Boston Borough Council - Finance Q2 2021/22

1 The National Picture – key financial events during Quarter 2 2021/21

- On 15 July, the Ministry of Housing, Communities and Local Government published the full list of 101 confirmed Town Deal Offers. Town Deals have been offered to all 101 places that were invited to develop proposals.
- 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.

2 Revenue Budget

Table 1 – Net spend for the year against budget by Service Area:

Service Area	Net Revised Budget 2021/22	Projected Outturn 2021/22	Variance (underspend)/ overspend	Summary of Main Variances
	£'000	£'000	£'000	
Net Expenditure				
Chief Exec & Leadership	523	84	(439)	Covid-19 grants received in year offset by cost pressures such as PPE
Organisation & Corporate	1,899	1,871	(28)	Small variance on supplies and services budgets
Support & Partnerships	1,490	1,944	454	£320k net pressure on Leisure Services and £149k grant paid to the Leisure provider which was paid to BBC from Sport England during 2020/21 and set aside in reserves therefore reserve release shown below.
Housing & Wellbeing	1,093	1,009	(84)	Staff vacancies of £(49)k.

Service Area	Net Revised Budget 2021/22	Projected Outturn 2021/22	Variance (underspend)/ overspend	Summary of Main Variances
	£'000	£'000	£'000	
Regulation	867	699	(168)	£65k increased expenditure in Building Control forecast, together with LCC Income for public health offset partially by expenditure
Operations	1,268	1,512	244	£285k additional costs in Refuse and Recycling on rounds and staffing / agency issues to ensure performance maintained. New bin purchases £109k funded from reserves.
Economic Growth	319	470	151	£142k additional expenditure on Economic Development funded from reserves below
Assets	(953)	(625)	328	A £258k net overspend in car parking and £168k net overspend on Bereavement services.
Planning	194	156	(38)	Vacancies within Planning Policy
BTAC	716	716	0	
A. Net Service Expenditure	**7,416**	**7,836**	**420**	
Other Council Net Expenditure				
Drainage Boards	2,009	2,009	0	
Direct Revenue Financing of Capital	1,088	1,340	252	This reflects the Capital Programme
Minimum Revenue Provision	15	15	0	
Investment Income - Gross	(39)	(21)	18	Reduced income due to historically low interest rates
Income Receivable from Property Funds (Gross)	(977)	(893)	84	Reduced income due to changing market conditions
Interest Payable	494	494	0	
Net Transfer (from)/to Earmarked Reserves	(770)	(2,599)	(1,829)	Release of Sport England Grant referenced above, funding for Economic

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	£'000	**£'000**	**£'000**	
				Development, funding on bin purchases and S31 Grants received in 20/21 but required in 21/22
B. Other Council Net Expenditure	**1,820**	**345**	**(1,475)**	

Total Net Council Expenditure (A+B)	**9,236**	**8,181**	**(1,055)**	

Council Financing	£'000	£'000	£'000	
Council Tax	(4,585)	(4,585)	0	
Business Rates	(1,168)	(1,168)	0	
Renewable Energy	(158)	(158)	0	
Non-Ring-Fenced Government Grant	(3,325)	(1,948)	1,377	Section 31 Grant received in 20/21 budgeted for here but released from reserves above
C. Total Financing	**(9,236)**	**(7,859)**	**1,377**	

Net Council (Underspend) / Overspend (A+B+C)	**0**	**322**	**322**	

Although there is a forecast overspend at this point of the year the position could still change in the latter half of the year depending on a number of factors. The Council prudently put aside £1,423k in a COVID pressures reserve at the end of 2020/21 and therefore if the forecast overspend transpires then this can be used to fund it.

3 Trading Income

The Council has a number of demand led budget areas, which are reliant on receiving income for services provided. The COVID-19 pandemic, however, has had a significant impact on the sales, fees and charges income, most notably Parking, Leisure, Bereavement and Planning. These areas are included in the following table:

Table 2 – Trading Income:

Income Area	Budget £000s	Projected Outturn £000s	Variance £000s
Building Control	(170)	(170)	0
Planning	(566)	(477)	89
Land Charges	(78)	(72)	6
Licensing	(131)	(121)	10
Garden Waste	(574)	(580)	(6)
Bereavement	(896)	(779)	117
Commercial Waste	(314)	(300)	14
Parking	(1,019)	(815)	204
Markets	(80)	(70)	10
Leisure	(918)	(531)	387
Total	(4,746)	(3,915)	831

The total claim for Covid Sales Fees and Charges compensation grant for Q1 2021/22 was £66k (versus £856k in total last year of which £319k related to Q1). The quarter 1 claim this year is the last one and figures are subject to a government reconciliation process. The claim has been allowed for in the forecasting above in table 1.

4 Earmarked Reserves

The following table shows the level of earmarked reserves held at the beginning of the year, movements in the year, and the position at 31 March 2022 (assuming no further adjustments):

Table 3 – Earmarked Reserves

Reserve	Balance at 31 March 2021 £000s	Contributions Into Reserves	Contributions out of Reserves	Balance at 31 March 2022 £000s
Capital Funding	(5,339)	(996)	1,124	(5,211)
Transformation Reserve	(1,745)	(30)	730	(985)
Repairs and Renewals	(725)	(35)	69	(691)
ICT Reserve	(276)	-	247	(29)
Housing Reserve	(1,247)	(578)	538	(1,287)
Controlling Migration	(14)		14	-
Insurance Reserve	(274)	-	-	(274)
Property Funds Returns	(1,116)	-	-	(1,116)
Funding Volatility Reserve	(6,520)		1,516	(5,004)
COVID-19 Reserve	(1,423)			(1,423)
	(18,679)	(1,639)	4,238	(16,080)

Notes to Reserve Table

- The overall position is £2,599k net movements from reserves above
- Capital Funding Reserve – the proposed movement in reserve reflects changes to in-year financing requirements associated with the revised capital programme, as set out in section 6 and the funding of bin purchases.
- Transformation Reserve – includes £515k related to Community Hardship £50k and £464k Community Champion funding 2020/21
- Housing Reserve – the proposed movement includes the release of homeless reduction grants agreed in MTFS and subsequently reported movements advised by service.
- Repairs and Renewals Reserve – the proposed movement in reserve reflects changes to the in-year financing requirements associated with the revised capital programme, as set out in section 8.
- Funding Volatility Reserve - the proposed movement in reserve reflects changes to the in-year financing requirements and £1,331k has been released (to match a shortfall on the budgeted grant financing figure.)

Recommendation:

F1 Cabinet to recommend to council the proposed movements in Table 3, Appendix C

5 Treasury Management

At 30 September 2021, the Council held £24.105m in cash investments (£23.715m at 30 June) and £20.517m in property funds (£20.118m at 30 June).

The Council budgeted to receive £1,016,000 in gross investment income in 2021/22 comprising £977,000 from Property Funds (including £215,000 of management fees), and £39,000 from cash investments.

At 30 September 2021, total gross investment income for the year is estimated to be £914,000 comprising £893,000 gross from Property Funds and £21,000 from cash investments. Property fund management fees for 2020/21 are estimated at £215,000. Management fees are in the service lines the income is shown gross. Due to the volatility in forecasting an estimate is shown for the year and significant movements will be advised when clear.

In 2021/22 quarter 2 the Council achieved an average gross revenue return from the Property Fund purchases of 3.24% after fees

Treasury (cash) Investments achieved an average rate of 0.10%.

Table 4 - Property Funds as at 30 September 2021

Property Fund	Sum Invested £000	Fair Value 30 June 2021 £000	Fair Value 30 Sept 2021 £000	Gain /(Loss) in Q2 2021-22 £000
Black Rock	4,500	4,491	4,629	138
Schroders	4,250	4,351	4,450	99
Threadneedle	4,239	3,947	4,094	147
M&G	4,000	3,605	3,716	111
AEW	4,000	3,724	3,824	100
TOTAL	**20,989**	**20,118**	**20,713**	**595**

NB The Gain / (Loss) in Q1 was 626.

External Borrowing

At the start of the 2020/21 financial year, the Council's total long-term borrowing was £16.449m. Total annual interest payable on external borrowing is estimated at £494,000.

No additional borrowing was undertaken during the quarter ended 30 September 2021.

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6 Capital

Table 5 – Capital Programme for 2021/22

The following table shows the approved capital programme for 2021/22 as reported to Full Council on 1 March 2021 and subsequently slippage from 2020/21 as presented in the outturn report in June 2021, plus other known in-year changes together with actual spend to the end of quarter 2:

Scheme	2021/22 Approved Program. Feb. 2021 £'000	2021/22 Program. with slippage £'000	In Year Changes £'000	Revised Program. £'000	Actuals to 30 September 2021 £'000
Scheme					
Disabled Facilities Grants*	280	669	-	949	140
Housing Strategy	56	-	-	56	-
Resurfacing and Footpath Improvements	48	-	-	48	-
Noise Monitoring Equipment	10	-	-	10	10
Town Centre Heritage Scheme (PSICA 2)	1,189	208	-	1,397	64
Multi Use Games Area (CMF)	-	23	-	23	-
Information Technology Refresh	197	3	-	200	10
Vehicle Replacement					
Ransomes Mower	20	-	-	20	-
Ford Transit tipper van x 2	-	22	-	22	-
Ford Vans x 2 Supervisors	-	8	15	23	-
Refuse Vehicle	-	-	170	170	-
Recycling Bin Purchase	24	-	-	24	-
PE21 Boston Town Deal-Accelerated Funding**	-	400	-	400	122
ICT Finance Upgrade	634	-	-	634	629
	2,458	**1,333**	**185**	**3,976**	**975**

Currently there are no forecast variance predicted on the Capital programme but this will be closely monitored and updated within the quarter three report.

*Disabled Facility Grants

Cumulative funding, including grants funding allocation for 2021/22 of £633k, total £949k.

Housing services are constantly seeking opportunities to increase the pace of delivery for the benefit of clients.

**Boston Town Deal – Accelerated Funding

The £400k allocation in 2021/22 is the remainder of the overall Accelerate Funding of £750k received in September 2020. Spend within current year is for earmarked schemes including contribution to Boston Witham Foundation Academy for a 3G pitch.

Recommendation:

F2 Cabinet to recommend to council to approve the updated capital programme position as detailed in Table 5, Appendix C

7 Insurance

The number of insurance claims against the Council are relatively small and are in line with previous years. Not all claims result in the Council making a settlement payment.

A summary of the number of claims received, comparing them to 2020/21 in brackets, is given below**:**

Table 6 – Insurance claims received

Cover	Q1	Q2
Public Liability	0 (0)	1(2)
Employer's Liability	0 (0)	0(0)
Motor	1 (1)	1(2)
Property	0 (0)	0(0)
Total	**1 (1)**	**2(4)**

8 Procurement Exemptions

None notified at this quarter. Any outstanding advised will be reported separately or in Quarter 3 report.

9 Localisation of Business Rates

Table 7

	Base Estimate included in 2021/22 Budget £	Forecast Position at 31st March 2022 £	(Surplus)/Deficit in 2021/22 – will impact next year's budget £
Business Rates Income for the year	(20,507,213)	(16,476,542)	4,030,671
Less: LCC Share (10% for 21/22)	2,050,721	1,647,654	(403,067)
Less: Government Share (50% for 21/22)	10,253,607	8,238,271	(2,015,336)
Boston Borough Council's Income (Excluding renewables) (40% for 21/22)	**(8,202,885)**	**(6,590,617)**	**1,612,268**

The position in the table above 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 £772k of additional 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.

10 Sundry Debts

Table 8

Quarter 2	0-30 Days	31 – 91 Days	92 – 365 Days	Over 365 Days	**Total**
	£	£	£	£	**£**
	256,987	39,512	236,660	175,848	**709,007**