resources have been increased in the development management service to provide additional officer capacity to support growth through the planning function.

In order to deliver its statutory budgetary duty from 2022/23 and develop proposals for a financially secure medium term, the Council will continue to seek innovative opportunities to achieve the anticipated budget reductions necessary to deliver balanced budgets each year without adversely affecting service delivery and compromising its priorities.

The budget for 2021/22 proposes an increase in Boston Borough Council's council tax of £4.95 for the year, representing an increase of 2.57%. This budget is designed to meet the Council's challenges and responsibilities, and ensure that the best possible services continue to be provided to Boston's residents, businesses and visitors.

EXECUTIVE SUMMARY:

	2020/21	2021/22
Boston Borough Council Precept	£3,715,040	£3,883,331
Council Tax Increase	2.05%	2.57%
Council Tax Band D	£192.96	£197.91
Government Funding (RSG, Specific Grants and NHB)	£2,361,720	£3,324,817
Boston Town Area Committee Special Expense Account (1.94% increase proposed) *	£702,696	£717,791
Earmarked Reserves (at 1 April)	£12.243m	£12.589m

SAVINGS REQUIREMENTS:

	2021/22 £000	2022/23* £000	2023/24* £000	2024/25* £000	2025/26* £000
Budget Savings Requirement (£'000) – cumulative	-	900	700	731	650
Budget Savings Requirement (£'000) – annual	-	900	(200)	31	(81)

** At this stage future years' budget savings figures are based on projections made by LG Futures, specialist local government funding advisors*

1. INTRODUCTION

- 1.1 This report outlines the 2021/22 revenue and capital position for the General Fund and proposals for the setting of discretionary fees and charges. The purpose of the report is to ask Members to recommend the 2021/22 estimates (along with associated Policies and Strategies) and council tax level to the Council for formal approval, and for Members to be advised on the projected financial position through to 2025/26.
- 1.2 The Local Government Act 2003 introduced a requirement for the Chief Financial Officer to report on the robustness of the budget. The estimates have been prepared in a prudent manner, although it should be recognised that there are a number of elements outside of the Council's control. Assessing the projected 2020/21 outturn position informs the reliance we can place on the baseline we use for setting the 2021/22 estimates. Current projections show that the outturn for 2020/21 will be broadly in line with the budget, mainly as a result of several tranches of funding that have been given to authorities during the year in compensation for COVID-19 related lost income and spending pressures. Key risks have been identified in section 10 of this report and will be mitigated through the regular budget monitoring and risk management processes in place at the Council.
- 1.3 This year's Medium Term Financial Strategy is set at a time of continuing significant uncertainty, change and financial challenges for local government. Aside from COVID-19 related pressures, there are issues such as welfare reform, uncertainty around Government funding reductions and responding to reductions in Central Government funding, (with a greater emphasis on business and housing growth). Most importantly though, the previously proposed 2020 Spending Review, and the expectation of a new funding regime from 2021/22 has now been deferred a year and this is expected to shift funding away from District and Borough Councils towards Unitary and County Council Councils for the financial year 2022/23 and beyond.
- 1.4 There are also significant changes affecting business rates. Some have already been introduced, such as the part-localisation of the regime from April 2013 and the 2017 revaluation exercise and others, such as the proposal to further devolve business rate incomes to councils are yet to come into full effect. Their impacts include the financial effect of growth or contraction in the local rateable value on the Council's resource base, and increased uncertainties surrounding the extent of appeals and the ability to accurately forecast income into the future.
- 1.5 Notwithstanding these challenges and uncertainty, the underlying saving requirement for future years is around £700k per annum. There is an expectation that this can be met largely from shared strategic alliance management team arrangements, service reviews and other initiatives such as the sharing and merging of back office functions.
- 1.6 It should also be noted that the Council has around £13m in reserves to support any short term fluctuations and future spending priorities and specific projects.

2. BUDGET ASSUMPTIONS

Table 1 – Assumptions which influence the five year financial strategy

Assumption	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Budgeted inflation ¹	0%	0%	0%	0%	0%	0%
Pay costs increase ²	2.75% from scp 12	1%	1%	1%	2%	2%
Full Time Equivalent Employees ³	266.3	262.7	262.5	261.5	261.5	261.5
Pension contribution rate – current service cost ⁴	17.7%	17.7%	17.7%	17.7%	17.7%	17.7%
Pension contribution rate – lump sum element ⁴	£598,000	£670,000	£745,000	£828,000	£921,000	£1,024,000
NI contribution rate ⁵	13.8%	13.8%	13.8%	13.8%	13.8%	13.8%
Return on cash investments	1.00%	0.35%	0.35%	0.35%	0.40%	0.60%
Return on property funds	3.25%	3.60%	3.60%	3.70%	3.70%	3.80%
Staffing levels	99%	99%	99%	99%	99%	99%
Tax base ⁶	19,252.90	19,621.7	19,817.9	20,016.1	20,216.3	20,418.4
Fuel cost rises ¹	5%	5%	5%	5%	5%	5%

1. 0% used except for utilities/fuel where an average of 5% per annum has been used, reflecting the price risk for these areas and also taking into account any gains from both climate change and transformational activity by the Council which are likely to lead to reduced consumption.
2. A flat 1% has been included for 2021/22 to 2023/24 and 2% for 2024/25 onwards.
3. It is recognised that some future savings could potentially further affect staffing numbers in future years. Until business cases are worked-up it is not possible to make further assumptions on any changes.
4. The pension contribution rate is based on a current service cost employer's contribution rate of 17.7% from 2021/22, plus annual monetary contributions in respect of past service.
5. The National insurance contribution is included at 13.8%; however this may change over the five years.
6. The tax base used for Council Tax setting is calculated as prescribed by statute, with responsibility for the setting of the tax base delegated to the Council's Section 151 Officer. The tax base for 2021/22 is 19,621.7 and for estimation purposes has been increased by 1% per annum thereafter. This may increase if the recent number of planning applications deliver additional Band D equivalent properties above the assumption, and will be reflected in the annual budget figures as appropriate.

3. RESOURCES

Business Rates Retention

- 3.1 Table 2 details the Council's retained business rates for 2021/22, based on the provisional local government settlement.
- 3.2 Under the current part localisation regime, where the Council collects more business rates than the baseline set by Central Government, a levy of 50% is applied and paid to Central government. A way to avoid this levy to Central Government is to pool business rates with a County Council, and, as in most years since 2016/17, Boston has entered into a voluntary pooling arrangement for 2021/22 with Lincolnshire County Council and some of the District Councils in the area (in 2018/19, the Council was part of a successful bid across the county to be a pilot for 100% localisation).
- 3.3 The Government had announced intentions for business rates to become 75% retained by councils, with proposals for a new funding system for local authorities to be in place from 2021/22. However as mentioned above both these schemes have been deferred to a future, but not specified, date.
- 3.4 The Council remains aware of the issues surrounding business rate appeals and this will be under continuous management by officers with the emphasis on making sure there is a reasonable and prudent provision made for successful appeals.
- 3.5 The Government is undertaking a fundamental review of the business rates system and is currently considering responses to the call for evidence. A final report setting out the full conclusions of the review will be published in spring 2021.

	2020/21 £'000	Draft 2021/22 £'000	Draft 2022/23 £'000	Draft 2023/24 £'000	Draft 2024/25 £'000	Draft 2025/26 £'000
Retained Business Rates	8,017	7,822	7,963	8,122	8,284	8,450
Tariff	(5,141)	(5,141)	(5,244)	(5,349)	(5,456)	(5,565)
Pre Levy Income	2,876	2,681	2,719	2,773	2,828	2,885
Renewable Energy (100% retained by Boston BC)	204	158	161	164	167	170
Less net levy payment to Lincolnshire Pool	(250)	(61)	-	-	-	-
Levy Account Surplus – Settlement Data	-	-	-	-	-	-
Estimated Business Rates (Deficit) / Surplus	(273)	(1,452)	(1,393)	(1,393)	-	-
Equals Net Retained Business Rates Income	2,557	1,326	1,487	1,544	2,995	3,055

- 3.6 The estimated business rates deficit for 2021/22 in Table 2 is due mainly to the to the COVID-19 Pandemic which has seen unprecedented support to business from central government in the form of business rate reliefs. Many businesses will not re-emerge from the periods of lockdown causing a further loss in income, however the full impact of this is still indeterminate. The full impact of the reduction in business rates shortfall is dealt with in the Collection Fund and will be spread across the next three years to cushion the impact.
- 3.7 The Government will continue its support of business into 2021/22 with the furlough scheme continuing until at least the end of April and is likely to continue its support through reliefs beyond that. Compensation for Rate Reliefs and income loss are made through Section 31 grants and are dealt with in the General Fund
- 3.8 For 2021/22 the Government has frozen business rates as part of its COVID-19 support. From next year future business rate projections are in line with the inflation indices used by the Government. From 2022/23 Business Rates have been uplifted by 2% per annum. The annual MTFS refresh will provide updates on these projections, once the Government have solidified its plans for the future.

Council Tax

- 3.9 Since 2013/14, the Council has revised its exemptions and discounts for Council Tax to recover the reduced funding as part of the Council Tax Support (CTS) scheme, and on 23 November 2020 the Council approved its CTS scheme for 2021/22. It is

proposed that further changes are approved for 2021/22 in respect of long term empty properties, following changes to Government Regulations intending to encourage such properties back into use.

- 3.10 The Council Tax element of the Collection Fund has been calculated based on the 2020/21 scheme, leaving a budget neutral position. This will be reviewed throughout the year, and collection rates assessed. The MTFs assumes an increase in the Borough's council tax of 2.57% for 2021/22, then circa 2.0% p.a. thereafter. The surplus in 2020/21 is as a result of additional properties being built during 2019/20 above the estimated figure.

Table 3 – Council Tax

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	No. Of properties	No. Of properties	No. Of properties	No. Of properties	No. Of properties	No. Of properties
Council Tax base (Band D equivalents)	19,252.9	19,621.7	19,817.9	20,016.1	20,216.3	20,418.4
	£	£	£	£	£	£
Council Tax Band D	192.96	197.91	201.78	205.74	209.79	213.93
Annual Increase £	3.87	4.95	3.87	3.96	4.05	4.14
Annual Increase %	2.05	2.57	1.96	1.96	1.97	1.97
Gross Council Tax collected	3,715,040	3,883,331	3,998,856	4,118,112	4,241,178	4,368,108
In year Surplus / (deficit)	10,900	(16,328)	(14,442)	(14,442)	-	-
TOTAL	3,725,940	3,867,003	3,984,414	4,103,670	4,241,178	4,368,108

Revenue Support Grant (RSG) and Section 31 Grants

Table 4 – RSG and Section 31 Grants

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26

	£'000	£'000	£'000	£'000	£'000	£'000
Revenue Support Grant	311	313	313	313	313	313
Rural Services Delivery Grant	85	89	89	89	89	89
Deficit Compensation Estimate	-	1,377	1,376	1,376	-	-
Settlement Funding Assessment	-	141	-	-	-	-
Lower Tier Services Grant	-	115	-	-	-	-
S31 NNDR reliefs including SBRR	1,080	600	-	-	-	-
Total Received	1,476	2,635	1,778	1,778	402	402

- 3.11 Following the announcement of four year figures in 2016/17, significant reductions of Revenue Support Grant (RSG) have occurred in recent years, and from 2021/22 it has been held at present levels awaiting the outcome of proposals for further localisation of the business rates regime.
- 3.12 As part of the plans for further local retention of business rates, S31 relief grant has been removed from 2022/23. Other grants have been left in for illustration purposes until more detail is known.
- 3.13 In March 2016, the Government announced it would make the exempting of small businesses from business rates permanent, and the table above reflects the estimated reimbursement from government for Boston's share of this cost.
- 3.14 The Government has continued to recognise the additional costs of providing services in rural areas, with affected councils receiving amounts of Rural Services Delivery Grant over the period to 2025/26.

New Homes Bonus

- 3.15 The New Homes Bonus (NHB) was introduced in order to provide a clear incentive to local authorities to encourage housing growth in their areas.
- 3.16 For 2020/21, the Government announced that payments will be made for one year only, with legacy payments for earlier years phased out over the coming years.

Table 5 – New Homes Bonus estimates

Boston BC share	2020/21	Draft 2021/22	Draft 2022/23	Draft 2023/24	Draft 2024/25	Draft 2025/26
	£000	£000	£000	£000	£000	£000
TOTAL	886	690	289	-	-	-

- 3.17 It is anticipated that the Government will introduce a revised future incentive for councils to promote local growth, although no details have been published yet.
- 3.18 The MTF5 assumes that 35% of NHB payments will be transferred into the Capital reserve in 2021/22 and 50% in 2022/23 with the remaining balance used to support the Council's revenue budget until 2022/23.

Fees and Charges

- 3.19 Income from fees and charges is an important source of revenue for the Council, representing almost 15% of the gross income budgeted in 2021/22. Charges have a central role to play in service delivery, raising income, controlling access, responding to competition, funding investment and affecting behaviour.
- 3.20 The fees and charges charged in 2020/21 are shown at

<https://moderngov.boston.gov.uk/documents/g1490/Public%20reports%20pack%2002nd-Mar-2020%2018.30%20Full%20Council.pdf?T=10>

- 3.21 Fees and charges are set within the framework of the Corporate Charging Policy, which is attached at **Appendix 3**.
- 3.22 As part of the broader moves to commercialisation across the Council, in line with many other authorities as they respond to the increasing challenges of diminishing resources, it is recognised that, in accordance with the Corporate Charging Policy, in-year variances to the approved fees and charges on a trial basis, within the approved budget framework, can be made. Any such changes will then be reported in the next quarterly monitoring report.
- 3.23 **Appendix 4** shows the proposed fees and charges to be charged from 1 April 2021. Once these changes have been approved the full list of Council fees and charges applicable for 2021/22 will be published on the Council's website.
- 3.24 The following table shows the main income budgets from fees and charges for Boston, before any consideration of possible increases beyond 2021/22 as part of balancing net budget and resources in those years. At this time assumptions for the majority of these areas are that income levels will not increase within the period of the MTFS, and this will be revisited as part of the annual Budget and Strategy refresh. Given the scale of savings required in the coming years, it is likely that future years will see rises in some fee areas.

Table 6 – Fees and charges income budgets

Budget Area	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Leisure income	922	918	918	918	918	918
Building control	183	170	170	170	170	170
Licensing	131	131	131	131	131	131
Land charges	91	78	78	78	78	78
Bereavement	859	896	923	950	977	1,001
Garden Waste	574	574	574	574	574	574

Trade waste	285	314	324	334	344	354
Planning fees	561	566	579	591	598	601
Parking	1,019	1,019	1,019	1,019	1,019	1,019
Markets	130	80	80	80	80	80
Other small areas	168	207	207	210	212	213
TOTAL FEE INCOME	4,923	4,953	5,003	5,055	5,101	5,139

Other Income

3.25 The Council also receives a number of other forms of income, and these are shown in the following table:

Table 7 – Other Income

	2020/21 £'000	2021/22* £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Housing benefit subsidy	15,170	13,050	13,050	13,050	13,050	13,050
Council tax and Housing benefit administration grant	305	304	304	304	304	304
Specific government grants	99	179	111	92	91	90
Housing benefit overpayments	120	120	120	120	120	120
Court income	251	251	251	251	251	251

Rental income	577	593	593	593	593	592
NNDR admin grant	92	92	92	92	92	92
Other Contributions (from external bodies for sharing of services and posts)	841	1,172	1,193	1,215	1,238	1,265
Other Income	942	894	891	940	1,046	1,019
Total Other Income	18,397	16,655	16,605	16,657	16,785	16,783

* Housing benefit subsidy has reduced following the initial introduction of Universal Credit locally. Future phases have not been factored into budgets as their timing and impact are uncertain.

External Funding opportunities

3.26 With the continuing reduction in resources available to the Council it will be important to seek and secure funds from external sources wherever possible, in accordance with the Council's priorities.

Summary

Table 8 – All sources of income

Budget Area	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000	£'000	£'000
Business rates (Table 2)	2,557	1,326	1,487	1,544	2,996	3,055
Revenue Support Grant (Table 4)	311	313	313	313	313	313
Deficit Compensation Estimate	-	1,377	1,376	1,376	-	-
Other Grants	1,165	945	89	89	89	89
New Homes Bonus (Table 5)	886	690	289	-	-	-

Total Government Resources	4,919	4,651	3,554	3,322	3,398	3,457
Council tax – Boston BC precept, including Collection Fund adjustment (Table 3)	3,726	3,867	3,984	4,104	4,241	4,368
BTAC Special Area Expense	703	718	740	762	784	808
Parish Councils' Precepts	454	459	463	468	473	478
Fees & charges (Table 6)	4,923	4,953	5,003	5,055	5,101	5,139
Other income (Table 7)	18,397	16,655	16,605	16,657	16,785	16,783
Return on Cash Investments	100	39	42	52	64	90
Return on Property Funds	977	977	977	977	977	977
Contribution from Reserves	2,903	1,288	438	336	251	278
Gross budgeted income	37,102	33,607	31,806	31,733	32,074	32,378

4. 2020/21 SPENDING PLANS

- 4.1 The following table shows the estimates by type of expenditure/income split over the CIPFA standard classification for the next five years. The paragraphs below the table provide information on budget variances between years. Details of the overall position are shown at **Appendices 1 and 2**.

Table 9 – Estimates by expenditure/income

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000	£'000	£'000
Employees	9,749	9,947	9,992	10,163	10,366	10,567
Premises	1,401	1,310	1,341	1,372	1,404	1,434
Transport	531	663	682	702	723	744
Supplies and Services	3,341	3,897	3,161	3,241	3,375	3,394
Third Party Payments	155	157	159	161	109	109
Drainage Board Levies	1,960	2,009	2,049	2,090	2,132	2,174
Parish Councils' Precepts	454	459	463	468	473	478
Transfer Payments	15,164	13,050	13,050	13,050	13,050	13,050
Direct Revenue Financing of Capital	1,861	454	388	176	194	100

Interest Payable on Borrowing	494	494	494	494	494	494
Minimum Revenue Provision	15	15	15	15	15	15
Contribution to Reserves	1,977	1,152	912	501	470	469
Savings Target	-	-	(900)	(700)	(731)	(650)
Gross Expenditure	37,102	33,607	31,806	31,733	32,074	32,378

- 4.2 All staffing costs have been prepared in accordance with the Council's Pay Policy as detailed in **Appendix 7**. Pension cost estimates have been prepared on the basis of whether current post holders were in the scheme or not as at 31 August 2021. The pension costs reflect the revised contribution rates and lump sum payable as detailed in the triennial pension valuation results that took effect from 1 April 2020.
- 4.3 Internal Drainage Board (IDB) increases, in total average 2.5% for 2021/22. Post 2021/22 increases have been estimated at this time, with an increase of 2% p.a. assumed. At a time of significant cuts and having to find significant savings annually, the Council is liaising with the local Internal Drainage Boards to work towards limiting future increases where possible. IDB commentary on their areas of work is included at **Appendix 8**.
- 4.4 Capital financing and direct revenue financing is mainly for capital expenditure funded from reserve contributions.
- 4.5 The contribution to reserves is mainly for contributions to the capital reserve from New Homes Bonus funding and Property Fund Net Interest. The overall contribution is anticipated to reduce significantly across the MTFs period due to the New Homes Bonus scheme ending. More detail is included in Appendix 5.

5. COUNCIL TAX REQUIREMENT

- 5.1 Outline estimates through to 2025/26 are shown at **Appendices 1 and 2**. In compiling these figures we have used the assumptions set out in Section 2 of this report and made specific adjustments to service budgets as and where Service Managers have advised of changes over the medium term. These forward estimates allow for annual increases of 2% at Band D from 2022/23 onwards for Council Tax, but are subject to risks surrounding the Secretary of State's annual referendum limits. These assumptions are for planning purposes only and are likely to change.

Table 10 – Council Tax Requirement

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Net Expenditure	8,742	8,656	8,896	9,112
Retained Business Rates	(1,487)	(1,544)	(2,996)	(3,056)
Revenue Support Grant	(313)	(313)	(313)	(313)
New Homes Bonus	(289)	-	-	-
Parish Councils' Precepts	(463)	(468)	(473)	(478)
Deficit Compensation Estimate	(1,376)	(1,376)	-	-
Other Grants	(89)	(89)	(89)	(89)
Special Expenses	(740)	(762)	(784)	(808)
Boston BC Council Tax Requirement	3,985	4,104	4,241	4,368

- 5.2 The forward estimates demonstrate that achieving a balanced position annually will require significant ongoing savings. Further information on efficiencies and economies is provided in section 9 of this report.

6. OTHER BUDGET ISSUES

- 6.1 In order to meet its obligations, equality impact assessments will be carried out when the nature of proposed changes to services and the potential mitigation (if any) is clear, so that the implications of decisions are fully understood as they affect specific groups and communities. These have been, and will continue to be, regularly undertaken and considered as part of the decision making process.
- 6.2 Cabinet members are also asked to note the budget proposals for the Boston Town Area Committee, set out in the Executive Summary, which were discussed at its January 2021 meeting, and recommended for formal Council approval.

7. RESERVES

- 7.1 To comply with the requirements of the Local Government Act 2003, the Council must undertake a review of the level of reserves as part of annual budget preparation. A review of the current projection for reserves has been undertaken, including a review of current and future risks the Council might face. This has included an assessment of risk registers, pressures upon services, inflation and interest rates and any underwriting arrangements. The proposed budget has been developed on the basis of not requiring any long term support from reserves.

General Balances

- 7.2 The General Fund balance is estimated to stand at £2.0m for the next five years, which the Council's Section 151 Officer believes to be prudent for the Council at this time.

Specific Reserves

- 7.3 Specific reserves are set up to provide funds for known future commitments or provide resources for unexpected events. The projected closing balance on specific reserves over the next five years is given below in table 11. Given the risks and uncertainties facing both the local and national economy the Council is committed to retaining robust levels of reserves, whilst ensuring resources are available to enable efficient service delivery.
- 7.4 The projected increase in the Capital Reserve is as a direct consequence of the expectation that the Council's capital resources will diminish in the coming years, and if it is to protect services and the value of its assets, the Council will need to ensure that funds are available to support core service priorities, as well as seeking external sources wherever possible.
- 7.5 The creation of the Mitigation Reserve occurred following the approval of capital spend on Property Fund holdings, with the recognition that the Council needs to ensure that future revenue budgets are protected, if necessary.

Reserve	Balance 31.03.21 £'000	Balance 31.03.22 £'000	Balance 31.03.23 £'000	Balance 31.03.24 £'000	Balance 31.03.25 £'000	Balance 31.03.26 £'000
Capital Funding	(5,586)	(6,167)	(6,590)	(6,795)	(7,013)	(7,242)
Transformation	(1,121)	(1,122)	(1,153)	(1,153)	(1,153)	(1,153)
ICT	(246)	(199)	(129)	(109)	(24)	(24)
Repairs and Renewals	(633)	(660)	(695)	(730)	(765)	(800)
Housing	(1,691)	(1,013)	(1,068)	(1,155)	(1,244)	(1,331)
Funding Volatility Reserve	(2,709)	(2,689)	(2,689)	(2,547)	(2,509)	(2,349)
Insurance	(279)	(279)	(279)	(279)	(279)	(279)
Property Fund Mitigation Reserve	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Total	(13,265)	(13,129)	(13,603)	(13,768)	(13,987)	(14,178)

- 7.6 **Appendix 5** and table 11 above outline the projected position on reserves over the next five years. This shows the name of each specific reserve, the balance as at the 1 April for each year of the financial strategy, and the movements in capital and revenue.
- 7.7 The main increase in reserves relates to the capital reserve. There are a number of potential capital commitments and risks such as ongoing investment in assets and energy efficiency measures, the majority of which have not been included in the capital programme at this point. A condition survey of the Council's assets will be undertaken during 2021/22 to inform future capital spend. Proposals will be brought forward annually as schemes are worked up.
- 7.8 The Government has been critical of Councils across the country and their levels of reserves. However, given strategic risks, such as business rate appeals and flooding, and uncertainties in respect of the amount of resources to meet future spending plans, we believe that Boston Borough Council's proposed level of reserves is appropriate.

8. CONSULTATION

- 8.1 Under the Gunning Principles, the following points are the golden rules of consultation:
- Proposals being consulted upon must be at a formative stage;
 - Proposals must contain enough information for the respondent to provide intelligent consideration;
 - Must give adequate time for a response;
 - Responses must be conscientiously taken into account.
- 8.2 Using these principles, the budget consultation process for the 2021/22 budget comprised a number of elements. It was published on the Council's website for consultation by all stakeholders, including the local business community.
- 8.3 In addition to this we consulted through a number of Member forums including Cabinet and Scrutiny; and on the governance aspects of its preparation through the Audit and Governance Committee.
- 8.4 Following the budget consultation process, comments received through the Member forums, preceptors and the public exercise will be taken into account in preparing and recommending the proposed budget for Cabinet review and formal Council approval on 24 February and 1 March 2021 respectively.
- 8.5 The public responses will be given verbally to the Cabinet, as the consultation period was still open when this report was published.

9. SAVINGS TARGETS

- 9.1 The projected budgets recognise an increasingly challenging and uncertain position through the five year period of our financial strategy. A key factor is that the Local Government Finance Act 2012 and future finance reviews demand a significant transformation in the way public services are both paid for and provided, with an emphasis on business and housing growth to both improve economic development and maximise funding to the Council to help offset ongoing reductions in overall resources. The upcoming 2021 Spending Review and the outcome of the Fairer Funding review will impact on the Council's future resources and future savings.
- 9.2 Based upon current budget assumptions the value of cashable savings required to set a balanced budget for the next five years are as follows:

Table 12 – Savings Targets

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Budget Savings Requirement (£'000) – cumulative	-	900	700	731	650
Budget Savings Requirement (£'000) – annual	-	900	(200)	31	(81)

- 9.3 The ongoing delivery of a significant level of savings is recognised as a key challenge to the Council that will require both political and cultural direction to ensure it is met.

10. RISK AND SENSITIVITY

- 10.1 The Council is required to set a budget, which is a realistic statement of its estimated Income and Expenditure for the coming year based upon information currently available to it. It has a duty to take into account the demand for its services, and the effect upon council taxpayers of meeting those demands at varying levels of service. I have examined the budget proposals contained in this report, and believe that whilst the spending and service delivery proposals contained within are tighter than we have previously set, they are nevertheless achievable and deliverable given good management practices and sound financial and performance monitoring. I am satisfied that the requisite management processes exist within the Council to deliver this budget, and to identify and deal with any problems which may unexpectedly arise throughout the year. We fully expect there to be a need to review these budgets throughout the coming financial year in order that we can respond to as yet undefined financial risks. As an organisation we recognise a period of budgetary turbulence and we will use our financial management processes to identify options that will allow us to adjust our budgetary position as and when required. Formal quarterly budget monitoring updates are presented to members throughout the year.
- 10.2 The following table shows the key risks and how we intend to treat them through our risk management practices. Members receive updates through the quarterly performance monitoring process as information becomes available.

Table 13 – Key Risks

Risk	Likelihood	Impact	Action
Continuation of the COVID-19 Pandemic	High	High	Strong continuity planning, accurate monitoring and reporting to Central Government
Fluctuation in business rates	High	High	Growth plans and accurate monitoring
Lack of funding from partners	High	High	Engagement and realism
Inadequate capital resources	High	High	Proportionate spending, sale of surplus assets, capital property fund spend
Central Government policy changes	High	High	Engagement in consultation and policy creation
Reductions in Government Funding	High	High	Lobbying and service transformation
A poor settlement for rural councils	Medium	High	Lobbying as a special interest group
Fee income volatility	Medium	Medium	Early monitoring of deviations
Increased demand for services	Medium	Medium	A robust performance management framework
Failure to deliver the required savings	Low	High	Effective programme and project management

11. CAPITAL PROGRAMME

- 11.1 In drawing together the proposed capital programme we have taken a five year view from 2021/22 to 2025/26, to run alongside our revenue plans. This is sensible and encourages a link between revenue and capital spending decisions.

- 11.2 It is important to emphasise that no scheme will appear on the Capital Programme until the criteria set out in the capital strategy have been met and agreed by committees of the Council. Members may well be aware of several potential projects which are not included in the proposed five year capital programme. This is not to say that they will not happen but that they will not be included until an affordable business case is approved and more information is available. We will have a programme which is likely to have further schemes added once aspirations are turned into robust projects. The decisions that are taken ultimately have to be affordable, prudent and sustainable for the local community.
- 11.3 The future for capital investment, funded from both the Council's resources and external resources, will be dependent on decisions taken as part of each year's budget process. Our capital resources have been substantially eroded over time and we aim to take money from revenue to ensure that statutory commitments can continue to be met. This will demand a greater role for the Council's Asset Management Plan to ensure that future liabilities are reduced and that capital receipts are maximised.
- 11.4 The proposed capital programme (including details of anticipated slippage in the 2020/21 capital programme) for 2021/22 to 2025/26 is shown in table 14 along with how the programme will be financed. It should be noted that some risk exists with capping the finance available for Disabled Facilities Grants (DFG) works as this is a statutory provision dictated by law based on need rather than the ability of the Council to provide the funds to carry out the works, and as such it is subject to ongoing review.
- 11.5 Following the publication of CIPFA's review and MHCLG guidance on the Prudential System (which guides and regulates councils' capital and investment strategies), during 2018/19 the Council made use of external borrowing to support the Council's long term Capital Strategy, by purchasing capital Property Fund units. The intention is to bring a number of benefits to the Council over the medium to long term, including yield, growth in future capital resources, statutory service resilience and historically low interest rate finance. This is subject to regular monitoring and is primarily overseen by the Audit and Governance Committee.
- 11.6 The Peer Review, overseen by the Local Government Association recommended that work be commissioned on an asset condition survey, to provide supporting information to allow a longer term capital programme to be prepared. This will be done during 2021/22 and will inform future capital programmes, particularly when the medium term resource position is clearer.
- 11.7 In addition, Boston was chosen by the Government as one of 101 towns to be able to bid for funding of up to £25m to support growth initiatives for the town over the coming years. As projects are worked up by the Town Board and approved by the Government, the Council's capital programme will be amended accordingly.
- 11.8 The proposed capital programme is affordable, meets the Council's obligations and provides a basis for growth.

Table 14 – Capital Programme

Capital Programme £'000	Expected Slippage in 2020/21	Revised 2021/22 with Slippage	2022/23	2023/24	2024/25	2025/26
1. Disabled Facilities Grants	-	280	280	280	280	280
2. Housing Strategy	56	56	-	-	-	-
3. Noise Monitoring Equipment	-	10	-	-	-	-
4. Vehicle Replacement Programme						
Ford Transit Tipper Vans 350 (4)	-	-	50	56	-	-
Ford Transit Vans 290, 300 & 1.5tdci Courier(3)	-	-	60	-	-	-
Ford Ranger 2.5	-	-	25	-	-	-
5. Grounds Maintenance – Mower Replacement	-	20	80	-	-	-
6. Town Centre Heritage Scheme	731	1,189	42	-	-	-
7. Information Technology Refresh	-	197	170	120	194	100
8. Resurfacing and Footpath Improvements	34	48	-	-	-	-
9. Recycling Bins	-	24	-	-	-	-
Totals	821	1,824	707	456	474	380

Capital Financing £'000	Revised 2021/22 with Slippage	2022/23	2023/24	2024/25	2025/26
1. Capital Grants and Contributions	1,370	319	280	280	280
2. Capital Reserve	132	218	56	10	-
3. IT Reserve	197	170	120	184	100
3. Repairs and Renewal Reserve	69	-	-	-	-
4. Housing Reserve	56	-	-	-	-
Totals	1,824	707	456	474	380

12. OPTIONS

- 12.1 There are no alternative options presented, and Cabinet are requested to recommend the budget and council tax level for formal approval by the Council. Given the likely outlook for future resource levels, the Council needs to focus strategically over the next five years, and consider to what extent they wish to maintain existing services, how services might be prioritised, and to develop proposals on how future budgetary shortfalls might be addressed. As in previous years, the Cabinet are encouraged to work with all Members (and stakeholders generally) as critical friends to assist in the development of future years' budgets.

13. REASONS FOR RECOMMENDATIONS

- 13.1 To comply with the budgetary and policy framework.

14. RECOMMENDATIONS

- 14.1 To recommend the proposed budget and associated documents to Full Council for formal approval, specifically:
- The budget setting report and associated policies and strategies 2021/22 – 2025/26,
 - The Borough Council Tax for a Band D property in 2021/22 is set at £197.91,