

## Boston Borough Council – Q1 Finance Report 2022/23

### Finance Summary

- The revenue outturn shows a deficit position of £299k
- Specific and general reserves of the Council are forecast to be £13.431m at 31 March 2023.
- Capital spend at the end of Quarter 1 was £0.621m against a full year budget of £10.312m
- An efficiency target of £282,000 is included in the budgets for 2022/23
- After funding the 2022/23 Capital Programme the capital resources are:
  - Capital Reserve - £4.126m
  - Capital Receipts - £2.398m
- The Council held investments of £31.3m as at 30 June 2022.

### Section 2 – Finance

Section 2.1	Key Financial Issues in Quarter 1 of 2022/23
Section 2.2	Revenue Budget
Section 2.3	Capital Budget
Section 2.4	Treasury Update
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#### Section 2.1 – Key Financial Issues in Quarter 1 of 2022/23

- On 23<sup>rd</sup> March the Department for Levelling Up, Housing & Communities published a prospectus providing guidance on submitting bids for local areas. The £4.8 billion fund will support town centre and high street regeneration, local transport projects, and cultural and heritage assets. Bidding to be held open until 2<sup>nd</sup> August.
- On 11<sup>th</sup> May, the Department for Levelling up, Housing & Communities published a press release New Bill to level up the nation. Government introduces plans to transform struggling towns and cities, supporting local leaders to take back control of regeneration. Levelling Up Missions, such as eradicating child illiteracy and closing gaps in life expectancy and living standards, to be enshrined by Law.  
Local communities get extra power to tackle scourge of boarded up shops and empty homes. Legislation to underpin biggest shift of power from Whitehall in modern times.
- On 11<sup>th</sup> June, the Department for Levelling up, Housing & Communities published a press release stating that Communities across the UK can bid for Levelling Up funds to save pubs, clubs and historic buildings. Groups will be able to bid for a share of the government’s £150 million Community Ownership Fund to rescue cultural buildings in their area that would otherwise be lost forever. Eligibility criteria has been expanded so more community groups can apply for funding, supporting more local economies to grow.
- On 21<sup>st</sup> July HM Treasury announced via press release of potential grant funding for councils to remove barriers to redevelop land and promote regeneration for communities, to transform underused and derelict sites. This grant will help councils build new homes and business on those sites – delivering more homes, and regenerating towns and cities.

Inflation	April (%)	May (%)	June (%)
CPI	9.0	9.1	9.4
RPI	11.1	11.7	11.8

## Section 2.2 – Revenue Budget

Table 1 details the outturn by Assistant Director. This shows an overspend position of £299k.

Table 1 – Net Spend by Assistant Director				
Assistant Director Area	Revised Budget 2022/23	Outturn 2022/23	Variance (underspend)/overspend	Comments on main variances
	£'000	£'000	£'000	
Corporate	2,187	2,187	0	
Economic Growth	125	125	0	
Finance	2,025	2,025	0	
Governance	662	662	0	
General Fund Assets	(1,297)	(1,228)	69	Bereavement Inc £21k, Building Maintenance Inc (£3k), Parking Inc £26k, Electricity and Gas £25k
Leisure and Culture	473	674	201	Reduction in projected Leisure Income at Q1 of £197k, with no sign of improving through the year with the cost of living crisis compounding the matter, this is being regularly monitored, as a result of a fall off in admissions and monthly fees. Markets £5k, *
Neighbourhoods	1,786	1,877	91	Increased Recycling & Refuse fuel costs £67k as an inflationary impact. Vehicle Maintenance Contract £25k
Planning & Strategic Infrastructure	220	220	0	
Regulatory	486	486	0	
Wellbeing and Community Leadership	1,320	1,320	0	
BTAC	733	733	0	
<b>Sub Total – Assistant Director – net costs</b>	<b>8,719</b>	<b>9,081</b>	<b>361</b>	
Internal Drainage Boards/Parish Precepts	2,623	2,623	0	
DRF	1,888	1,888	0	
MRP	15	15	0	
Interest Payments Received / Return on Property Funds	(517)	(579)	(62)	Additional investment Income estimated at (£62k) based on current estimates.
Reserves	(5,182)	(5,182)	0	
<b>Non Service Expenditure</b>	<b>(1,173)</b>	<b>(1,235)</b>	<b>(62)</b>	
<b>Total Expenditure</b>	<b>7,547</b>	<b>7,846</b>	<b>299</b>	
Council Tax	(5,360)	(5,360)	0	
Business Rates	1,249	1,249	0	
Non Ring Fenced Government Grant	(3,436)	(3,436)	0	
<b>Total Funding</b>	<b>(7,547)</b>	<b>(7,547)</b>	<b>0</b>	
<b>Total Budget - (Surplus)/Deficit</b>	<b>0</b>	<b>299</b>	<b>299</b>	

\*This denotes a full year projection

**Recommendation:****F1** That Cabinet notes the revenue outturn position for 2022/23 as detailed in **Table 1****Additional revenue budget notes**Income

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

Table 2 – Trading Income Budgets				
Income Area	Revised Budget to 30 June 2022	Actual Income to 30 June 2022	Variance (above)/ below budget	Comments
	£'000	£'000	£'000	
GF - Car Parking, Bereavement, and Property	(1,930)	(1,886)	44	Parking Income is forecast at £26k lower than budgeted, maintenance income higher than expected (£3k). Bereavement income is overall £21k lower than anticipated.
Leisure Pool, and Markets	(1,017)	(816)	201	Leisure Pool has a forecast of a £197k shortfall in income, with the current climate proving to be a challenge to return to pre-covid levels. Markets experiencing a £5k shortfall.*
Neighbourhoods – Office Cleaning, Recycling	(1,004)	(1,004)	0	
Development Management	(633)	(633)	0	
Regulatory – Land Charges, Licences	(391)	(391)	0	
Bed & Breakfast	(44)	(44)	0	A higher usage of Bed & Breakfast facilities during Quarter 1, close monitoring required due to demand.
<b>Total</b>	<b>(5,019)</b>	<b>(4,774)</b>	<b>245</b>	

Reserves

At 30 June 2022 specific reserves are forecast to be £11.431 m, after a net transfer from reserves of £5.182m in Quarter 4 to cover revenue and capital expenditure. **Table 3** reflects the outturn position.

<b>Table 3 – Specific and General Reserves Balance</b>				
<b>Reserve</b>	<b>Balances at 1 April 2022 £'000</b>	<b>Contributions into Reserves £'000</b>	<b>Use of Reserves £'000</b>	<b>Balances at 31 March 2023 £'000</b>
Capital Funding	5,626	333	(1,833)	4,126
Transformation	1,457	32	(198)	1,291
Repairs and Renewals	697	35	-	732
ICT	88	-	(70)	18
Housing	1,513	75	(55)	1,533
Controlling Migration	14	-	-	14
Insurance	260	-	-	260
Property Fund Returns Risk Mitigation	1,116	-	-	1,116
Funding Volatility	4,991	-	(3,501)	1,490
Covid 19	851	-	-	851
<b>Specific Reserves Total</b>	<b>16,613</b>	<b>475</b>	<b>(5,657)</b>	<b>11,431</b>
General Fund	2,000	-	-	2,000
<b>Total</b>	<b>18,613</b>	<b>475</b>	<b>(5,657)</b>	<b>13,431</b>

## Section 2.3 – Capital Budget

This section covers:

- Revisions to the Capital Programme
- Progress against the 2022/23 approved capital programme and the anticipated outturn
- Financing of the Capital Programme

Table 4 – 2022/23 Capital Programme and Q1 Forecast Outturn				
Scheme	Approved Budget 2022/23	Actual 30 Jun 2022	Forecast Outturn 2022/23	Variance (under)/over
	£000	£000	£000	£000
Disabled Facilities Grants	451	40	451	-
Housing Strategy	56	-	56	-
Resurfacing and Footpath Improvements	70	30	70	-
Vehicle Replacement Programme	278	-	278	-
Town Centre Heritage Scheme	1,285	-	1,285	-
Multi Use Games Area	17	-	17	-
Information Technology Refresh	183	-	183	-
ICT Finance Upgrade via PSPS	272	-	272	-
<b>Total Non-Towns Fund Projects</b>	<b>2,612</b>	<b>70</b>	<b>2,612</b>	
Boston Town Deal – Accelerated Funding	252	5	252	-
Leisure	2,849	-	2,849	-
Mayflower	822	285	822	-
St Botolph’s Library	222	-	222	-
Centre for Food and Fresh Produce Logistics	836	30	836	-
Blenkin Memorial Hall	845	231	845	-
Healing the High Street	312	-	312	-
Boston Station	1,562	-	1,562	-
<b>Total Towns Fund Projects</b>	<b>7,700</b>	<b>551</b>	<b>7,700</b>	-
<b>Grand Total</b>	<b>10,312</b>	<b>621</b>	<b>10,312</b>	-

Table 4 – Capital Programme – Comments on Delivery	
Scheme	Comments
Mayflower	Scheme delivery continues, scheme fully financed by Towns Fund grant.
Blenkin Hall	Scheme delivery continues, scheme fully financed by Towns Fund grant.

### Capital Receipts

Return of Investment to be treated as a capital receipt, returned amount of £2.311m.

### Capital Financing

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

**Table 5** indicates the forecast capital resources available to the Council at the end of 2022/23. The estimated position for the following two years is also provided.

<b>Table 5 – Capital Resources</b>			
	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Capital Resources* available at start of each year	5,578	6,356	6,524
Capital Investment (estimate in future years)	(2,047)	(10,312)	14,887
Additional Sources of Finance			
- New Capital Receipts (estimate in future years)	491	2,311	-
- Funding from other reserves and internal borrowing	249	246	20
- External Grants	1,214	7,705	13,711
- Revenue Contributions	-	-	-
- External borrowing	-	-	-
- Budgeted contributions to capital reserve	995	333	344
- Minimum Revenue Provision	(15)	(15)	(15)
- Transfer from Capital Reserve to support ongoing projects	(110)	(100)	(100)
<b>Estimated Capital Resources* at end of each year</b>	<b>6,356</b>	<b>6,524</b>	<b>5,597</b>

\* Capital Reserve and Capital Receipts

## Section 2.4 – Treasury Management

### Investments at 30 June 2022

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

Detailed in **Table 6** are the investments held by the Council at 30<sup>th</sup> June 2022 excluding accrued interest. Note this represents the position at this one point in time. The peaks and troughs in cash flow are managed on a daily basis. Because the Council collects money on behalf of other organisations which are paid out at future dates (e.g. Council Tax and Business Rates) the value of investments held at any point in time does not represent the value of Boston's own resources.

<b>Table 6 – Investments as at 30 June 2022</b>			
<b>Financial Institution</b>	<b>Amount (£)</b>	<b>Maturity Date</b>	<b>Yield</b>
HSBC Bank	9,290,000	Instant Access	0.01%
CCLA Money Market Fund	3,000,000	Instant Access	1.04%
UK Debt Management Office	8,000,000	14/07/2022	1.13%
Barclays Bank	3,000,000	95-day notice	1.30%
Lloyds Bank	3,000,000	95-day notice	0.15%
Santander	3,000,000	95-day notice	0.40%
Bank of Scotland	2,000,000	175-day notice	0.16%
<b>TOTAL</b>	<b>31,290,000</b>		

<b>Maturity Structure at 30 June 2022</b>		
<b>Duration</b>	<b>Amount (£)</b>	<b>Percentage of Total</b>
Less than one week	12,290,000	25%
Less than one month	8,000,000	16%
One to three months	-	0%
Three to six months	11,000,000	22%
Six to nine months	-	0%
Nine to twelve months	-	0%
More than twelve months	18,222,900	37%

**APPENDIX A**

The Council has purchased property fund units and the table below provides a breakdown in relation to the purchase of these units:

<b>Fund</b>	<b>Date of Purchase</b>	<b>Net Asset Value at Date of Purchase</b> <b>£</b>	<b>Premium/ (Discount) on Purchase</b> <b>£</b>	<b>Premium/ (Discount) on Purchase</b> <b>%</b>	<b>Total Cost</b> <b>£</b>
Black Rock UK Property Fund	05/08/16	255,085	(5,102)	(2.00)	249,983
	30/12/16	255,085	(5,103)	(2.00)	249,982
	28/09/18	<u>3,945,592</u>	<u>54,449</u>	<u>1.38</u>	<u>4,000,041</u>
	<b>TOTAL</b>	<b>4,455,762</b>	<b>44,244</b>	<b>0.99</b>	<b>4,500,006</b>
Schroder UK Real Estate Fund	05/08/16	250,000	-	-	250,000
	03/09/18	<u>4,020,006</u>	<u>(20,000)</u>	<u>(0.50)</u>	<u>4,000,006</u>
	<b>TOTAL</b>	<b>4,270,006</b>	<b>(20,000)</b>	<b>(0.47)</b>	<b>4,250,006</b>
Threadneedle Property Unit Trust	31/08/16	263,549	(13,177)	(5.00)	250,372
	31/08/18	2,902,441	86,572	2.98	2,989,013
	28/09/18	483,966	16,116	3.33	500,082
	31/10/18	<u>483,930</u>	<u>16,357</u>	<u>3.38</u>	<u>500,287</u>
	<b>TOTAL</b>	<b>4,133,886</b>	<b>105,868</b>	<b>2.56</b>	<b>4,239,754</b>
M&G Investments UK Property Fund Less Distribution Payments to BBC	14/09/18	3,911,980	88,020	2.25	4,000,000
	31/12/21	(198,040)			(2,766,867)
	31/01/22	(258,206)			
	22/04/22	(2,310,621)			
	<b>TOTAL</b>	<b>1,145,113</b>	<b>88,020</b>		<b>1,233,133</b>
AEW UK Core Property Fund	31/10/18	<b>3,745,319</b>	<b>254,681</b>	<b>6.80</b>	<b>4,000,000</b>
<b>TOTAL</b>		<b>17,750,086</b>	<b>472,813</b>	<b>2.30</b>	<b>18,222,899</b>

**Property Fund Investments as at 30 June 2022**

Financial Institution	Purchase Cost (£)	Estimates Revenue Received 2022/23 (£)	Projected Annualised Distribution Yield 2022/23	Net Asset Value (£)	Total Gain/(Loss) Since Purchase (£)	2022/23 Monthly Gain/(Loss) (£)	2022/23 Annualised Fund Capital Gain/(Loss) Since 1/4/22	2022/23 Estimated Combined Return
BlackRock UK Property Fund	4,500,006	33,357	2.97% Estimate	5,309,819	809,813	36,243	9.16%	12.13%
Schroder UK Real Estate Fund	4,250,006	36,414	3.44% Estimate	4,981,171	731,165	29,774	6.38%	9.82%
Threadneedle Property Unit Trust	4,239,754	38,694	3.66% Estimate	4,656,980	417,226	13,734	16.18%	19.84%
M&G Investments UK Property Fund	1,233,133	3,389	1.10% Estimate	1,391,868	158,734	(4,894)	N/K	N/K
AEW UK Core Property Fund	4,000,000	44,877	4.50% Estimate	4,195,683	195,683	10,508	12.83%	17.33%
TOTAL	18,222,899	156,731		20,535,521	2,312,621	64,349		

The Projected Annualised Distribution Yield is the projected yield for the year based on dividends already received during the current financial year.

The 2022/23 Annualised Fund Capital Gain/Loss is the projected gain/loss in the capital value of the fund since the start of the financial year calculated by reference to the change in the Net Asset Value from 31 March 2022 to the period end.

The estimated combined return is the total of the Projected Dividend Distribution Yield and the Annualised Fund Capital Gain/Loss. Please note that this is the position as at 30 June 2022 and the capital values will fluctuate year on year.



An analysis of dividend distributions received and borrowing costs incurred since the purchase of the property funds to 30 June 2022 can be found in the table below:

<b>Financial Institution</b>	<b>Actual Dividend Distributions Received Pre 2022/23</b>	<b>Budgeted Distribution for 2022/23</b>	<b>Estimated Dividend Distributions Received 2022/23</b>	<b>Total Distributions Received Since Purchase</b>
BlackRock UK Property Fund	535,257	57,772	33,357	568,614
Schroder UK Real Estate Fund	478,695	38,388	36,414	515,109
Threadneedle Property Unit Trust	636,396	42,724	38,694	675,090
M&G Investments UK Property Fund	458,562	50,886	3,389	461,951
AEW UK Core Property Fund	622,968	36,857	44,877	667,845
<b>Total Revenue</b>	<b>2,731,878</b>	<b>226,627</b>	<b>156,731</b>	<b>2,888,609</b>

*Return on Investments*

The Council's 2022/23 budget for investment income is £748k net of fees. At the end of June 2022 net investment income earned was estimated to be approximately £185k which was £2k below the profiled budget. This figure is still an estimate as the actual returns on all property funds to June 2022 are not likely to be known until late August 2022.

Treasury investments achieved an average rate of 0.398% compared to the benchmark average 3-month SONIA rate of 1.212%.

Property fund investments are estimated to have achieved an estimated average rate of 3.33%.

The combined rate achieved on all investments was estimated to be approximately 1.57%.

The outturn for investment income for 2022/23 is estimated to be £62k above the budget based on current investments. This figure will most likely increase due to the current rising interest rate environment and depends on the future returns achieved on property funds

*Borrowing*

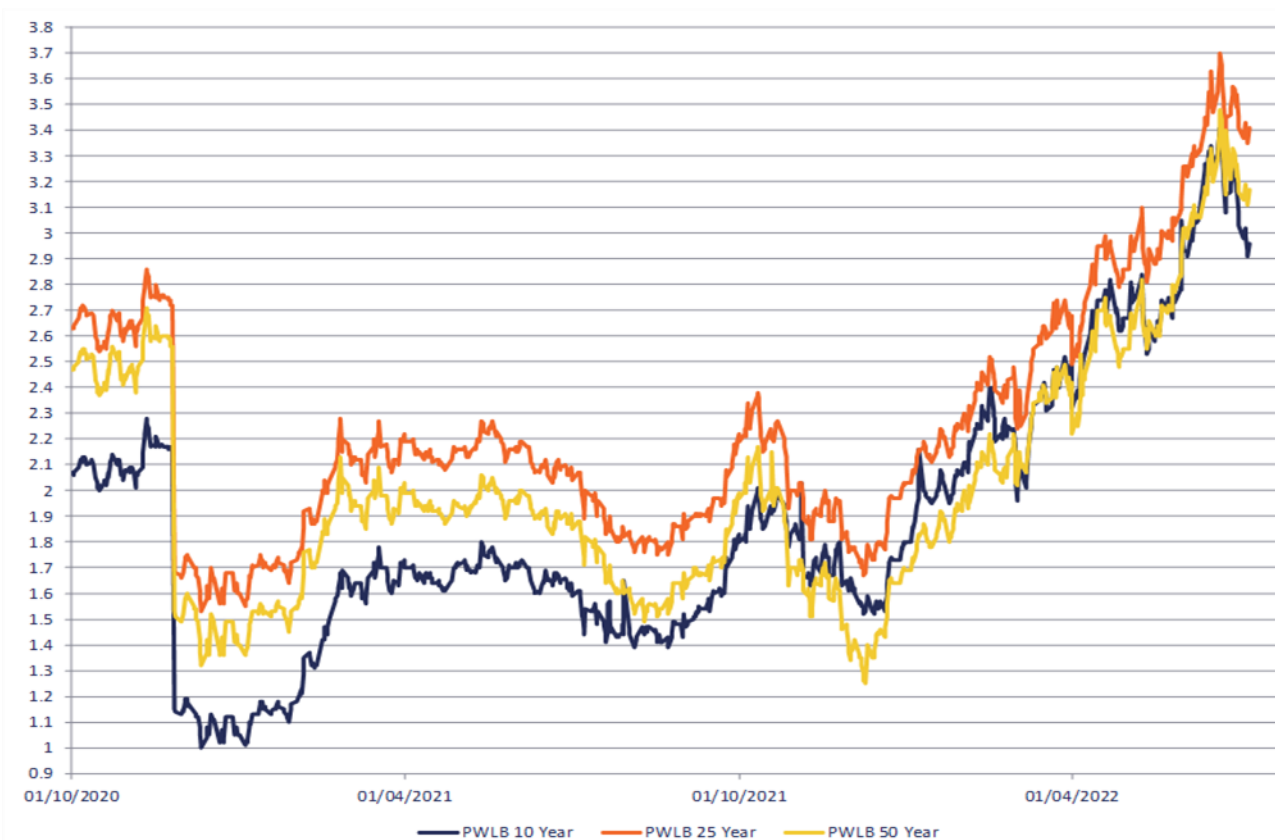
The Council has £15.449m of external PWLB borrowing as per the table below.

<b>Entity</b>	<b>Amount (£)</b>	<b>Start Date</b>	<b>Maturity Date</b>	<b>Rate</b>
Public Works Loan Board	10,000,000	10/12/2018	10/12/2068	2.54%
Public Works Loan Board	4,000,000	13/12/2018	13/12/2068	2.42%
Public Works Loan Board	1,449,000	27/03/2019	27/03/2069	2.18%
<b>TOTAL</b>	<b>15,449,000</b>			<b>2.475% Average</b>

Interest costs for 2022/23 on this borrowing are £382,388.

### Public Works Loan Board (PWLB) Borrowing Rates

PWLB borrowing rates continued to rise during June following the Bank of England's increase in base rate to 1.25% on 16 June before falling back slightly towards the end of the month. The 50 year PWLB certainty rate was 3.27% as at 30 June.



### Summary

Interest rates are now on an upward trend following the Bank of England Base Rate increase to 1.25% on 16 June. Market expectations are for further rate hikes during the year, with many predicting that the Base Rate will reach 2% by the end of 2022. With the economy growing post pandemic, focus for the MPC will firmly be on tackling inflationary pressures.

Rates on new investments with financial institutions and local authorities now range from 1.55% for one-month deposits through to 3.10% for one-year deposits.

The property fund valuations remain on a slowing upward trend and during June 2022 the property fund valuations increased by **£64,349**. M&G UK Property fund is liquidating its assets and therefore the capital value held in the fund is decreasing as distribution payments are received. M&G have now paid Boston BC distribution payments totalling £2,766,867 as at 30 June 2022, from the asset sale proceeds. A further distribution payment of £286,877 has been received in July 2022.

PWLB borrowing rates continued to rise during June following the Bank of England's increase in base rate to 1.25% on 16 June before falling back slightly towards the end of the month.

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

## Section 2.5 – Insurance

### 2022/23 Claims Statistics

**Table 7** details the number of formal insurance claims for Quarter 1 of 2022/23 (figures in brackets are comparable figures for 2021/22).

Table 7 – Insurance Claims					
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Public Liability	2 (0)	0(1)	0(1)	0(2)	2 (0)
Employers Liability	0 (0)	0(0)	0(1)	0(1)	0 (0)
Motor	2 (1)	0(2)	0(2)	0(5)	2 (1)
Property	0 (0)	0(0)	0(0)	0(0)	0 (0)
<b>Total</b>	<b>4 (1)</b>	<b>0(3)</b>	<b>0(4)</b>	<b>0(8)</b>	<b>4 (1)</b>

### Insurance Reserves

The Council maintains an insurance reserve for smaller value insurance claims where the losses are below the principal deductible of £25,000.

At 30<sup>th</sup> June 2022 the balance on the reserve was £260k, and this balance is monitored on a regular basis to ensure that the value of the reserve is sufficient to meet future liabilities.

## Section 2.6 – Debt Collection

An analysis of the sundry debts the Council held as at 30 June 2022 is show in **Table 8**.

Table 8 – Sundry Debt Analysis							
0-30 days	31-60 days	61-90 days	91-120 days	121-183 days	184-365 days	Over 365 days	Total
£	£	£	£	£	£	£	£
628,227	288,790	82,152	29,456	87,706	97,970	261,039	1,475,340

Note: This does not include details of invoice amounts (£410,815) that are not yet due

## Section 2.7 – Council Tax and Business Rates

### Council Tax Support Scheme (CTS)

Following the statutory annual review during 2021/22, the 2022/23 scheme remains unchanged from the previous year, allowing for national up-ratings. This scheme continues to support the Government’s Welfare Reform agenda to bring further reductions to the national benefits bill. The scheme sustains the required protection of those of pension age, protects vulnerable customers and encourages people into employment.

Quarter 1 collection rate remains lower than pre-covid. There is uncertainty over the ongoing impact on collection and recovery as a result of the knock-on effect of covid and now the cost of living and energy cost crises. In recognition, we continue to remain prudent in setting the bad debt provision in this area.

*Council Tax – Quarter 1 In-Year Collection*

The collectable debit for the year at 30 June 2022 was £40.4m with a collection rate of 26.34% achieved at 30 June 2022 (26.94% at 30 June 2021). The collection rate has been affected by the re-profiling of instalments due to an increase in direct debits this year associated with the energy rebate scheme).

*Business Rates Appeals*

As at 30 June 2022 the Rateable Value amount for properties under appeal in 2010 list (excluding multiple appeals for the same property) was £2.1m, relating to 3 properties on the latest list of outstanding appeals. 97% of this value comes from just 1 property and does present some significant risk to the overall level of collectable debit should these appeals be successful, leading to significant reductions in rateable value.

*Business Rates – 2022/23 In-Year Collection*

The collectable debit for the year on 30 June was £19.3m with a collection rate of 33.75% achieved at 30 June 2022 (34.61% 30 June 2021). The annual collectable debit remains below pre-covid levels as a result of ongoing retail rate relief.

The Covid Additional Relief Fund (CARF) scheme will provide rate relief support against 2021/22 financial year for businesses impacted by covid but who had not been supported through other relief schemes. This relief will be awarded in 2022/23.