



**BOSTON BOROUGH COUNCIL**

**FULL COUNCIL: 7th March 2022**

**REPORT OF JONATHAN NOBLE, FINANCE PORTFOLIO HOLDER**

**(Authors: Christine Marshall (Deputy Chief Executive Corporate Development) and  
Samantha Knowles (Assistant Director - Finance))**

**BUDGET SETTING REPORT AND MEDIUM TERM FINANCIAL STRATEGY (MTFS)  
2022/23 – 2026/27**

**CONTENTS PAGE**

<b>SECTION</b>	<b>CONTENT</b>	<b>PAGE NUMBER</b>
	Portfolio Holder introduction	3
1	Executive Summary and Introduction	5
2	Budget Assumptions	7
3	Resources	9
4	Spending Plans	18
5	Council Tax Requirement	20
6	Other Budget Issues	21
7	Reserves	22
8	Consultation	24
9	Savings Targets	25
10	South and East Lincolnshire Council's Partnership Plans	26
11	Risk and Sensitivity	27
12	Capital Programme	29
13	Options	31
14	Reasons for Recommendations	31
15	Recommendations	31

**Appendices:**

1	Summary by Portfolio Area – Overall
2	Summary by Assistant Director Area – Overall
3	Corporate Charging Policy
4	Fees and Charges
5	Reserve Statement
6	Capital Strategy – Treasury Management Strategy 2022/23 to 2026/27
7	The South and East Lincolnshire Council's Partnership Annual Delivery Plan 2022/23
8	Budget Consultation Report

## **FOREWORD TO THE BUDGET FROM COUNCILLOR JONATHAN NOBLE - FINANCE PORTFOLIO HOLDER**

The 2022/23 budget and medium term outlook has been produced during a period of unprecedented uncertainty and change and it is inevitable that the financial and service delivery challenges that have faced councils for the last few years will continue for some time.

The Chancellor's 2021 Spending Review in October set out the Government's overall public sector spending plans for the year 2022/23 and it is anticipated that the governments ongoing response to the COVID-19 pandemic and subsequent recovery will continue to present challenges to the public purse and therefore to wider local authority finances as a whole.

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.

Despite this the Council has been proactive in its response to these pressures and the pandemic, firstly with the decision to become a shareholder in Public Sector Partnership Services Limited (PSPS) in April 2021, agreeing the transfer of services such as Human Resources, Revenues and Benefits and Financial Services to PSPS with a view to achieving savings over the next five years. This represents a significant investment in these "back office" functions with the council in future being able to benefit from a share of the scaleable savings as services become more efficient and effective alongside services already delivered by PSPS to the original shareholders East Lindsey District and South Holland District Councils.

In addition to this the decision to form the South and East Lincolnshire Council's Partnership alongside South Holland and East Lindsey District Councils in October 2021, also demonstrates the councils continued commitment to its partners across the county with the partnership using the combined expertise of officers and members across three councils to maintain and improve services for its residents along with ambition to save £42m over a ten year period across the three councils

This year the council was also at the forefront of the response to the COVID-19 Pandemic supporting businesses and residents across the borough through the passporting over £30m of grants and support. During this period the council has also received government support totalling £2m to help alleviate some of the additional pressures felt during the pandemic including a reduction in Councils income from certain services such as Leisure, Parking, Planning, Building Control and Bereavement Services.

Despite this, over the coming years the Council will support a number of major developments within the Borough, with £21m 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.

The financial regime following the conclusion of the government's Spending Review, 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 2022/23 a budget is proposed that allows expenditure to be financed through the use of reserves in order to smooth the impact of the councils ongoing pressure, however savings will be required going forward as a result of service cost pressures, income levels dropping, reduced business rates growth and the ending of the New Homes Bonus. This approach will mean that the 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 South and East Lincolnshire Council's Partnership with its partners at East Lindsey and South Holland District Councils and PSPS, whilst ensuring it maximises the income it receives.

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 as it has done over the past twelve months 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 2022/23 proposes an increase in Boston Borough Council's council tax of £4.95 for the year, representing an increase of 2.50%. 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:**

	<b>2021/22</b>	<b>2022/23</b>
Boston Borough Council Precept	£3,883,331	£4,067,546
Council Tax Increase	2.57%	2.50%
Council Tax Band D	£197.91	£202.86
Government Funding (RSG, Specific Grants and NHB)	£3,324,997	£3,435,574
Boston Town Area Committee Special Expense Account (1.35% increase proposed)	£716,192	£732,864
Earmarked Reserves (at 1 April)	£12.589m	£18.348m

## 1. INTRODUCTION

- 1.1 This report outlines the 2022/23 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 approve the 2022/23 estimates (along with associated Policies and Strategies) and for Members to be advised on the projected financial position through to 2026/27.
- 1.2 The Local Government Act 2003 introduced a requirement for the Statutory S151 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 2021/22 outturn position informs the reliance we can place on the baseline we use for setting the 2022/23 estimates. There are emerging pressures within 2021/22 that have been built into 2022/23, further use of the covid reserve may be required in both years, especially where funding streams have been impacted upon using funding provides 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. As well as COVID-19 related pressures, there are issues such as rising inflation around employee costs and power/fuel, welfare reform, uncertainty around Government funding reductions and responding to reductions in Central Government funding (with a greater emphasis on business and housing growth).
- 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.

## 2. BUDGET ASSUMPTIONS

Table 1 – Assumptions which influence the five year financial strategy

Assumption	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Budgeted inflation <sup>1</sup>	0%	0%	0%	0%	0%	0%
Pay costs increase <sup>2</sup>	1%	2%	2%	2%	2%	2%
Full Time Equivalent Employees <sup>3</sup>	262.7	234.99	223.62	222.62	221.78	221.78
Pension contribution rate – current service cost <sup>4</sup>	17.7%	17.7%	17.7%	17.7%	17.7%	17.7%
Pension contribution rate – lump sum element <sup>4</sup>	£670,000	£745,000	£828,000	£921,000	£1,024,000	£1,137,000
Return on cash investments	0.35%	0.10%	0.30%	0.50%	0.70%	0.90%
Return on property funds	3.60%	3.60%	3.70%	3.70%	3.80%	3.80%
Staffing levels	99%	99%	99%	99%	99%	99%
Tax base <sup>5</sup>	19,621.7	20,051	20,252	20,454	20,659	20,865
Fuel cost rises <sup>1</sup>	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 2% increase has been included from 2022/23 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 2022/23, plus annual monetary contributions in respect of past service. However a triennial review of the Lincolnshire Pension fund (of which the council is a member) is due to take place in 2022/23. In addition a review has been carried out in year following the transfer of staff to PSPS to ensure that the rate of contribution is still appropriate.
5. 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 2022/23 is 20,051 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 2022/23, 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. If an Authority enters a pool this levy is not required and in line with previous years Boston has entered into a voluntary pooling arrangement for 2022/23 with Lincolnshire County Council and 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 concluded its review of business rates which were published alongside the Chancellor's budget statement. The aim of the review was to reduce the burden of business rates in England, support investment, and make the system more responsive. Following the review the government have confirmed the following:-
- A freeze on the business rates multiplier for a second year, from 1 April 2022 until 31 March 2023, keeping the multipliers at 49.9p and 51.2p
  - Introduce a new temporary business rates relief for eligible retail, hospitality and leisure properties for 2022-23. Eligible properties will receive 50% relief, up to a £110,000 per business cap
  - Introduce a 100% improvement relief for business rates. This will provide 12 months relief from higher bills for occupiers where eligible improvements to an existing property increase the rateable value. The government will consult on how best to implement this relief, which will take effect in 2023 and be reviewed in 2028
  - Introduce from 1 April 2023 until 31 March 2035 targeted business rate exemptions for eligible plant and machinery used in onsite renewable energy generation and storage, and a 100% relief for eligible heat networks, to support the decarbonisation of non-domestic buildings
  - Increase the frequency of business rates revaluations so that they take place every 3 years instead of every 5 years, starting in 2023
  - Provide additional funding to the Valuation Office Agency to support the delivery of the new revaluation cycle.



- Extend transitional relief for small and medium-sized businesses, and the supporting small business scheme, for 1 year. This will restrict bill increases to 15% for small properties (up to a rateable value of £20,000) and 25% for medium properties (up to a rateable value of £100,000), subject to subsidy control limits

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.

Table 2 – Business Rates

	2021/22 £'000	Draft 2022/23 £'000	Draft 2023/24 £'000	Draft 2024/25 £'000	Draft 2025/26 £'000	Draft 2026/27 £'000
Retained Business Rates	7,822	7,427	8,162	8,325	8,492	8,662
Tariff	(5,141)	(5,141)	(5,244)	(5,348)	(5,455)	(5,564)
<b>Pre Levy Income</b>	<b>2,681</b>	<b>2,286</b>	<b>2,918</b>	<b>2,977</b>	<b>3,037</b>	<b>3,098</b>
Renewable Energy (100% retained by Boston BC)	158	203	207	211	216	220
Less net levy payment to Lincolnshire Pool	(61)	(237)	(241)	(246)	(252)	(257)
Estimated Business Rates (Deficit) / Surplus	(1,452)	(3,501)	-	-	-	-
<b>Equals Net Retained Business Rates Income</b>	<b>1,327</b>	<b>(1,249)</b>	<b>2,884</b>	<b>2,942</b>	<b>3,001</b>	<b>3,061</b>

- 3.5 The estimated business rates deficit for 2022/23 in Table 2 is due mainly to the COVID-19 pandemic which has seen unprecedented support to business from central government in the form of business rate reliefs, these are funded from monies received from central government in 2020/21 and 2021/22 and now released from reserves. 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.
- 3.6 The majority of Government support of business ceased in September 2021 with the closure of the majority of its support to businesses including the furlough scheme. Compensation for continued Rate Reliefs and income loss are made through Section 31 grants and are dealt with in the General Fund.

## Council Tax

- 3.7 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 17 January 2022 the Council approved its CTS scheme for 2022/23.
- 3.8 The Council Tax element of the Collection Fund has been calculated based on the 2021/22 scheme, leaving a budget neutral position. This will be reviewed throughout the year, and collection rates assessed. The MTF5 assumes an increase in the Borough's council tax of 2.50% for 2022/23.

Table 3 – Council Tax

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	No. Of properties	No. Of properties	No. Of properties	No. Of properties	No. Of properties	No. Of properties
Council Tax base (Band D equivalentents)	19,621.7	20,051	20,252	20,454	20,659	20,865
Council Tax Band D	197.91	202.86	207.81	212.76	217.71	222.66
Annual Increase £	4.95	4.95	4.95	4.95	4.95	4.95
Annual Increase %	2.57%	2.50%	2.44%	2.38%	2.33%	2.27%
Gross Council Tax collected	£3,883,331	£4,067,546	£4,208,568	£4,351,793	£4,497,670	£4,645,800
In year Surplus / (deficit)	(£16,328)	£86,654	0	0	0	0
<b>TOTAL</b>	<b>£3,867,003</b>	<b>£4,154,200</b>	<b>£4,208,568</b>	<b>£4,351,793</b>	<b>£4,497,670</b>	<b>£4,645,800</b>

## Revenue Support Grant (RSG) and Section 31 Grants

Table 4 – RSG and Section 31 Grants

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue Support Grant	313	323	323	323	323	323
Rural Services Delivery Grant	89	89	89	89	89	89
Deficit Compensation Estimate	1,377	0	0	0	0	0
Settlement Funding Assessment	141	0	0	0	0	0
Lower Tier Services Grant	115	121	0	0	0	0
Services Grant 2022/23	0	186	0	0	0	0
S31 NNDR reliefs including SBRR	600	2,018	1,283	1,309	1,335	1,362
<b>Total Received</b>	<b>2,635</b>	<b>2,737</b>	<b>1,695</b>	<b>1,721</b>	<b>1,747</b>	<b>1,774</b>

- 3.9 Following the announcement of four year figures in 2016/17, significant reductions of Revenue Support Grant (RSG) have occurred in recent years, and from 2022/23 it has been held at present levels awaiting the outcome of future local government finance settlements. As can be seen in the table above if RSG and rural services delivery grant were not received from 2023/24 onwards this would mean a loss of income of £412k per year.
- 3.10 As part of the plans for further local retention of business rates, S31 relief grant held at the same level for 2023/24 onwards.
- 3.11 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 which has been held as the same level over the period to 2026/27. The future of the LTSG and new Services Grant is unknown and would benefit the Council by £307,000 per annum if retained.

## New Homes Bonus

- 3.12 There were new 2022/23 New Homes Bonus (NHB) allocations announced as part of the Local Government Finance Settlement for 2022/23 only as far as we are aware. The government has added a year of additional grant. As previously announced, the 2021/22 “in year” allocations will not have future years legacy payments nor has the 2022/23 allocation. If the scheme was to be continued in its current form next years payment would reflect just the growth in the previous year.
- 3.13 The values in Table 5 for 2022/23 to 2026/27 are indicative and subject to future consultation and changes to the scheme (plus the level of local growth).

Table 5 – New Homes Bonus estimates

<b>Boston BC share</b>	<b>2021/22</b>	<b>Draft 2022/23</b>	<b>Draft 2023/24</b>	<b>Draft 2024/25</b>	<b>Draft 2025/26</b>	<b>Draft 2026/27</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>TOTAL</b>	<b>690</b>	<b>697</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

- 3.14 The MTFs assumes that NHB payments will be used to partly support the Council’s revenue budget in 2022/23. From 2023/24 onwards no New Homes Bonus is due to be received therefore this grant stream will not be able to used to support the Council’s revenue budget.

## Fees and Charges

- 3.15 Income from fees and charges is an important source of revenue for the Council, representing almost 15% of the gross income budgeted in 2022/23. Charges have a central role to play in service delivery, raising income, controlling access, responding to competition, funding investment and affecting behaviour.
- 3.16 The fees and charges charged in 2021/22 are shown at

<https://democracy.boston.gov.uk/documents/s11824/Appendix%20-%20Fees%20Charges%202021-22.pdf>

- 3.17 Fees and charges are set within the framework of the Corporate Charging Policy, which is attached at **Appendix 3**.
- 3.18 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.
- 3.19 **Appendix 4** shows the proposed fees and charges to be charged from 1 April 2022. Once these changes have been approved the full list of Council fees and charges applicable for 2022/23 will be published on the Council's website.
- 3.20 The following table shows the main income budgets from fees and charges for Boston, before any consideration of possible increases beyond 2022/23 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 inflationary pressures feeding through, it is likely that future years will see rises in some fee areas and a full review is planned.

Table 6 – Fees and charges income budgets

<b>Budget Area</b>	<b>2021/22</b> <b>£'000</b>	<b>2022/23</b> <b>£'000</b>	<b>2023/24</b> <b>£'000</b>	<b>2024/25</b> <b>£'000</b>	<b>2025/26</b> <b>£'000</b>	<b>2026/27</b> <b>£'000</b>
Leisure income	918	918	918	918	918	918
Building control	170	170	170	170	170	170
Licensing	131	131	131	131	131	131
Land charges	78	78	64	64	64	64
Bereavement	896	900	927	953	976	999
Garden Waste	574	628	638	645	645	645
Trade waste	314	355	366	377	388	400
Planning fees	566	633	645	652	655	655
Parking	1,019	1,019	1,019	1,019	1,019	1,019
Markets	80	95	95	95	95	95
Other small areas	206	155	122	117	119	175
<b>TOTAL FEE INCOME</b>	<b>4,952</b>	<b>5,081</b>	<b>5,094</b>	<b>5,140</b>	<b>5,179</b>	<b>5,270</b>

**Other Income**

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

Table 7 – Other Income

	2021/22*	2022/23	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000	£'000
Housing benefit subsidy	13,050	11,738	11,738	11,738	11,738	11,738
Council tax and Housing benefit administration grant	304	285	285	285	285	285
Specific government grants	179	719	133	132	131	131
Housing benefit overpayments	120	120	120	120	120	120
Court income	251	251	251	251	251	251
Rental income	593	696	696	695	695	695
NNDR admin grant	92	92	92	92	92	92
Other Contributions (from external bodies for sharing of services and posts)	1,171	1,396	1,352	1,387	1,425	1,458
Other Income	996	1,164	1,076	1,220	1,195	1,093
<b>Total Other Income</b>	<b>16,756</b>	<b>16,461</b>	<b>15,743</b>	<b>15,921</b>	<b>15,932</b>	<b>15,863</b>

\* 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

3.22 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

<b>Budget Area</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Business rates (Table 2)	1,326	(1,249)	2,884	2,942	3,001	3,061
Revenue Support Grant (Table 4)	313	323	323	323	323	323
Deficit Compensation Estimate	1,377	0	0	0	0	0
Other Grants	945	2,415	1,372	1,398	1,424	1,451
New Homes Bonus (Table 5)	690	697	0	0	0	0
<b>Total Government Resources</b>	<b>4,651</b>	<b>2,186</b>	<b>4,579</b>	<b>4,663</b>	<b>4,748</b>	<b>4,835</b>
Council tax – Boston BC precept, including Collection Fund adjustment (Table 3)	3,867	4,154	4,208	4,352	4,498	4,646
BTAC Special Area Expense	716	733	752	771	791	809
Parish Councils' Precepts	468	509	515	520	525	530
Fees & charges (Table 6)	4,953	5,081	5,094	5,140	5,179	5,270
Other income (Table 7)	16,757	16,460	15,743	15,921	15,932	15,863
Return on Cash Investments	39	51	70	88	111	114
Return on Property Funds	977	909	923	938	952	952
Contribution from Reserves	1,922	5,657	1,295	212	118	118
<b>Gross budgeted income</b>	<b>34,350</b>	<b>35,740</b>	<b>33,179</b>	<b>32,604</b>	<b>32,852</b>	<b>33,137</b>

#### 4. 2022/23 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

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000	£'000
Employees	9,947	9,768	9,770	10,078	10,382	10,618
Premises	1,310	1,605	1,625	1,645	1,669	1,682
Transport	663	335	350	366	382	399
Supplies and Services	3,897	6,886	6,358	6,474	6,554	6,271
Third Party Payments	157	159	161	163	109	109
Drainage Board Levies	2,009	2,150	2,193	2,237	2,282	2,328
Parish Councils' Precepts	468	509	515	520	525	530
Transfer Payments	13,050	11,738	11,738	11,738	11,738	11,738
Direct Revenue Financing of Capital	1,088	1,888	1,176	194	100	100
Interest Payable on Borrowing	494	494	494	494	494	494
Minimum Revenue Provision	15	15	15	15	15	15
Contribution to Reserves	1,152	475	451	447	446	444
PSPS Decision Financial Cost/(Savings)	100	-	-	-	-	-
Savings Target	-	(282)	(1,667)	(1,759)	(1,844)	(1,591)
<b>Gross Expenditure</b>	<b>34,350</b>	<b>35,740</b>	<b>33,179</b>	<b>32,604</b>	<b>32,852</b>	<b>33,137</b>

- 4.2 All staffing costs have been prepared in accordance with the Council's Pay Policy. The pension contribution rate is based on a current service cost employer's contribution rate of 17.7% from 2022/23, plus annual monetary contributions in respect of past service. However a triennial review of the Lincolnshire Pension fund (of which the council is a member) is due to take place in 2022/23



- 4.3 Internal Drainage Board (IDB) increases, in total average 7% for 2022/23. Post 2022/23 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. Lobbying of government is also underway with the impact of this loss of revenue to the Council due to the embedded levy having an impact every year that passes.
- 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. The overall contribution is anticipated to reduce significantly across the MTFS period due to the New Homes Bonus scheme ending.
- 4.6 Boston Town Area Committee (BTAC) special expenses are a separate charge to the residents of Boston for services provided in their town and are charged as a supplement to the main council tax. The BTAC budget for 2022/23 is estimated at £732,864 (2021/22 - £716,192). The detailed estimates were reported 3rd February 2022 to the committee for consideration and review.

## 5. COUNCIL TAX REQUIREMENT

- 5.1 Outline estimates through to 2026/27 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 £4.95 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

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000	£'000
Net Expenditure	9,702	7,582	10,054	10,305	10,561	10,820
Retained Business Rates	(1,326)	1,249	(2,884)	(2,942)	(3,001)	(3,061)
Revenue Support Grant	(313)	(323)	(323)	(323)	(323)	(323)
New Homes Bonus	(690)	(697)	-	-	-	-
Parish Councils' Precepts	(468)	(509)	(515)	(520)	(525)	(530)
Other Grants	(2,322)	(2,415)	(1,372)	(1,398)	(1,424)	(1,451)
Special Expenses	(716)	(733)	(752)	(770)	(790)	(809)
<b>Boston BC Council Tax Requirement</b>	<b>3,867</b>	<b>4,154</b>	<b>4,208</b>	<b>4,352</b>	<b>4,498</b>	<b>4,646</b>

- 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.
- 5.3 Members will recall that as part of the Strategic Alliance a savings target had been built into the MTFS. Following a number of initiatives savings of circa £500,000 have now been achieved in 2021/22, prior to the creation of the new SELCP. With this change in partnership arrangements a new delivery plan has been developed for the forthcoming year 2022/23 and future years in which it sets out the significant areas of opportunity. In addition and to not lose focus on 2021/22 we are also now capturing direct and indirect savings for the new partnership through regular reviews and this work will be reported on as part of the quarterly budget monitoring and at year end.

## **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.

## **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.

Table 11 – Specific Reserves

<b>Reserve</b>	<b>Estimated Balance 31.03.22 £'000</b>	<b>Balance 31.03.23 £'000</b>	<b>Balance 31.03.24 £'000</b>	<b>Balance 31.03.25 £'000</b>	<b>Balance 31.03.26 £'000</b>	<b>Balance 31.03.27 £'000</b>
Capital Funding	(5,626)	(4,126)	(3,299)	(3,527)	(3,756)	(3,986)
Transformation	(1,046)	(880)	(880)	(880)	(880)	(880)
ICT	(226)	(156)	(136)	(42)	(42)	(42)
Repairs and Renewals	(752)	(787)	(823)	(858)	(893)	(928)
Housing	(1,473)	(1,493)	(1,460)	(1,526)	(1,590)	(1,652)
Funding Volatility Reserve	(6,407)	(2,906)	(2,906)	(2,906)	(2,906)	(2,906)
Insurance	(254)	(254)	(254)	(254)	(254)	(254)
Property Fund Mitigation Reserve	(1,116)	(1,116)	(1,116)	(1,116)	(1,116)	(1,116)
Covid 19	(1,448)	(1,448)	(1,448)	(1,448)	(1,448)	(1,448)
<b>Total</b>	<b>(18,348)</b>	<b>(13,166)</b>	<b>(12,322)</b>	<b>(12,557)</b>	<b>(12,885)</b>	<b>(13,212)</b>

- 7.6 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 Covid 19 reserve has been set aside to mitigate effects on the revenue budget from the pandemic. It is assumed that this reserve may be used to help to smooth any reduced income the Council experiences in the short term before income levels return to a more normal level over the MTFs period. This will be reviewed when drafting the next MTFs as the full effects of the pandemic on income levels are better understood.
- 7.8 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.

7.9 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 2022/23 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 the Council 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 were taken into account in preparing the budget and are included at Appendix 8.

## 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.
- 9.2 Based upon current budget assumptions the value of efficiency savings required to set a balanced budget for the next five years are as follows:

Table 12 – Savings Targets

	2022/23*	2023/24*	2024/25*	2025/26*	2026/27*
	£000	£000	£000	£000	£000
Budget Savings Requirement (£'000) – annual	282	1,667	1,759	1,844	1,591

- 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. SOUTH AND EAST LINCOLNSHIRE COUNCILS' PARTNERSHIP PLANS

10.1 As we think of 2023/24 there is great uncertainty with the central funding which could be allocated to Boston. This is driven by several financial matters which remain unresolved such as the implications of the Fairer Funding Review, Business Rates baseline reset and a review of the Business Rates retention scheme. It should therefore be noted the Councils assumptions on future budget gaps whilst prudent could well be understated.

10.2.1 The Council is taking a positive response to this uncertainty by seeking to influence those matters raised above through both engagement and lobbying to ensure a fair deal is delivered for rural communities.

10.2.2 As we look forward into 2022/23 Cabinet will be promoting projects which aim to drive commercial opportunities, place the customer at the centre of everything we do and achieve as much as is possible through greater collaboration through the South and East Lincolnshire Councils Partnership. Some of these key projects to be developed during 2022/23 include;

- Realising efficiencies working together with East Lindsey District Council and South Holland District Council through the South and East Lincolnshire Councils Partnership
- Investment in infrastructure and facilities through the Towns Fund
- A Council service modernisation programme through investment with PSPS and also in ICT
- Investment in the Waste service
- Building the case for investment in infrastructure
- Empowering communities in the way services are provided
- Commercialisation of services
- Addressing Deprivation in the area
- Tackling Climate Change through the Green Homes Initiative

## 11. RISK AND SENSITIVITY

- 11.1 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.

11.2 Table 13 – Key Risks

<b>Risk</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Action</b>
Ongoing and continued COVID-19 Response	High	High	Regular financial monitoring, use of reserves, promoting growth plans and supporting the community
Drainage Board Levy Increases	High	High	Lobbying Government
Contract Cost volatility	High	High	To seek to pre-purchase where necessary
Fluctuation in business rates	High	High	Growth plans and accurate monitoring
Lack of funding to partners causing displacement of service demand	High	High	Engagement and realism
Inadequate capital resources to finance future desired plans	High	High	Proportionate spending and sale of surplus assets
Central Government policy changes	High	High	Engagement in consultation and policy creation
Fairer Funding and Business Rate reset/changes	High	High	To lobby as required
VAT – partial exemption	High	High	Close forecasting VAT partial exemption position
Reductions in NHB impacting on future plans	High	High	Lobbying and service transformation
Reduction in Investment Values	Medium	Medium	Regular Monitoring, allocation of specific Reserve
Uncertainty re: Brexit impact	Medium	Medium	Growth plans and accurate monitoring
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

## 12. CAPITAL PROGRAMME

- 12.1 In drawing together the proposed capital programme we have taken a five year view from 2022/23 to 2026/27, to run alongside our revenue plans. This is sensible and encourages a link between revenue and capital spending decisions.
- 12.2 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.
- 12.3 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.
- 12.4 The proposed capital programme (including details of anticipated slippage in the 2021/22 capital programme) for 2022/23 to 2026/27 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.
- 12.5 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.
- 12.7 In addition, Boston was chosen by the Government as one of 101 towns and received funding 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.

12.8 The proposed capital programme is affordable, meets the Council's obligations and provides a basis for growth.

Table 14 – Capital Programme

<b>Capital Programme £'000</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
1. Disabled Facilities Grants	280	280	280	280	280
2. Vehicle Replacement Programme					
Grounds Maintenance Mowers	80	-	-	-	-
Ford Transit Vans 290, 300 & 1.5tdci					
Courier	60	-	-	-	-
Ford Ranger 2.5	25	-	-	-	-
Ford Transit Tipper Vans 350	50	56	-	-	-
3. Town Centre Heritage Scheme	42	-	-	-	-
4. Information Technology Refresh	170	120	194	100	100
5. Towns Fund – Leisure	2,935	1,990	-	-	-
6. Towns Fund – Mayflower	720	8,490	3,307	-	-
7. Towns Fund – Centre for Food & Fresh Produce					
Logistics	453	388	-	-	-
9. Towns Fund – Blenkin Memorial Hall	99	-	-	-	-
10. Towns Fund – Healing the High Street	283	2,573	1,356	121	-
11. Towns Fund – Boston Station	1,565	1,090	-	-	-
<b>Totals</b>	<b>6,762</b>	<b>14,987</b>	<b>5,137</b>	<b>501</b>	<b>380</b>

<b>Capital Financing £'000</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
1. Capital Grants and Contributions	4,874	13,811	4,943	401	280
2. Capital Reserve	1,718	1,156	100	100	100
3. IT Reserve	170	20	94	-	-
4. Repairs and Renewal Reserve	-	-	-	-	-
5. Housing Reserve	-	-	-	-	-
<b>Totals</b>	<b>6,762</b>	<b>14,987</b>	<b>5,137</b>	<b>501</b>	<b>380</b>

### **13. OPTIONS**

- 13.1 There are no alternative options presented. 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.

### **14. REASONS FOR RECOMMENDATIONS**

- 14.1 To comply with the budgetary and policy framework.

### **15. RECOMMENDATIONS**

- 15.1 To recommend the following are approved: -
- The budget setting report and associated policies and strategies 2022/23 – 2026/27.