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| <b>REPORT TO:</b>        | Corporate and Community Committee  |
| <b>DATE:</b>             | 2 <sup>nd</sup> February 2023  |
| <b>SUBJECT:</b>          | Budget Overview 2023/24 and Draft Budget   |
| <b>PURPOSE:</b>          | To provide an overview of the draft budget for 2023/24   |
| <b>KEY DECISION:</b>     | No   |
| <b>PORTFOLIO HOLDER:</b> | Councillor Jonathan Noble  |
| <b>REPORT OF:</b>        | Christine Marshall, Deputy Chief Executive Corporate Development   |
| <b>REPORT AUTHOR:</b>    | Steven Houchin, Chief Finance Officer- Public Sector Partnership Services Ltd<br>Samantha Knowles – Assistant Director – Finance |
| <b>WARD(S) AFFECTED:</b> | All  |
| <b>EXEMPT REPORT?</b>    | No   |

#### **SUMMARY**

This report sets out the draft budget at Appendix A including the areas of pressure that will be considered as part of this year's budget setting process, the details of the Councils Provisional Funding Settlement and the proposed level of Council Tax for 2023/24.

#### **RECOMMENDATIONS**

That the Corporate and Community Committee considers this report and provides feedback for Cabinet's consideration at its February meeting.

#### **REASONS FOR RECOMMENDATIONS**

To comply with the budgetary and policy framework.

#### **OTHER OPTIONS CONSIDERED**

It is best practice for the scrutiny committee to be consulted.

## **1. BACKGROUND**

- 1.1. This year's budget is being set within a background of unprecedented inflationary pressures and significant changes in resident, customer and business needs. Despite these challenges the Council's financial position means that it is well placed and able to take a considered approach to mitigating these exceptional challenges. In addition the Council has been and continues to be successful in drawing in significant capital and revenue investment for the area.
- 1.2. Due to the complex financial environment specific elements of the budget at Appendix A are still being finalised as certain budgets are reviewed with the latest information available.

## **2. Key Budget Pressures**

- 2.1. Identified below are major changes and key pressures that are being included within the proposed budget:
  - A pay award for 2022/23 was agreed in November 2022 averaging 5% across the pay spine. For 2023/24 a 5% award has been assumed, this allowance will be held corporately and adjusted to any savings target should it be settled at a lower level. This is one of the most significant impacts in the budget.
  - Pension contributions will be 23.6% in 2023/24 with an additional lump sum amount payable towards the deficit on the pension scheme. This rate is applied only to those staff in the local government pension scheme. The pension contribution rate is assumed to stay at 23.6% throughout the life of the MTFs. The lump sum towards the deficit is confirmed for 2023/24.
  - The return on cash investment reflects recent increases to Bank of England base rates which has increased significantly from the recent historic low levels. A further meeting of the MPC is on Thursday 2<sup>nd</sup> February.
  - Electricity and gas costs have been inflated for 2023/24 as a result of increased wholesale prices.
  - Vehicle fuel costs have also experienced inflationary pressures.
  - Increased contract costs are similarly a feature of the budget albeit officers and members are working closely to seek to manage these implications and impacts.

## **3. Council Tax & Business Rates**

- 3.1. The previous Medium Term Financial Strategy (MTFS) committed to a Council Tax increase in line with the maximum allowed under the recent Local Government Settlement, for BBC in 2023/24 this is a £6.03 increase (3%) and will generate a yield of £167,491. The increase is reflected through the life of the MTFs.
- 3.2. The tax base projections for 2023/24 indicate growth of 223 band D equivalent properties. Future growth has been projected at 1.50%.

### 3.3. Business Rates

3.4. Business rates information is still being reviewed as a result of a number of changes including the inflation measure used to increase the local government funding amount within the Settlement Funding Amount using the CPI September indicator 10.1% instead of the RPI September Indicator (12.6%).

3.5. The National Non-Domestic Rates Form (NNDR1) production is now particularly important in terms of changes to the business rate yield which heavily influences not just our own budgets but also the Pool we are part of within Lincolnshire and significantly the County Council. This is an area of significant focus as we seek to understand the changes within the yield particularly as a result of Covid and changes as result of the Business rate revaluation 2023.

## 4. Local Government Settlement

4.1. The provisional local government settlement delivered on 19th December 2022 provided the following support:

| Local Government Provisional Settlement Information | Boston Borough Council |                                |                          |
|---|------------------------|--------------------------------|--------------------------|
|   | 2022/23 Budget         | 2023/24 Provisional Settlement | Difference 22/23 - 23/24 |
|   | £'000                  | £'000                          | £'000                    |
| Revenue Support Grant                               | 323                    | 433                            | 110                      |
| Rural Services Delivery grant                       | 89                     | 89                             | 0                        |
| Lower Tier Services Grant                           | 124                    | 0                              | -124                     |
| Service Grant                                       | 186                    | 105                            | -81                      |
| <b>Sub Total</b>                                    | <b>722</b>             | <b>627</b>                     | <b>-95</b>               |
| Funding Guarantee (3%)                              | 0                      | 472                            | 472                      |
| <b>Sub Total</b>                                    | <b>722</b>             | <b>1099</b>                    | <b>377</b>               |
| New Home Bonus                                      | 697                    | 288                            | -409                     |
| <b>Total Funding</b>                                | <b>1,419</b>           | <b>1,387</b>                   | <b>-32</b>               |

4.2. The 2023-24 local government finance settlement is for one year only and is based on the Spending Review 2021 (SR21) funding levels, updated for the 2022 Autumn Statement announcements. The main points are set out below:

- The Funding Guarantee replaces the Lower Tier Services Grant. This grant is intended to provide a funding floor for all local authorities, so that no local authority would see an increase in Core Spending Power that is lower than 3%, before any decisions about organisational efficiencies, use of reserves or council tax levels are taken.
- Revenue Support Grant has been increased in line with what would have been the increase to the multiplier; there have also been existing grants rolled into the RSG amounts.

- Local Government Funding Reform – As per the published Policy Statement, the Review of Relative Needs and Resources ('Fair Funding Review') and a reset of Business Rates growth will not be implemented in the next two years.

## 5. Internal Drainage Boards

- 5.1 Internal Drainage Board (IDB) levy increases are still being finalised and are expected to be very substantial increases on previous years due to the extensive use of power and fuel for the activities that these organisations undertake. The 2022/23 cost is £2.15m and a series of increases have been indicated from 9% to 20%.
- 5.2 The Council is liaising with the local Internal Drainage Boards who have been trying to limit future increases where possible but proving impossible with the increases in power costs being experienced. Significant representations have been and continue to be made to government due to the substantial loss of income to the Council, as this was previously funded through Revenue Support Grant (RSG). This embedded levy can no longer be afforded having a significant impact every year that passes on the ability of the Council to finance the services it is providing and putting it at a disadvantage to the majority of the Councils in England, with only a handful of councils impacted upon in this way.
- 5.3 The Council has been in detailed discussion with government officers regarding this position over the past year. We are also aware that the IDB's have made extensive representations to DEFRA and via ADA of this significant issue. A formal opportunity to engage with Government on this matter has now been offered and officers are in the process of seeking to arrange this meeting as a matter of priority between Leaders, MPs and the relevant minister.

| Council                | Total Council Tax Received per year 22/23 | Total IDB levy per year 22/23 | Proposed increase 23/24 | Council Tax 22/23 Increase 3% raises |
|------------------------|---|-------------------------------|-------------------------|--------------------------------------|
| Boston Borough Council | £4.1m                                     | £2.1m                         | £233k                   | £167k                                |

## 6. BALANCING THE BUDGET

6.1 In terms of balancing the budget the following areas have been identified as key areas to be considered as part of the final budget setting:

### Short Term

- The potential use of reserves to support one off pressures and for invest to save initiatives;
- Use of the New Homes Bonus to support the revenue account whilst medium term activity is actioned;
- Continued work to engage on the Internal Drainage Board financing challenge;

- Review of all new pressures and service budgets to consider efficiency opportunities and alternative options.

### **Medium Term**

- Work with PSPS in terms of its transformation plans for the future;
- Driving transformational change using the SELCP sub-regional partnership as a driver for innovation and efficiency.
- Reviewing all assets to maximise income and efficiency of use.
- Delivering and supporting economic growth
- Reviews of fees and charges in light of inflationary increases in costs, where appropriate;

6.2 Detailed efficiency and transformation plans are being put together for members consideration as part of this budget setting process.

## **7. CAPITAL PROGRAMME**

7.1 The Capital Programme has been updated to reflect the approvals during the year and also slippage on the Towns Fund Programme which is not unusual for a programme of this size and scale.

7.2 In March 2022 Full Council and Cabinet considered the full business case for the refurbishment of Geoff Moulder Leisure Centre which was agreed for submission, subject to any necessary amendments. Officers were tasked with undertaking a public consultation exercise which took place in October 2022 and refining the proposals prior to the submission of a planning application which was submitted in January 2023.

7.3 In supporting the project Members noted the requirement to provide funding for it and in principle supported future revisions to the capital programme and Treasury Management Strategy/Prudential Indicators that would be required to finance the project and to enable delivery. The costs to date for the refined proposals are in-line with the costs referenced in the business case.

7.4 The scheme is now amended in the 2023/24 capital programme with funding identified from Towns funding and the re-profiling of the use of reserves (excluding VAT and inflation). It is intended that any balance of funding will be sought through a future operating model, in respect of which the results of a competitive process would not be known until the summer of 2023, and also consideration of any additional funding that the Council may have access to. The capital programme reflects the March 2022 decision, noting the requirement for planning approval and a satisfactory operating model/appropriate funding being secured before the award of a contract for construction. This allows time for proper deliberation on future operating models for the incoming Executive and Scrutiny. The Treasury Management Strategy for the Council will have the flexibility within it to borrow in accordance with prudent gains achieved from an alternative operating model to complete the funding to deliver the scheme.

## **8. CONCLUSION**

8.1. Extensive work is underway to finalise the budget working with our key Partner in the provision of this service PSPS Ltd.

### **EXPECTED BENEFITS TO THE PARTNERSHIP**

This report enables Boston Borough Council to set a budget and a level of Council Tax for 2023/24.

### **IMPLICATIONS:**

#### **SOUTH AND EAST LINCOLNSHIRE COUNCIL'S PARTNERSHIP**

*NONE*

#### **CORPORATE PRIORITIES**

*NONE*

#### **STAFFING**

The Equality Act requires SHDC to consider any equality impacts in relation to staff from these plans. As projects within the programme are developed a draft impact assessment will be discussed with Trades Unions and staff, and especially as individual projects are delivered.

#### **CONSTITUTIONAL AND LEGAL IMPLICATIONS**

This report is required by virtue of the Local Government Finance Act 1992, as amended by the Localism Act 2011.

#### **DATA PROTECTION**

None

#### **FINANCIAL**

None

#### **RISK MANAGEMENT**

Done

#### **STAKEHOLDER / CONSULTATION / TIMESCALES**

The Council has a legal duty to consult residents on its draft budget proposals. Views expressed during the consultation period will be included within the financial budget setting report.

#### **REPUTATION**

None

#### **CONTRACTS**

None

## CRIME AND DISORDER

None

## EQUALITY AND DIVERSITY/ HUMAN RIGHTS/ SAFEGUARDING

New Equality Impact Assessments will be developed and published wherever these are required and will be made available during the management and decision-making of the Programme.

## HEALTH AND WELL BEING

None

## CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

None

## APPENDICES

Appendix A

## BACKGROUND PAPERS

None

| CHRONOLOGICAL HISTORY OF THIS REPORT               |
|--|
| Cabinet 17 <sup>th</sup> January 2023              |
| Audit and Governance 31 <sup>st</sup> January 2023 |

| REPORT APPROVAL           |   |
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