



**BOSTON BOROUGH COUNCIL**

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

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**DRAFT BUDGET SETTING REPORT AND ASSOCIATED FINANCIAL STRATEGIES - 2023/24-2027/28 –  
FOR CONSULTATION**

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

The creation of next year's budget has been most challenging. It has been 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.

The Government has provided a one-year settlement which has taken some uncertainty away regarding certain grants, however, the uncertainty remains significant and into the medium-term.

Boston Borough Council remains sovereign in terms of its constitution and budget, as do the Councils we partner with, and our BBC priorities are to ensure that the Council remains financially resilient, able to deliver services it has to by law, and to provide support to the district's most vulnerable residents. Secondly, to continue the process of redressing the imbalances created by the COVID-19 pandemic by appropriately focussing on the provision of financial support to underpin economic recovery for the district and seeking to invest in our places.

Despite the challenges of the pandemic over the past few years, work to develop new opportunities, efficiencies and income streams to support the Council's revenue budget have continued.

A significant element of the Council's budget is the Drainage Board Levy. Like the Council, the drainage boards are also experiencing increased cost demands. The Council is liaising with the Boards, who are attempting to limit future increases, where possible. This is proving increasingly difficult with significant increases in power costs being experienced. Representations to government have been made and continue to be made due to the substantial loss of income to the Council (as the levy was previously funded through Revenue Support Grant (RSG) but this is no longer the case).

Another key component of the council's budget is its share of business rates income which has seen changes following the settlement in December. In addition, inflationary pressures have been seen across all areas of the council's budget, particularly pay, contracts, utilities and fuel.

The proposed council tax increase for 2023/24 is an annual increase of £6.03 for a band D property.

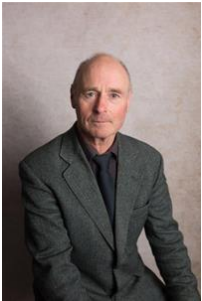
A series of short and medium term mitigations have been identified to balance the budget.

The Council's revenue budget already provides for some annual contributions towards capital investment and we are delivering on our commitment to increase these by operating in a more commercial and business-like way to increase our ability to generate future capital receipts and maximise grant opportunities.

The Council has maintained a capital resource base commensurate with our capital delivery ambitions.

The Budget for 2023/24 proposes:

- A Council Tax increase of £6.03 per year (for Band D homes this is equivalent to 11p per week).
- To continue with the generation of additional efficiencies, shared services and income from commercial activities guided by our Delivery Plans.
- Increased capital investment in Council assets to help generate new income streams, reduce running costs and help deliver services more efficiently.
- Significant grant expenditure



**Councillor Jonathan Noble, Portfolio Holder for Finance**

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**EXECUTIVE SUMMARY:**

	<b>2022/23</b>	<b>2023/24</b>
Boston Borough Council Precept	£4.068m	£4.235m
Council Tax Increase	2.50%	2.97%
Council Tax Band D	£202.86	£208.89
Government Funding	£1.416m	£1.387m
Retained Business Rates used to support budget	£0.769m*	£4.208m*
Boston Town Area Committee Special Expense Account (3.95% increase proposed)	£0.733m	£0.764m
Earmarked Reserves (at 1 April)	£18.348m	£11.566m

- \*The difference between the years relates to the unusually high deficit in 2022/23, mainly as a result of retail reliefs granted to businesses because of the COVID-19 pandemic. These reliefs have been fully funded by the government and the income received in 2020/21 and 2021/22 therefore is covered by a reserve contribution shown in table 8.

## 1. INTRODUCTION

- 1.1 This appendix sets out the draft combined 2023/24 budget estimates and Medium Term Financial Strategy (MTFS) for the period 2023/24 to 2027/28 for the Council's General Fund. The Medium Term Strategy sets out the current and forecast future costs of the Council and is linked to the Corporate Plan and Delivery Plan, which sets out the aims and ambitions of the Council.
- 1.2 The MTFS establishes a set of financial policies and principles which aim to provide a sound basis for maintaining the financial integrity of the Council over the medium term.
- 1.3 This Appendix sets out:
- The Council's Medium Term Financial Strategy for the period 2023/24 to 2027/28.
  - The 2023/24 General Fund Revenue Budget & Financing.
  - The General Fund Reserves Position.
  - The General Fund Capital Programme and Financing.
  - Risks, key issues, sensitivity and monitoring.
  - Treasury management policy and investment strategy (to follow in final budget report).
- 1.4 The unprecedented challenges faced by all of us in 2021/22, 2022/23 have continued into 2023/24, with significant inflationary pressures. The government settlement delivered in mid December for Boston included New Homes Bonus (£288k) and 3% funding guarantee (£457k).
- 1.5 In 2023/24, a budget is proposed that allows expenditure to be financed using reserves and creation of efficiencies and appropriate funding in order to smooth the impact of the council's ongoing pressure. Savings are required going forward as a result of increased inflationary costs and other cost pressures but particularly in relation to substantial pressure from the IDB levy where it has and continues to lead on raising this issue with its partners in the South and East Lincolnshire Partnership. This means 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 SELCP Partnership with its partners whilst ensuring it maximises the income it receives.

## 2. BUDGET ASSUMPTIONS

Table 1 – Assumptions which influence the five year financial strategy

Assumption	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Budgeted inflation <sup>1</sup>	0%	<b>0%</b>	0%	0%	0%	0%
Pay costs increase <sup>2</sup>	2%	<b>5%</b>	2%	2%	2%	2%
Full Time Equivalent Employees	234.99	<b>244.71</b>	242.60	235.74	230.74	230.74
Staffing levels <sup>3</sup>	99%	<b>96%</b>	96%	96%	96%	96%
Pension contribution rate – current service cost <sup>4</sup>	17.7%	<b>23.6%</b>	23.6%	23.6%	23.6%	23.6%
Pension contribution cash amount to fund deficit on scheme <sup>4</sup>	£745,000	<b>£687,000</b>	£713,000	£741,000	£741,000	£741,000
Return on cash investments <sup>5</sup>	0.10%	<b>4.40%</b>	3.30%	2.60%	2.50%	2.50%
Return on property funds <sup>6</sup>	3.60%	<b>3.60%</b>	3.60%	3.60%	3.60%	3.60%
Utility cost rises <sup>7</sup>	30%	<b>150%</b>	0%	0%	0%	0%
Fuel cost rises <sup>8</sup>	5%	<b>25%</b>	0%	0%	0%	0%
Tax base <sup>9</sup>	2.2%	<b>1.1%</b>	1.5%	1.5%	1.5%	1.5%

### Notes to Assumptions

These assumptions reflect, where known, future changes which may arise from the implementation of the council's organisational development plans including the South and East Lincolnshire Councils Partnership with South Holland District Council and East Lindsey District Council (see Section 7).

1. Although inflation does affect the price of supplies and services that the Council procures, because services are given cash limited budgets they have to absorb the cost of inflation within the resources they have – as such the net impact of inflation is reduced to zero within the estimates. The only exceptions are those contracts which have an agreed inflationary arrangement built into them, we expect that contract costs will substantially increase on renew.
2. The nationally agreed pay award ended on 31st March 2022. An award for 2022/23 was agreed November 2022 averaging 7% across the pay spine. For 2023/24 onwards a 5% award has been prudently assumed.
3. An annual General Fund saving in staff costs (£353k) is built into the budget (equivalent to 4% of the staff budget) due to anticipated staff vacancies during the year.
4. Based on the Pension Triennial Valuation the pension contribution 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. A



further review will take place which could change the amount from 2027/28 onwards. Any vacant posts are assumed to be within the 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.

5. These are the estimated returns on cash.
6. These are the estimated returns on the Property Fund that the council holds.
7. Utility costs have been inflated by 150% for 2023/24 as a result of increased wholesale prices. These will need to be kept under review, as it is an area that could be subject to future inflationary pressures.
8. Vehicle fuel costs are predicted to increase by 25% due to national trends.
9. The tax base projections for 2023/24 has provided for a growth of 223 band D equivalent properties. Future growth has been projected at 1.5% (see section 4.6 and Table 3).

### **3. RESOURCES**

- 3.1 The following section of the Appendix outlines the resources that will be available to the Council under 6 headings, Business Rates, Council Tax, Revenue Support Grant and other Government Grants, New Homes Bonus, Fees and Charges and Other Income.
- 3.2 On 19<sup>th</sup> December 2022 the Local Government Finance Settlement 2023/24 was delivered. The papers included a continuation of New Homes Bonus for 2023/24 and a new grant stream called Funding Guarantee, replacing the Lower Tier Service grant.
- 3.3 As part of the policy statement it was confirmed there would be no review of business rates or funding formula for at least 2 years.
- 3.4 As a result of this announcement it makes planning the years from 2025/26 onwards very difficult as many things could change because of these planned reviews and resets. As and when further announcements are made Members will be kept up to date accordingly and the financial impact assessed.

### **4. SPENDING PLANS**

- 4.1 Under the current arrangements for retained Business Rates, where a Council collects rates above an assessed baseline level set by the Government, a 50% levy is applied that is paid to the Government. In order to avoid this 50% levy a business rates pool was adopted with the County Council and other districts within Lincolnshire.
- 4.2 A revaluation exercise for business rates will take effect from 1 April 2023. The Council is expecting a number of appeals against the revaluation. A provision has been put aside based on intelligence from the Council's advisors to hopefully cover any effects from this but there still remains a large amount of uncertainty in this area.
- 4.3 Table 2 provides details of the anticipated business rates figures for 2023/24 and provisional figures for 2024/25 through to 2027/28.

- 4.4 It is important that members note that the potential changes to the retention of Business Rates from 2025/26 presents a significant uncertainty around future funding levels. It is very likely that as part of the ongoing reassessment of Area Needs the Government may significantly change the current baseline levels. As such the current amount of retained business rates that the Council is experiencing could be significantly reduced under these new arrangements.

Table 2 – Business Rates

	Budget 2022/23 £'000	Draft 2023/24 £'000	Draft 2024/25 £'000	Draft 2025/26 £'000	Draft 2026/27 £'000	Draft 2027/28 £'000
Retained Business Rates	(7,427)	(7,658)	(7,811)	(7,967)	(8,127)	(8,289)
S31 Grants relating to Business Rates	(2,018)	(2,645)	(2,698)	(2,752)	(2,807)	(2,863)
Tariff	5,141	5,247	5,352	5,459	5,568	5,679
<b>Pre- levy income</b>	<b>(4,304)</b>	<b>(5,056)</b>	<b>(5,157)</b>	<b>(5,260)</b>	<b>(5,365)</b>	<b>(5,473)</b>
Renewable Energy (100% retained by Boston BC)	(203)	(189)	(193)	(197)	(201)	(205)
Levy payment to Lincolnshire Pool	237	298	304	310	316	323
Estimated (Surplus)/Deficit on Collection Fund	3,501*	739	0	0	0	0
<b>Net Retained Business Rates Income</b>	<b>(769)</b>	<b>(4,208)</b>	<b>(5,045)</b>	<b>(5,147)</b>	<b>(5,250)</b>	<b>(5,355)</b>

\*The unusually high deficit is mainly as a result of retail reliefs granted to businesses because of the COVID-19 pandemic. These reliefs have been fully funded by the government and the income received in 2020/21 and 2021/22 therefore is covered by a reserve contribution shown in table 8.

- 4.5 As well as the potential for the authority to attract additional income through retained business rates there is also the risk of uncertainty through a reduction in the amount of business rates that it collects, this has been further exacerbated by the COVID-19 pandemic. This coupled with uncertainties relating to appeals against rateable values for business premises, with the potential for successful appeals being backdated makes estimating income accurately extremely challenging and potentially volatile.

## Council Tax

- 4.6 The MTFs assumes a Council Tax increase in line with the maximum allowed under the Local Government Settlement. In the case of BBC for 2023/24 this is a £6.03 (2.97%) per annum increase (for band D properties). See Table 3 below for the estimated changes in the tax base and council tax collected.

Table 3 – Council Tax

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	No. Of properties	No. Of properties	No. Of properties	No. Of properties	No. Of properties	No. Of properties
Council Tax base (Band D equivalents)	20,051	<b>20,274</b>	20,578	20,887	21,200	21,518
Council Tax Band D	202.86	<b>208.89</b>	213.84	218.79	223.74	228.69
Annual Increase £	4.95	<b>6.03</b>	4.95	4.95	4.95	4.95
Annual Increase %	2.50%	<b>2.97%</b>	2.37%	2.31%	2.26%	2.21%
Gross Council Tax collected	£4,067,546	<b>£4,235,036</b>	£4,400,423	£4,569,819	£4,743,307	£4,920,971
In year Surplus / (deficit)	£86,654	<b>(£28,346)</b>	£0	£0	£0	£0
<b>TOTAL</b>	<b>£4,154,200</b>	<b>£4,206,690</b>	<b>£4,400,423</b>	<b>£4,569,819</b>	<b>£4,743,307</b>	<b>£4,920,971</b>

- 4.7 The tax base for 2023/24 has been increased by 1.11% and by 1.50% per annum thereafter. This is based on the latest projected house building trajectory.

### BTAC expenses

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
BTAC Expenses	733	<b>764</b>	779	795	811	827

Table 4 – Precepting Authority Band D charges

Authority	Proposed Band D amount (£.p)	Increase over 2022/23 £	Increase over 2022/23 %
Lincolnshire County Council	£1,503.63	£71.46	4.99%
Police and Crime Commissioner	£291.24	£14.94	5.41%
Boston BC	£208.89	£6.03	2.97%
Parishes (average)	£63.98	£2.02	3.26%

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

- 4.8 The table below currently builds in the assumption that RSG will continue throughout the MTFs period until such time as we have more information regarding the outcome of the fairer funding review. Other than S31 grants for Business Rates (see table 2) the other main non-specific grants received by the Council relate to the Rural Services Delivery Grant (RSDG) and the newly announced Funding Guarantee grant. RSDG for 2023/24 is proposed to be £100k and the Funding Guarantee grant is £457k for 2023/24, the future of this grant into the longer term is not known however it now incorporates the previous Lower Tier Grant.

Table 5 - Revenue Support Grant and other Non-Specific S31 Government Grants

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue Support Grant	323	433	433	433	433	433
Rural Services Delivery Grant	89	100	100	100	100	100
Lower Tier Services Grant	121	0	0	0	0	0
Services Grant	186	109	109	109	109	109
Funding Guarantee (3%)	0	457	457	457	457	457
<b>Total Received</b>	<b>719</b>	<b>1,099</b>	<b>1,099</b>	<b>1,099</b>	<b>1,099</b>	<b>1,099</b>
Annual Change in resource	(398)	380	0	0	0	0

## New Homes Bonus

- 4.9 New Homes Bonus (NHB) allocations were announced as part of the Local Government Finance Settlement for 2023/24 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 did not have future years legacy payments nor has the 2023/24 allocation. If the scheme was to be continued in its current form next year’s payment would reflect just the growth in the previous year.
- 4.10 In light of current funding pressures an element of the New Homes Bonus is being used to support budgetary pressures (£288k).

Table 6 – New Homes Bonus estimates

	Draft 2022/23 £000	<b>Draft</b> <b>2023/24</b> <b>£000</b>	Draft 2024/25 £000	Draft 2025/26 £000	Draft 2026/27 £000	Draft 2027/28 £000
New Homes Bonus	697	<b>288</b>	-	-	-	-

## Fees and Charges

- 4.11 The Council is dependent on direct payment for many of its services in the form of various fees, charges and rents. Fees and charges play an important role in the effective delivery of services; they not only raise income but can control access to services, help the council respond to competition, fund investment and guide client behaviour.
- 4.12 In some cases the levels of fees are set by the Government and the Council has no control over what is charged. Where the Council has had control it has not always increased these charges in line with inflation or other market conditions. Given future uncertainty around levels of government grant support and business rates income, the Council will have to develop policies for continually reviewing its fees and charges in order to maintain this income at current or higher levels. A complete review of fees and charges in light of inflationary pressures is currently underway.

Table 7 – Fees and charges income budgets (Subject to Review)

<b>Budget Area</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Leisure income	918	<b>820</b>	820	820	820	820
Building control	170	<b>170</b>	170	170	170	170
Licensing	131	<b>131</b>	131	131	131	131
Land charges	78	<b>78</b>	78	78	78	78
Bereavement	900	<b>934</b>	934	934	934	934
Garden Waste	628	<b>644</b>	739	739	739	739
Trade waste	355	<b>402</b>	402	402	402	402
Planning fees	633	<b>645</b>	652	655	655	655
Parking	1019	<b>1019</b>	1019	1019	1019	1019
Markets	95	<b>95</b>	95	95	95	95
Other small areas	155	<b>220</b>	180	180	220	180
<b>TOTAL FEE INCOME</b>	<b>5,081</b>	<b>5,158</b>	<b>5,220</b>	<b>5,222</b>	<b>5,262</b>	<b>5,222</b>

## Other Income

4.13 The Council also receives other forms of income, as shown in the following table.

Table 8 – Other Income

	2022/23*	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000	£'000
Interest on Investments	960	1,632	1,310	1,146	1,095	1,095
Housing Benefit Subsidy	11,618	11,210	11,210	11,210	11,210	11,210
Housing Benefit/Universal Credit Overpayments	120	120	120	120	120	120
Council tax and Housing benefit administration grant	285	260	260	260	260	260
Specific Government Grants	720	736	707	297	297	297
Court Income & Council Tax Penalties	251	251	251	251	251	251
Rental income	696	967	967	966	965	964
NNDR admin grant	92	92	92	92	92	92
Other Contributions (from external bodies for sharing of services and posts)	1,392	1,522	1,527	1,543	1,565	1,588
Other Income	615	29,568	8,457	2,322	2,220	2,509
Use of Reserves	5,179	4,908	452	(419)	(419)	(248)
<b>Total Other Income</b>	<b>21,927</b>	<b>51,265</b>	<b>25,352</b>	<b>17,787</b>	<b>17,656</b>	<b>18,137</b>

- Use of Reserve values will change as and when new schemes are approved for inclusion within the programme.
- Reductions in the Housing Benefit Subsidy income is due to a realignment of the budget to reflect current anticipated levels of activity – especially with the roll out of Universal Credit. There is a corresponding reduction in expenditure in section 4 below.

## Summary

Table 9 – All sources of income

	2022/23 £'000	<b>2023/24 £'000</b>	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Business Rates	769	<b>4,208</b>	5,045	5,147	5,251	5,356
Revenue Support Grant	323	<b>433</b>	433	433	433	433
Lower Tier Services Grant	121	-	-	-	-	-
Services Grant	186	<b>109</b>	109	109	109	109
Funding Guarantee (3%)	0	<b>457</b>	457	457	457	457
Rural Services Delivery Grant	89	<b>100</b>	100	100	100	100
New Homes Bonus	697	<b>288</b>	-	-	-	-
Council Tax	4,154	4,207	4,400	4,570	4,743	4,921
<b>Funding subtotal</b>	<b>6,339</b>	<b>9,801</b>	<b>10,545</b>	<b>10,816</b>	<b>11,093</b>	<b>11,376</b>
Fees, Charges, Rents	5,081	5,158	5,220	5,222	5,262	5,222
Other Income	21,927	51,265	25,352	17,787	17,656	18,137
<b>Fees, Charges &amp; Other Income subtotal</b>	<b>27,008</b>	<b>56,423</b>	<b>30,572</b>	<b>23,009</b>	<b>22,918</b>	<b>23,359</b>



#### 4. 2023/24 SPENDING PLANS

- 4.14 Table 10 below shows the estimated Council spending plans for the next 5 years. It shows expenditure analysed by the CIPFA Standard classification. The paragraphs below the table provide explanations for the main variances across the MTFS.
- 4.15 The table below summarises the main changes in expenditure budgets between 2022/23 and 2023/24. The ongoing delivery of the Council's Efficiencies and Transformation Programme may introduce further changes in the year ahead and over the Medium Term.

Table 10 – Spending Plans

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Employees	9,272	10,667	11,262	11,274	11,478	11,735
Premises	1,605	2,415	2,419	2,424	2,414	2,433
Transport	774	994	918	920	921	922
Supplies and Services	3,254	3,558	2,984	2,722	2,680	2,756
Third Party Payments	3,160	3,413	3,433	3,393	3,392	3,393
Drainage Board Levies	2,150	2,470	2,594	2,672	2,752	2,834
Parish Councils' Precepts	509	533	544	555	566	577
Transfer Payments	11,753	39,167	18,034	11,990	11,884	11,884
Direct Revenue Financing of Capital	1,888	4,259	777	0	0	0
Interest Payable on Borrowing	494	494	494	494	494	494
Minimum Revenue Provision	15	15	15	15	15	15
Capital Charges Contra Entry	0	200	118	63	165	449
<b>Gross Expenditure</b>	<b>34,874</b>	<b>68,186</b>	<b>43,592</b>	<b>36,521</b>	<b>36,761</b>	<b>37,493</b>

Employee costs have been prepared in accordance with the Council's Pay Policy. Pay generally has been increased by salary increments due to staff, and by an estimated 5% increase in 2023/24 and 2% thereafter. Pension cost estimates have been prepared on the basis of current staff in the pension scheme at October 2022/23, and all vacant posts assumed to be within the pension scheme. There have been some staffing changes which are mainly grant funded as a result of successful bidding to government departments. The employee costs also include the latest results of the Pension Triennial Review.

Premises budgets have increased in 2023/24. The main increase being the cost of utility wholesale increases in the price of gas and electricity. There has been an assumption of a 150% increase in the cost of utilities.

Transport costs have increased from 2022/23 levels due to the 25% increase in Fuel and additional maintenance costs associated with the vehicle fleet.

Supplies and Services budgets have increased slightly mainly due to increases in audit Fees, banking charges, agreed increases in council contracts in relation to RPI, additional inflationary costs in Environmental services and Homelessness.

Internal Drainage Board (IDB) increases are set out in the table below. Post 2023/24 increases have been estimated at this time, with an increase of 5% during 24/25 and 3% thereafter. At a time of significant increases in rising energy cost it would be safe to assume that increases will be greater than in previous years. 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.

<b>Internal Drainage Board</b>	<b>2022-23 Levy on Boston BC</b>	<b>2023-24 Levy on Boston BC</b>	<b>Increase over 2022-23</b>	<b>% Increase</b>
Witham Fourth Internal Drainage Board	1,196,693	1,256,494	59,801	5.00%
Welland and Deepings Internal Drainage Board	66,799	73,496	6,697	10.03%
Black Sluice Internal Drainage Board	885,734	1,139,128	253,394	28.61%
South Holland Drainage Board	1,051	1,130	79	7.49%
<b>TOTAL</b>	<b>2,150,277</b>	<b>2,470,248</b>	<b>319,971</b>	<b>14.88%</b>

Transfer Payments – There is a reduction to reflect the current estimated expenditure on benefits, there is a reduction in the budget for rent allowance payments (with an offsetting reduction in benefits income – see table 10 above)

Capital Charges – Changes in capital charges relate to revisions to the capital programme between years which do not affect the General Fund bottom line as they funded from reserves.

Third party payments - These budgets reflect payments to Public Sector Partnership Services and other outside bodies.

## 5. BUDGET REQUIREMENT

5.1 The budget requirement is formed by comparing resource prediction and spending plans.

Table 11 – Requirement Budget

	2022/23 Estimate	<b>2023/24 Estimate</b>	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
	£'000	<b>£'000</b>	£'000	£'000	£'000	£'000
Fees, Charges & Other Income (table 9)	(27,008)	(56,423)	(30,572)	(23,009)	(22,918)	(23,359)
Gross Expenditure (table 10)	34,874	68,186	43,592	36,521	36,761	37,493
Efficiency Target	(282)	(664)	(1,152)	(1,347)	(1,375)	(1,354)
<b>Net Budget</b>	<b>7,582</b>	<b>11,098</b>	<b>11,868</b>	<b>12,165</b>	<b>12,469</b>	<b>12,779</b>
<b>Funded By</b>						
Retained Business rates	(770)	(4,208)	(5,045)	(5,147)	(5,250)	(5,355)
Revenue Support Grant	(323)	(433)	(433)	(433)	(433)	(433)
Lower Tier Services Grant	(121)	0	0	0	0	0
Service Grant	(186)	(109)	(109)	(109)	(109)	(109)
Funding Guarantee (3%)	0	(457)	(457)	(457)	(457)	(457)
Rural Services Delivery Grant	(89)	(100)	(100)	(100)	(100)	(100)
New Homes Bonus	(697)	(288)	0	0	0	0
BTAC	(733)	(764)	(779)	(795)	(811)	(827)
Parish Precepts	(509)	(533)	(544)	(555)	(566)	(577)
Council Tax	(4,154)	(4,207)	(4,400)	(4,570)	(4,743)	(4,921)
<b>Total Funding</b>	<b>(7,582)</b>	<b>(11,098)</b>	<b>(11,868)</b>	<b>(12,165)</b>	<b>(12,469)</b>	<b>(12,779)</b>

5.2 Based on current assumptions the Council has a significant efficiency target for 2023/24 which plans are already underway to address. With uncertainty around Business Rates after 2025/26 as mentioned earlier it is very unclear at this stage what the financial impact will be.

### 5.3 Boston Area Town Committee

- 5.3.1.1 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 2023/24 is estimated at £763,636 (2022/23 - £732,864).

## 6. OTHER BUDGET ISSUES

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

In order to comply with the requirements of the Local Government Act 2003, the Authority must undertake a review of the level of reserves as part of annual budget preparation. A review of the reserves has been undertaken to make sure that they have a defined purpose, identified and approved values for additions to and usage of each reserve, and that they are set at an appropriate value which identifies the current and future requirements and 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 for the revenue budget.

### 7.1 General reserves

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.

### 7.2 Specific Reserves

Specific reserves are set up to provide funds for known future commitments or provide resources for unexpected events. 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

<b>Contribution to Reserves</b>	<b>2023/24</b>
	<b>£'000</b>
<b><u>Capital Funding Reserve</u></b>	
<i>Reserve Payback</i>	<b>(344)</b>
<b><u>Repairs and Renewals Reserve:</u></b>	
<i>CCTV</i>	<b>(35)</b>
<b>Contribution To Reserves Total</b>	<b>(379)</b>
<b>Contribution From Reserves</b>	<b>2023/24</b>
	<b>£'000</b>
<b><u>Capital Funding Reserve</u></b>	
<i>Vehicle Replacement</i>	<b>56</b>
<i>Towns Fund - Leisure</i>	<b>3,944</b>
<b><u>Transformation Reserve:</u></b>	
<i>Car Park Machine Replacement</i>	<b>200</b>
<i>District Council Elections</i>	<b>128</b>
<i>Resources – Various</i>	<b>47</b>
<i>Crowd fund contribution</i>	<b>11</b>
<b><u>Housing Reserve</u></b>	
<i>Housing Strategy Costs</i>	<b>59</b>
<i>Healthy and Accessible Homes Lincs Lead project</i>	<b>60</b>
<i>DASH Funding</i>	<b>3</b>
<b><u>Funding Volatility Reserve</u></b>	
<i>NNDR Deficit</i>	<b>674</b>
<b><u>Covid 19 Reserve</u></b>	<b>106</b>
<b>Contribution From Reserves Total</b>	<b>5,287</b>
<b>Net Contribution From / (to) Reserves</b>	<b>4,908</b>

<b>Reserves</b>	<b>Estimated 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>	<b>Balance 31.03.28 £'000</b>
Capital Reserve	(5,087)	(1,431)	(998)	(1,342)	(1,686)	(2,030)
Transformation Reserve	(958)	(571)	(579)	(622)	(665)	(537)
Repairs and Renewals	(661)	(697)	(669)	(702)	(735)	(768)
ICT Reserve	(87)	(87)	(87)	(87)	(87)	(87)
Housing Reserve	(1,433)	(1,312)	(1,312)	(1,312)	(1,312)	(1,312)
Controlling Migration	(14)	(14)	(14)	(14)	(14)	(14)
Insurance Reserve	(250)	(250)	(250)	(250)	(250)	(250)
Property Fund Returns Risk Mitigation Reserve	(1,116)	(1,116)	(1,116)	(1,116)	(1,116)	(1,116)
Funding Volatility Reserve	(1,489)	(815)	(815)	(815)	(815)	(815)
Covid 19	(472)	(366)	(366)	(366)	(366)	(366)
<b>Total</b>	<b>(11,566)</b>	<b>(6,658)</b>	<b>(6,206)</b>	<b>(6,625)</b>	<b>(7,045)</b>	<b>(7,293)</b>

## 8. CAPITAL PROGRAMME AND TREASURY MANAGEMENT

- 8.1 The Capital Strategy, Asset Management Strategy and Economic Action Plan identify and will generate potential future capital investment requirements. Specific schemes and values will only be included in the recommended programme when the need and likely costs have been further established in detailed business cases, and the Council has ensured that it has sufficient capital and revenue resources to implement such schemes.
- 8.2 The Council has limited capital resources and must look to new ways of financing its capital expenditure. It must also seek to reduce the running costs of its assets and maximise capital receipts. NHB is assumed to cease over the life of the MTFs and as such the Council will need to create additional future revenue capacity to maintain adequate contributions to the Capital Reserve.

8.3 Funding for Disabled Facility Grants (DFGs) comes from the Better Care Fund via Lincolnshire County Council's Health and Wellbeing Board.

The Treasury Management Strategy Statement pulls together the decisions of capital investment and our cash flow and revenue budgets.

Table 12 – Capital Programme, Funding and Resource Implication

Ref	Capital Programme	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £	MTFS Total 23/24 - 27/28 £
1	Disables Facilities Grant	630,000	630,000	630,000	630,000	630,000	3,150,000
2	Housing Strategy Costs-Waterloo Housing, 80 new affordable homes	59,000	-	-	-	-	59,000
3	Information Technology Infrastructure Refresh	120,000	194,000	100,000	100,000	100,000	614,000
4	Vehicle Replacement	56,000	-	-	-	-	56,000
	<b>Non Towns Fund Total</b>	<b>865,000</b>	<b>824,000</b>	<b>730,000</b>	<b>730,000</b>	<b>730,000</b>	<b>3,879,000</b>
5	Towns Fund - Leisure	5,441,742	1,047,649	-	-	-	6,489,391
6	Town Centre Heritage Scheme	-	-	-	-	-	-
7	Towns Fund - Mayflower	8,466,560	734,430	-	-	-	9,200,990
8	Towns Fund - St Botolphs Library	-	-	-	-	-	0
9	Towns Fund - Centre for Food & Fresh Produce Logistics	702,185	-	-	-	-	702,185
10	Towns Fund - Blenkin Memorial Hall	-	-	-	-	-	-
11	Towns Fund - Healing the High St (incl Shodfriars)	2,333,937	1,140,000	106,000	-	-	3,579,937
12	Towns Fund - Boston Station	1,925,709	32,890	-	-	-	1,958,599
	<b>Towns Fund Total</b>	<b>18,870,133</b>	<b>2,954,969</b>	<b>106,000</b>	<b>-</b>	<b>-</b>	<b>21,931,102</b>
13	Housing Stock Modelling Condition Survey	55,000	-	-	-	-	55,000
14	IT Refresh	96,000	118,000	63,000	165,400	448,500	890,900

<b>15</b>	Telephony	49,000	-	-	-	-	49,000
<b>16</b>	Car Park Machines	200,000	-	-	-	-	200,000
<b>17</b>	UKSPF	107,000	279,000	-	-	-	386,000
<b>18</b>	UKSPF - Rural	200,000	203,000	-	-	-	403,000
<b>19</b>	LUF - Civic Hub	890,261	-	-	-	-	890,261
<b>20</b>	LUF - CROWN HOUSE	4,397,199	3,025,715	-	-	-	7,422,914
<b>21</b>	LUF - Public Realm	6,070,051	463,363	-	-	-	6,533,414
<b>22</b>	Local Authority Housing Fund	1,530,000	-	-	-	-	1,530,000
	<b>New Bids Total</b>	<b>13,594,511</b>	<b>4,089,078</b>	<b>63,000</b>	<b>165,400</b>	<b>448,500</b>	<b>18,360,489</b>
	<b>Totals</b>	<b>33,329,644</b>	<b>7,868,047</b>	<b>899,000</b>	<b>895,400</b>	<b>1,178,500</b>	<b>44,170,591</b>

	Capital Financing	<b>2023/24</b> £	<b>2024/25</b> £	<b>2025/26</b> £	<b>2026/27</b> £	<b>2027/28</b> £	<b>MTFS Total</b> <b>23/24 -</b> <b>27/28</b> £
<b>1</b>	Capital Grants	(28,057,144)	(6,897,346)	(799,000)	(795,400)	(1,078,500)	(37,627,390)
<b>2</b>	Capital Reserve	(4,000,000)	(776,701)				(4,776,701)
<b>4</b>	Housing Reserve	(59,000)					(59,000)
<b>5</b>	External Grants	(55,000)					(55,000)
<b>6</b>	Internal Borrowing	(120,000)	(194,000)	(100,000)	(100,000)	(100,000)	(614,000)
<b>7</b>	Internal Borrowing - Housing	(838,500)					(838,500)
<b>6</b>	Transformation Reserve	(200,000)					(200,000)
	<b>Total</b>	<b>(33,329,644)</b>	<b>(7,868,047)</b>	<b>(899,000)</b>	<b>(895,400)</b>	<b>(1,178,500)</b>	<b>(44,170,591)</b>



Table 13 – Treasury Assumptions

<b>Treasury Assumptions</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
Average Investment Balances	<b>£36.2m</b>	£32.9m	£30.8m	£29.7m	£29.7m
Investment return assumptions – on non cash balances	<b>4.40%</b>	3.30%	2.60%	2.50%	2.50%
Investment assumptions – property fund return (revenue return only)	<b>3.60%</b>	3.60%	3.60%	3.60%	3.60%
External Borrowing	<b>£16.5m</b>	£16.5m	£16.5m	£16.5m	£16.5m
Average Borrowing Rate	<b>3.00%</b>	3.00%	3.00%	3.00%	3.00%

8.4 These assumptions include:

- The Council's available cash balances and investment returns will be influenced by the future development of the Council's Asset Management Plan and all decisions made regarding the use of the Council's Reserves for capital and revenue purposes.

## 9. CONSULTATION

9.1 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.

9.2 Using these principles, the budget consultation process for the 2023/24 budget comprised a number of elements. It was published on the Council's website for consultation by all stakeholders, including the local business community.

9.3 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.

- 9.4 Following the budget consultation process, comments received through the Member forums, preceptors and the public exercise were taken into account in preparing and recommending the proposed budget for Cabinet review and formal Council approval on **22<sup>nd</sup> February and 6<sup>th</sup> March 2023** respectively.

**10. SAVINGS TARGETS**

10.1 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.

10.2 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 14 – Savings Targets

	<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>	<b>2027/28*</b> <b>£000</b>
Budget Savings Requirement (£'000) – annual	664	1,152	1,347	1,375	1,354

10.3 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.

## 11. SOUTH AND EAST LINCOLNSHIRE COUNCILS' PARTNERSHIP PLANS

- 11.1 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.
- 11.2 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.
- 11.3 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

## 12. RISK AND SENSITIVITY

12.1 The following table shows the key risks and how we intend to treat them through our risk management practices

12.2 Table 15 – Key Risks

<b>Risk</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Mitigating Action</b>
Fairer Funding and Business Rate reset/changes	High	High	To lobby as required
IDB Levy	High	High	To lobby as required
Increased Interest Rates	High	High	Market advice and forecasting for continuation
Growth plans may require borrowing at some point in the future	High	High	Continue to closely monitor and prioritise the Council's Capital Financing Requirement.
Increased demand for Homelessness Support Services – relating to Homelessness Reduction Act	High	High	Monitor service demand and impact on costs. Optimise use of grant funding and closely monitor impact.
Lack of clarity for funding levels beyond 22/23 and spending review	High	Medium	Prudent budget set to provide best estimate. Transitional arrangements have been applied in similar previous changes imposed on funding arrangements.
Fluctuation in business rates	High	High	Growth plans and accurate monitoring
Fair Funding Review could take into account actual levels of commercial	Medium	Medium	Prudent budget set to provide best estimate.
Pension fund deficit	Medium	Medium	Close links with LCC pension fund

Additional bad debts as a result of economic circumstances	Medium	Medium	The Council has pro-active debt management and pre-pay fee policies.
Increased maintenance costs of ageing physical assets	Medium	Medium	Asset management plan. Pro-active rather than reactive maintenance programme
Inflation rises by more than budgeted projections	Medium	Medium	Budget assumptions kept up to date with most recent projections.
Court Income	High	Low	Court income projections are in line with budget. The budget has not been increased due to concerns over collectability of this income. A year-end review will be undertaken to inform future year's budgets.
PSPS may be unable to deliver an effective service within the agreed contract price.	Low	Medium	Reviewing Service Level Agreements, activity levels and service priorities, develop a suitable Transformation Programme
Fluctuation in business rates	High	High	Growth plans and accurate monitoring
Fee Income volatility	High	High	Early monitoring of deviations
Contract Cost volatility	High	High	To seek to pre-purchase where necessary
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
Reductions in NHB impacting on future plans	High	High	Lobbying and service transformation
VAT – partial exemption	High	High	Close forecasting VAT partial exemption position

Failure to deliver the required transformation programme	Medium	High	Effective programme and project management
Reduction in Investment Values	Medium	Medium	Regular Monitoring, allocation of specific Reserve
Central Government policy changes	High	High	Engagement in consultation and policy creation
A poor settlement for rural councils	Medium	Medium	Lobbying as a special interest group
Increased demand for services in general	Medium	Medium	A robust performance management framework

**13. OPTIONS**

13.1 There are no alternative budget options presented, however if Council does not accept the proposed budget then any changes to income or expenditure which will produce a revised balanced budget must be presented and approved at the Council meeting.

**14. REASONS FOR RECOMMENDATIONS**

14.1 To comply with the budgetary and policy framework.

**15. RECOMMENDATIONS**

15.1 Recommendation – That Executive Board recommends to Council to approve the budget setting report 2023/24 and associated financial strategies 2023/24 to 2027/28 which includes the Minimum Revenue Provision (MRP) Policy.