

## Boston Borough Council – Q4 Finance Report 2021/22

### Finance Summary

- The revenue outturn shows a surplus position of £165k
- Specific and general reserves of the Council are forecast to be £18.612m at 31 March 2022.
- Capital spend at the end of Quarter 4 was £2.047m against a full year budget of £5.593m
- After funding the 2021/22 Capital Programme the capital resources are:
  - Capital Reserve - £5.626m
  - Capital Receipts - £0.695m
- The Council held investments of £24.7m as at 31 March 2022.

### Section 2 – Finance

Section 2.1	Key Financial Issues in Quarter 4 of 2021/22
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Section 2.4	Treasury Update
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#### Section 2.1 – Key Financial Issues in Quarter 4 of 2021/22

- On 7<sup>th</sup> January, HM Treasury issued a press release to announce new grant funding for business affected by the pandemic. The £700m will be delivered to affected businesses by local councils, with hospitality, leisure and accommodation businesses able to apply for one-off cash grants of up to £6,000.
- On 15<sup>th</sup> February, the Department for Levelling up, Housing & Communities issued a press release announcing £125m for councils to provide support services for domestic abuse victims during 2022/23. This funding is to go towards healthcare, social workers and benefits, interpreters, immigration advice and other specialist services. The funding will be issued as a non-ringfenced grant to councils, who will then be responsible for making decisions on how the funding is spent to benefit those in need.
- On 20<sup>th</sup> March, the Department for Levelling up, Housing & Communities published a collection of documents regarding the Traveller Site Fund 2022/23. The fund is £10m of capital funding to support local authorities in building new transit and permanent traveller sites, to refurbish existing permanent traveller and transit sites and provide temporary stopping places and facilities for travellers.
- 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.

Inflation	January (%)	February (%)	March (%)
CPI	5.5	6.2	7.0
RPI	7.8	8.2	9.0

## Section 2.2 – Revenue Budget

Table 1 details the outturn by Assistant Director. This shows an underspend position of £165k.

Table 1 – Net Spend by Assistant Director				
Assistant Director Area	Revised Budget 2021/22 £'000	Outturn 2021/22 £'000	Variance (underspend)/overspend £'000	Comments on main variances
Corporate	1,505	1,890	385	Restructuring of budgets in line with PSPS contract costs which finance service improvements £344k these have been factored into the MTFS for 2022/23 onwards.
Economic Growth	119	247	128	Economic Development Expenditure Funded from Reserves £142k. Staffing changes £30k.
Finance	1,296	1,170	(126)	Covid 19 grants from the government £(404)k and sales, fees and charges claim £(104)k for quarter one, less costs £186k. Restructuring of budgets in line with PSPS contract costs which finance service improvements saving £274k, these have been factored into the MTFS for 2022/23 onwards
Governance	796	608	(188)	Election Costs Lower than expected £(42)k and savings on democratic services service £(99)k
General Fund Assets	(971)	(825)	146	Reduction in Car Parking Income and Income at PRSA. These have been partially offset by Covid Reserve Release. Release of grant funding held in reserve £142k.
Leisure and Culture	761	761	-	Reduction in Leisure Income which is not yet at pre-covid levels which is being regularly monitored. These have been offset by Covid Reserve Release
Neighbourhoods	1,368	1,657	289	Increased Recycling & Refuse costs £202k due to increased number of rounds.
Planning & Strategic Infrastructure	194	(133)	(327)	£(264)k additional income across the service area coupled with reduced costs. £176k of income has been transferred to reserves.
Regulatory	507	(76)	(583)	Green Homes Grants and COVID funding received in year not fully expended, transferred to reserves.
Wellbeing and Community Leadership	1,656	1,487	(169)	Housing Reserve Adjustments. Restructuring of budgets which has seen PSPS Contract Service improvements, these have been factored into the MTFS for 2022/23 onwards

Table 1 – Net Spend by Assistant Director				
Assistant Director Area	Revised Budget 2021/22 £'000	Outturn 2021/22 £'000	Variance (underspend)/overspend £'000	Comments on main variances
BTAC	716	637	(79)	The £79k underspend transferred to the BTAC Reserve, this is not part of the Council Reserves.
<b>Sub Total – Assistant Director – net costs</b>	<b>7,948</b>	<b>7,423</b>	<b>(524)</b>	
Internal Drainage Boards/Parish Precepts	2,468	2,482	14	Precepts £459k were shown in External Financing in Q3.
Impairment Allowance	0	(193)	(193)	Reassessment of levels of bad debt provision required
DRF	1,088	832	(256)	This reflects capital programme activity and is offset by reserves.
MRP	15	30	15	The increase of MRP is as a result of valuations at 31 <sup>st</sup> March 2022 and is funded from revenue resources.
Interest Payments Received / Return on Property Funds	(326)	(475)	(149)	Budget reduced £196k in year to more accurately reflect investment predicted returns, investment income has increased in quarter four due to interest rate rises.
Reserves	(1,499)	(1,987)	(488)	Use of reserves includes the following: <ul style="list-style-type: none"> <li>capital programme expenditure</li> <li>release of previously received section 31 grant to cover the business rates deficit shown below</li> <li>Release to offset income pressures due to Covid</li> </ul> Transfer to reserves includes: <ul style="list-style-type: none"> <li>Housing Reserve Adjustment</li> <li>Additional planning income</li> </ul> £79k underspend on BTAC has been transferred to the BTAC Reserve, this is separate from the Council Reserves
<b>Non Service Expenditure</b>	<b>1,745</b>	<b>689</b>	<b>(1,057)</b>	
<b>Total Expenditure</b>	<b>9,694</b>	<b>8,112</b>	<b>(1,582)</b>	
Council Tax	(5,042)	(5,042)	-	Parish Precepts were shown here in Q3 now moved above to non-service expenditure.
Business Rates	(1,327)	538	1,865	This shortfall is covered by section 31 grant received in 2020/21 and released from reserves above.
Non Ring Fenced Government Grant	(3,325)	(3,773)	(448)	Section 31 grant received in 2020/21 budgeted for here but released from reserves above
<b>Total Funding</b>	<b>(9,694)</b>	<b>(8,277)</b>	<b>1,417</b>	
<b>Total Budget - (Surplus)/Deficit</b>	<b>0</b>	<b>(165)</b>	<b>(165)</b>	

**Recommendation:**

- 1** Notes the provisional year end position, variations to the 2021/22 approved budget and resulting effect on the Council's balances and reserves as shown in Appendix A.

**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 31 March 2022	Actual Income to 31 March 2022	Variance (above)/ below budget	Comments
	£'000	£'000	£'000	
GF - Car Parking, Bereavement, and Property	(1,926)	(1,655)	271	Income has suffered in Parking requiring £225k smoothing from the Covid Reserve, reduced income in bereavement £47k which improved on the Q3 position.
Leisure Pool, and Markets	(1,002)	(638)	364	Leisure Pool has seen a £352k shortfall of income, with Markets experiencing a £14k shortfall due to Covid
Neighbourhoods – Office Cleaning, Recycling	(959)	(1,044)	(85)	Additional resources for DWP, Garden Waste income above budget £16k. Cleaner Income up £57k
Development Management	(566)	(690)	(124)	Application income has exceeded full year budget expectation.
Regulatory – Land Charges, Licences	(391)	(373)	18	Vacant Post, reduced Income, Tranche 1 of land charges income due before 31.03.2022
Bed & Breakfast	(54)	(68)	(14)	Increase in Income
<b>Total</b>	<b>(4,898)</b>	<b>(4,468)</b>	<b>430</b>	

Reserves

At 31 March 2022 specific reserves are forecast to be £16.612m, after a net transfer from reserves of £2.067m 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 2021 £'000</b>	<b>Contributions into Reserves £'000</b>	<b>Use of Reserves £'000</b>	<b>Balances at 31 March 2022 £'000</b>
Capital Funding	5,339	995	(708)	5,626
Transformation	1,745	769	(1,058)	1,457
Repairs and Renewals	725	54	(82)	697
ICT	276	-	(188)	88
Housing	1,247	297	(31)	1,513
Controlling Migration	14	-	-	14
Insurance	274	-	(14)	260
Property Fund Returns Risk Mitigation	1,116	-	-	1,116
Funding Volatility	6,521	1,831	(3,361)	4,991
Covid 19	1,422	197	(768)	851
<b>Specific Reserves Total</b>	<b>18,679</b>	<b>4,143</b>	<b>(6,210)</b>	<b>16,612</b>
General Fund	2,000	-	-	2,000
<b>Total</b>	<b>20,679</b>	<b>4,143</b>	<b>(6,210)</b>	<b>18,612</b>

Please note the following reserve movements that have taken place in 2021/22:

- Capital Funding
  - Additions to – New Homes Bonus, property fund interest, investment payback and revenue payback for previous purchases.
  - Use of reserve – for the capital projects: vehicle replacements, noise monitoring equipment, resurfacing and footpaths, recycling bin purchases and ICT upgrades.
- Transformation
  - Additions to – cover costs of future council elections and planning fees
  - Use of reserve – Community Champion funding, Sport England and refuse rounds review.
- Repair and Renewals
  - Additions to – CCTV contributions from other local authorities
  - Use of reserve – Town centre heritage ongoing capital project
- ICT
  - Use of reserve – ICT infrastructure refresh
- Housing
  - Additions to – Homelessness funding, rough sleeper initiative and funding from partners for Healthy and Accessible Homes Lincs
  - Use of reserve – DASH funding and housing strategy capital project.
- Insurance
  - Use of reserve – to cover insurance claims made in year
- Funding Volatility
  - Additions to – additional Section 31 grant above budgeted level and CARF funding to be utilised in future years.

- Use of Reserve – to fund business rates deficit and Economic Development Expenditure.
- Covid 19
  - Additions to – New Burdens funding
  - Use of Reserve – Test and Trace, and to fund income pressures during the year.

**RECOMMENDATIONS**

- 2** Recommends to Council to transfer £1,830,999 to the Funding Volatility Reserve to fund the 2022/23 budget, this being the Section 31 grant allocated to the Council in 2021/22 but required in 2022/23.
- 3** Notes and approved the use of reserves in table 3 at Appendix A.
- 4** Recommends to Council to drawdown £1,864,887 from the Funding Volatility Reserve which is the Section 31 grant set aside in 2020/21 to cover the reduced Business Rates received in 2021/22.
- 5** Recommends to Council that the final revenue surplus (currently estimated to be £165,024) be transferred to the Transformation Reserve to fund future projects which will help realise future revenue savings and service improvements.

**Section 2.3 – Capital Budget**

This section covers:

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

Table 4 – 2021/22 Capital Programme and Q4 Outturn Expenditure									
Scheme	Capital Programme 2020/21			Funding of the Capital Programme					
	Approved Budget 2021/22	Actual 2021/22	Variance (Under)/over	External Grants	Revenue Funding	Other Reserves	Capital Reserve	Capital Receipts	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Disabled Facilities Grants	949	778	(171)	778					778
Housing Strategy	56	-	(56)						-
Noise Monitoring Equipment	10	10	-				10		10
Resurfacing and Footpath Improvements	82	12	(70)				12		12
Town Centre Heritage Scheme (PSICA 2)	1,397	154	(1,243)	92		62			154
Multi Use Games Area	23	6	(17)	6					6
Information Technology Refresh	200	187	(13)			187			187
ICT Finance Upgrade via PSPS	634	362	(272)				362		362
Ford Transit Tipper Van 2.0 TDCi x 2	22	-	(22)						-
Refuse Vehicle	170	172	2				172		172
Ransomes Mower	20	-	(20)						-
Ford Vans x 2	23	-	(23)						-
Recycling Bin Purchase	24	28	4				28		28
<b>Total Non-Towns Fund Schemes</b>	<b>3,610</b>	<b>1,709</b>	<b>(1,901)</b>	<b>876</b>	<b>-</b>	<b>249</b>	<b>584</b>	<b>-</b>	<b>1,709</b>
Boston Town Deal – Accelerated Funding	400	148	(252)	148					148
Towns Fund – Leisure	-	86	86	86					86
Towns Fund – Mayflower	108	6	(102)	6					6
Towns Fund – St Botolph's Library	228	6	(222)	6					6

Table 4 – 2021/22 Capital Programme and Q4 Outturn Expenditure									
Scheme	Capital Programme 2020/21			Funding of the Capital Programme					
	Approved Budget 2021/22	Actual 2021/22	Variance (Under)/over	External Grants	Revenue Funding	Other Reserves	Capital Reserve	Capital Receipts	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Towns Fund – Centre for Food and Fresh Produce Logistics	401	18	(383)	18					18
Towns Fund – Blenkin Memorial Hall	808	62	(746)	62					62
Towns Fund – Healing the High Street	35	6	(29)	6					6
Towns Fund – Boston Station	3	6	3	6					6
<b>Total Towns Fund Schemes</b>	<b>1,983</b>	<b>338</b>	<b>(1,645)</b>	<b>338</b>	-	-	-	-	<b>338</b>
<b>Total</b>	<b>5,593</b>	<b>2,047</b>	<b>(3,546)</b>	<b>1,214</b>	-	249	584	-	<b>2,047</b>



Table 4 – Capital Programme – Comments on Delivery	
Scheme	Comments
Disabled Facilities Grants	2021/22 grant allocation fully delivered, slippage required of prior year grant.
Noise Monitoring Equipment	Scheme fully delivered.
Resurfacing and Footpath Improvements	Continuation of previous scheme across various sites although predominantly around Boston Cemetery and Crematorium. Slippage required into 2022/23.
Town Centre Heritage Scheme (PSICA 2)	Delivery of projects continuing, slippage required into 2022/23.
ICT Finance Upgrade via PSPS	Project to be finalised in July 2022, slippage of remaining budget required.
Fleet Replacement	Order placed, vehicles expected to be received in year. Long lead times for vehicle orders which are subject to delays. Slippage required into 2022/23.
Recycling Bin Purchase	Year's quota of bins delivered.
Towns Fund	Business Cases were signed off in March 2022 leading to slippage of various schemes.

#### Capital Receipts

None to report this period.

#### 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 2021/22. The estimated position for the following two years is also provided.

Table 5 – Capital Resources			
	2020/21 £'000	2021/22 £'000	2022/23 £'000
Capital Resources* available at start of each year	5,822	5,578	6,320
Capital Investment (estimate in future years)	(3,436)	(2,047)	(6,862)
Additional Sources of Finance			
- New Capital Receipts (estimate in future years)	-	456	-
- Funding from other reserves and internal borrowing	193	249	170
- External Grants	1,449	1,214	4,974
- Revenue Contributions	-	-	-
- External borrowing	-	-	-
- Budgeted contributions to capital reserve	1,565	995	333
- Minimum Revenue Provision	(15)	(15)	(15)
- Transfer from Capital Reserve to support ongoing projects	-	(110)	(100)
<b>Estimated Capital Resources* at end of each year</b>	<b>5,578</b>	<b>6,320</b>	<b>4,820</b>

\* Capital Reserve and Capital Receipts

As a result of the variances shown in **Table 4** and **Table 5**, changes are required to the 2022/23 Capital Programme. These are reflected in the revised Capital Programme shown in **Table 6**. The slippage of expenditure into 2022/23 will be funded in line with the approval already obtained for the relevant project.

Table 6 – Revised Capital Programme 2022/23

Scheme	Approved Budget (as per Council)	Changes to approved budget	Revised Capital Programme
	£'000	£'000	£'000
Disabled Facilities Grants	280	171	451
Housing Strategy	-	56	56
Resurfacing and Footpath Improvements	-	70	70
Vehicle Replacement Programme	215	63	278
Town Centre Heritage Scheme	42	1,243	1,285
Multi Use Games Area	-	17	17
Information Technology Refresh	170	13	183
ICT Finance Upgrade via PSPS	-	272	272
<b>NON TOWNS FUND PROJECTS</b>	<b>707</b>	<b>1,905</b>	<b>2,612</b>
Boston Town Deal – Accelerated Funding	-	252	252
Leisure	2,935	(86)	2,849
Mayflower	720	102	822
St Botolph's Library	-	222	222
Centre for Food and Fresh Produce Logistics	453	383	836
Blenkin Memorial Hall	99	746	845
Healing the High Street	283	29	312
Boston Station	1,565	(3)	1,562
<b>TOWNS FUND PROJECTS</b>	<b>6,055</b>	<b>1,645</b>	<b>7,700</b>
<b>GRAND TOTAL</b>	<b>6,762</b>	<b>3,550</b>	<b>10,312</b>

**Recommendation:**

- 6** That Cabinet notes the 2021/22 capital position shown in **Table 4** and agrees the changes required to the Capital Programme for 2022/23.
- 7** That Cabinet Recommend to Council the carry forward of Capital Budget of £3.55m as detailed in Table 6.

**Section 2.4 – Treasury Management***Investments at 31 March 2022*

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

Detailed in **Table 7** are the investments held by the Council at 31st March 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.

Table 7 – Investments as at 31 March 2022

Financial Institution	Amount (£)	Maturity Date	Yield
HSBC Bank	10,740,000	Instant Access	0.01%
CCLA Money Market Fund	3,000,000	Instant Access	0.58%
Barclays Bank	3,000,000	95-day notice	0.95%
Lloyds Bank	3,000,000	95-day notice	0.10%
Santander	3,000,000	95-day notice	0.55%
Bank of Scotland	2,000,000	175-day notice	0.11%
<b>TOTAL</b>	<b>24,740,000</b>		

Maturity Structure at 31 March 2022		
Duration	Amount (£)	Percentage of Total
Less than one week	13,740,000	30%
Less than one month	-	0%
One to three months	-	0%
Three to six months	11,000,000	24%
Six to nine months	-	0%
Nine to twelve months	-	0%
More than twelve months	20,989,786	46%

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

Fund	Date of Purchase	Net Asset Value at Date of Purchase £	Premium/ (Discount) on Purchase £	Premium/ (Discount) on Purchase %	Total Cost £
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	14/09/18	<b>3,911,980</b>	<b>88,020</b>	<b>2.25</b>	<b>4,000,000</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>20,516,953</b>	<b>472,813</b>	<b>2.30</b>	<b>20,989,766</b>

**Property Fund Investments as at 31<sup>st</sup> March 2022**

Financial Institution	Purchase Cost (£)	Estimates Revenue Received 2021/22 (£)	Projected Annualised Distribution Yield 2021/22	Net Asset Value (£)	Total Gain/(Loss) Since Purchase (£)	2021/22 Annual Gain/(Loss) (£)	2021/22 Annualised Fund Capital Gain/(Loss) Since 1/4/21	2021/22 Estimated Combined Return
BlackRock UK Property Fund	4,500,006	127,996	2.95% Estimate	5,191,286	691,280	787,809	14.81%	17.76%
Schroder UK Real Estate Fund	4,250,006	132,465	3.22% Estimate	4,903,231	653,225	648,380	15.23%	18.45%
Threadneedle Property Unit Trust	4,239,754	163,473	3.96% Estimate	4,476,361	236,607	646,040	16.87%	20.83%
M&G Investments UK Property Fund	4,000,000	131,012	2.49% Estimate	3,699,460	(300,540)	221,662	6.37%	8.86%
AEW UK Core Property Fund	4,000,000	155,301	3.49% Estimate	4,065,606	65,606	539,619	15.30%	18.79%
<b>TOTAL</b>	<b>20,989,766</b>	<b>710,247</b>		<b>22,335,944</b>	<b>1,346,178</b>	<b>2,843,510</b>		

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

The 2021/22 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 2021 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 31 March 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 31 March 2022 can be found in the table below:

<b>Financial Institution</b>	<b>Actual Dividend Distributions Received Pre 2021/22</b>	<b>Budgeted Distribution for 2021/22</b>	<b>Estimated Dividend Distributions Received 2021/22</b>	<b>Total Distributions Received Since Purchase</b>
BlackRock UK Property Fund	400,232	159,997	135,025	535,257
Schroder UK Real Estate Fund	336,300	159,998	142,395	478,695
Threadneedle Property Unit Trust	467,273	178,005	169,123	636,396
M&G Investments UK Property Fund	342,569	120,000	115,993	458,562
AEW UK Core Property Fund	441,967	144,000	181,001	622,968
<b>Total Revenue</b>	<b>1,988,341</b>	<b>762,000</b>	<b>743,537</b>	<b>2,731,878</b>
Borrowing Costs	(903,772)	(382,389)	(382,389)	(1,286,161)
<b>Net Revenue Position</b>	<b>1,084,569</b>	<b>379,611</b>	<b>361,148</b>	<b>1,445,717</b>

*Return on Investments*

The Council's 2021/22 budget for investment income is £820k. At the end of March 2022 investment income earned was approximately £775k which was £45k below the profiled budget.

Treasury investments achieved an average rate of 0.133% compared to the benchmark average 3-month SONIA rate of 0.087%.

Property fund investments are estimated to have achieved an estimated average rate of 3.542%.

The combined rate achieved on all investments was estimated to be approximately 1.74%.

*Borrowing*

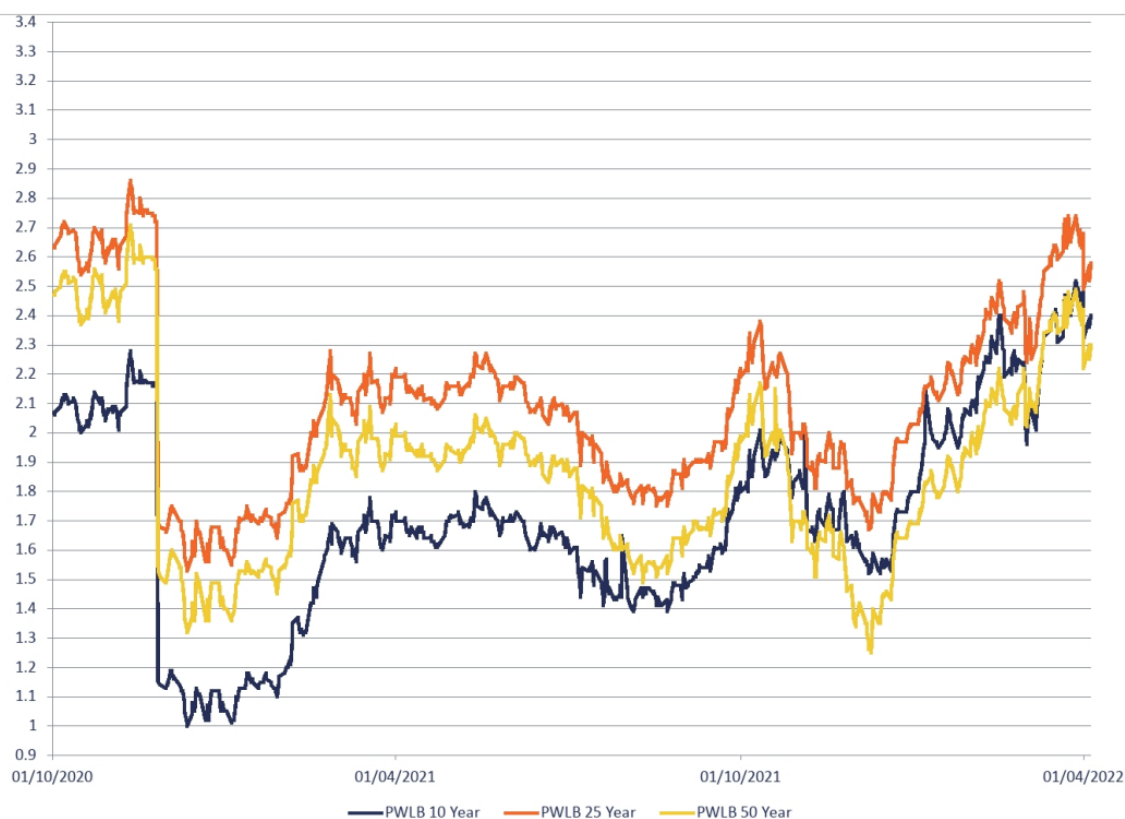
The Council has £15.449m of external PWLB borrowing as per the table below.

<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 2021/22 on this borrowing are £382,388.

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

PWLB borrowing rates have risen in March in line with the Bank of England Base rate rise to 0.75% on 17th March. There was a fall in PWLB rates in the days leading up to Financial Year End and as at 31st March 2022 the 50 year PWLB certainty rate was 2.05%. The PWLB increase since December 2021 reflects the inflationary pressures in the economy due to the Ukraine war, utility price increases and wage growth pressure. The temporary fall in PWLB rates w/c 28<sup>th</sup> March most likely relates to Year End and funding needs as at 31<sup>st</sup> March.



### Summary

Interest rates rose but remained historically low during March 2022. The Bank of England Base Rate rose from 0.50% to 0.75% in March. Market expectations are for further rate hikes during 2022/23 and at the time of writing this report it had already increased to 1.25%. With the economy growing post pandemic, focus for the MPC will firmly be on tackling inflationary pressures. Retail Prices Index inflation was at 7% at the end of the financial year and at the time of writing this report had increased to 11.7% for May 22 with the added pressure on utilities and grain from the war in Ukraine.

Rates on new investments with financial institutions and local authorities now range from 1.20% for one-month deposits through to 2.75% for one-year deposits. One year deposit rates have risen sharply, reflecting the Base rate rise to 1.25% and the market sentiment that rates will continue to rise to fight inflation.

PWLB borrowing rates have risen during March. PWLB rates, especially long dates such as 50yrs, have risen due to inflationary concerns. The energy/oil price rises combined with the wage growth pressure in the UK economy are having a large impact on inflation indexes. The PWLB Rates dropped at the end of March but these have subsequently increased in the first quarter of the 2022/23 financial year and currently stands at 3.37% for a 50 year maturity loan.

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

### 2021/22 Claims Statistics

**Table 8** details the number of formal insurance claims for Quarter 4 of 2021/22 (figures in brackets are comparable figures for 2020/21).

Table 8 – Insurance Claims					
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Public Liability	0(1)	1(1)	1(2)	2(0)	4(4)
Employers Liability	0(1)	0(0)	1(0)	1(0)	2(1)
Motor	1(1)	2(1)	2(2)	5(1)	10(5)
Property	0(0)	0(0)	0(1)	0(0)	0(1)
Officers Indemnity	0(0)	0(0)	0(2)	0(1)	0(3)
<b>Total</b>	<b>1(3)</b>	<b>3(2)</b>	<b>4(7)</b>	<b>8(2)</b>	<b>16(14)</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 the end of 2021/22 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 31 March 2022 is show in **Table 9**.

Table 9 – Sundry Debt Analysis							
0-30 days	31-60 days	61-90 days	91-120 days	121-183 days	184-365 days	Over 365 days	Total
£	£	£	£	£	£	£	£
279,518	68,596	19,808	13,093	86,712	95,195	210,234	773,156

Note: This does not include details of invoice amounts (£656,138) that are not yet due

## Section 2.7 – Council Tax and Business Rates

### Council Tax Support Scheme (CTS)

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

Quarter 4 collection rate remains lower than pre-covid. The Council Tax Support caseload is now lower than pre-covid levels. There remains some uncertainty of the overall ongoing impact on collection and recovery as a result of covid. In recognition, we continue to remain prudent in setting the bad debt provision in this area.



*Council Tax – Quarter 4 In-Year Collection*

The collectable debit for 2022/23 was £38m with a collection rate of 94.01% achieved at 31 March 2022 (94.23% at 31 March 2021).

*Business Rates*

<b>Table 10 – 2021/22 Business Rates Retention</b>			
	<b>Base Estimate included in 2021/22 budget £</b>	<b>Forecast position at 31 March 2022 £</b>	<b>(Surplus)/Deficit in 2021/22 – will impact next year's budget £</b>
Non Domestic rating income for the year	(20,507,213)	(16,080,480)	4,426,733
Less: LCC share (10% for 21/22)	2,050,721	1,608,048	(442,673)
Less: Government Share (50% for 21/22)	10,253,607	8,040,240	(2,213,367)
<b>Boston Borough Council's income (excluding renewables) (40% for 21/22)</b>	<b>(8,202,885)</b>	<b>(6,432,192)</b>	<b>1,770,693</b>

The position in **Table 10** shows a large deficit against the base estimate, the main reason for this is the retail discount offered by the government in response to the Coronavirus pandemic to assist retailers. This discount is 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 £1.8m of additional income was received in 2021/22 and this has been transferred into reserves at the end of the financial year for use in the 2022/23 budget. The difference between this income and the deficit above is due to a reduction in gross rates across all businesses which is being closely monitored.

*Business Rates Appeals*

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

As at 31 March 2022 the Rateable Value amount for properties under appeal in 2010 list (excluding multiple appeals for the same property) was £2.1m, relating to 8 properties on the latest list of outstanding appeals. 94% 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. The appeals provision (£1.660m) is considered sufficient to cover the potential impact of these appeals.

*Business Rates – 2021/22 In-Year Collection*

The collectable debit for 2022/23 was £17.3m with a collection rate of 94.08% achieved at 31 March 2022 (95.82% at 31 March 2021). Due to the continued application of some COVID related additional reliefs in 2021/22 the collectable debit remains lower than usual. This makes comparison to pre-covid collection rates less meaningful.

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