

Boston Borough Council – Q2 Finance Report 2023/24

Finance Summary

- At quarter 2, the revenue outturn forecasts a deficit position of £511k at the year end (at Q1 - a deficit position of £366k).
- At quarter 2, Specific and general reserves of the Council are forecast to be £11.107m at 31 March 2024.
- At quarter 2, Capital spend was £1,588k against a full year budget of £33.33m (at Q1 1 Capital spend was £383k).
- At quarter 2, an efficiency target of £664k is included in the budgets for 2023/24 and we have currently achieved £470k against that target.
- At quarter 2, the Council held investments of £33.65m as at 30 September 2023 (Q1 - £33.65m).
- At quarter 2, Investment income is overachieving by £868k against the budget of £1.462m (Q1 - £554k).
- The Council held borrowing of £15.499m as at 30 September 2023 (Table 11).

Section 2 – Finance

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Section 2.1 – Key Financial Issues in Quarter 2 of 2023/24

- The process of identifying the in-year efficiencies is currently underway and will continue throughout the year.
- The additional investment income is due to increases in the interest rates.
- A reduction in car parking income forecasted is based upon quarter 2 data which suggests usage has not yet returned to pre-covid levels. New machines have now been installed and car parking income levels will be re-set for 2024/25.
- A reduction in planning fee income forecasted due to economic uncertainty, however new planning fees have now been set by government and this is currently being recalculated.
- Underspends on both utilities and fuel have been forecasted due to better than estimated unit prices being realised during quarter 2. Due to the volatile nature of these budgets these will be monitored closely throughout the year.
- Included within the forecasts for Quarter 2 is the assumption that the pay award would be 5% as budgeted. Since Quarter 2 forecasts were completed the final pay award has been agreed, being a rise of up to 9.42% for the lowest paid through to 3.88% for those on the highest bands. The impact of the increase in the pay award will be reflected in the forecasts for Quarter 3.
- A forecast for council tax court costs of £130,000 has now been provided for at Quarter 2. It should be noted that a sundry bad debt provision has not been included within **Table 1** at this time. The current level of sundry bad debt provision at quarter 2 is £100,000. There will be ongoing work in the upcoming months by debt recovery to ensure that outstanding debts are chased in a timely manner and a bad debt provision will be included at Q3.

	July (%)	August (%)	September (%)
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Inflation			
CPI	6.8	6.7	6.7
RPI	9	9.1	8.9

Section 2.2 – Revenue Budget

Table 1 details the outturn by Service Area. This shows an overspend position of £511k.

Table 1 – Net Spend by Assistant Director					
Assistant Director Area	Revised Budget 2023/24 at Q2 £'000	Outturn 2023/24 at Q2 £'000	Variance (underspend)/overspend at Q2 £'000	Comments on main variances at Q2	Variance (underspend)/overspend at Q1 £'000
Corporate	1,845	1,785	(60)	(£65k) ICT savings against software & hardware budgets, £4k increased PSPS contract base cost, £1k small variances across all areas.	0
Economic Growth	241	246	5	£5k small variances across all areas.	0
Finance	2,478	3,180	702	£114k increased PSPS contract base cost – due to budget misalignment, £77k increased external audit fees, £21k increased allpay transactional costs, £70k CTS admin subsidy (now contained within the final settlement) budget misalignment, £12k salary & oncosts, £393k Housing Benefits deficit. Of which £238k relates to rent allowances, £83k to rent rebates and £71k to HB subsidy LA error. Housing benefit figures at quarter 2 have been based on the mid year estimate and could be subject to further change, £15k small variances across all areas.	245
Governance and Monitoring	812	822	10	£6k civil functions (freedom of Boston), £4k small variances across other areas.	10

Table 1 – Net Spend by Assistant Director

Assistant Director Area	Revised Budget 2023/24 at Q2 £'000	Outturn 2023/24 at Q2 £'000	Variance (underspend)/overspend at Q2 £'000	Comments on main variances at Q2	Variance (underspend)/overspend at Q1 £'000
General Fund Assets	(866)	(586)	280	£67k bereavement income down due to decreased volumes compared to prior year, £200k parking income under performance to budget, £19k water charges (currently under investigation), £16k small variances across other areas, partially offset by (£22k) additional rent income – this includes an updated forecast of rental income for PRSA from Q1 to Q2 due to contract indexation uplifts as set out in the lease.	483
Leisure and Culture	1,010	977	(33)	£22k market income, Mayfair events £12k, offset by (£17k), Business rates and (£41k) salaries & oncosts due to vacant posts, (£10k) saving on GMLC transfer to Parkwood Leisure.	(47)
Neighbourhoods	1,749	1,816	67	£57k hire vehicles, £39k commercial waste fee income budget error, £18k commercial waste disposal fees due to omission during budget setting process offset by (£8k) vacant posts, (£29k) Income for ELDC rounds, (£14k) S113 income.	131

Table 1 – Net Spend by Assistant Director

Assistant Director Area	Revised Budget 2023/24 at Q2 £'000	Outturn 2023/24 at Q2 £'000	Variance (underspend)/overspend at Q2 £'000	Comments on main variances at Q2	Variance (underspend)/overspend at Q1 £'000
Planning and Strategic Infrastructure	239	384	145	£250k income - planning fees, £5k salary & oncosts, £4k contractor fees offset by (£100k) S113 reduction in expenditure (£15k) saving on agency staff. Planning income from statutory fees down due to economic conditions. Fees are outside of Council control. Number of smaller and nil-fee applications – overall application numbers remain consistent. There will be some savings at year end through efficiency or underspends in other areas such as Planning Policy and Direct Action. Also, Planning Performance Agreement (relating to larger/longer-term projects) income is higher than target.	44
Regulatory	583	583	0		0
Strategic Growth and Development	0	0	0		0
Strategic Projects	0	0	0		0
Wellbeing and Community Leadership	1,425	1,364	(61)	(£66k) Accessible homes savings due to vacant posts & DFG savings, £5k small variances across all areas.	(1)
BTAC	798	798	0		(5)
Sub Total – Assistant Director – net costs	10,314	11,369	1,055		860
Internal Drainage Boards/Parish Precepts	3,004	3,004	0		0
DRF	4,259	4,259	0		0
MRP	15	15	0		0

Table 1 – Net Spend by Assistant Director					
Assistant Director Area	Revised Budget 2023/24 at Q2 £'000	Outturn 2023/24 at Q2 £'000	Variance (underspend)/overspend at Q2 £'000	Comments on main variances at Q2	Variance (underspend)/overspend at Q1 £'000
Interest Payments Received / Return on Property Funds	(1,462)	(2,330)	(868)	Additional investment Income estimated at (£868k) due to better than anticipated interest rates & higher volumes invested than budgeted for.	(554)
Borrowing Costs	494	494	0		0
Reserves	(5,005)	(5,005)	0		0
Efficiencies Required	(520)	(326)	194	See table 2	62
Court costs for council tax*	0	130	130	At Quarter 2 an objective assessment has taken place and a forecast of £130k has been provided for in relation to court costs for council tax. Budget misalignment.	0
Non Service Expenditure	785	241	(544)		(492)
Total Expenditure	11,099	11,610	511		368
Council Tax	(5,504)	(5,504)	0		0
Business Rates	(4,208)	(4,208)	0		0
Non Ring Fenced Government Grant	(1,387)	(1,387)	0		0
Total Funding	(11,099)	(11,099)	0		0
Total Budget - (Surplus)/Deficit	0	511	511		366

*This denotes a full year projection

Recommendation:

F1 That Cabinet notes the revenue outturn position for 2022/23 as detailed in **Table 1**

The 2023/24 budget included an efficiency target of £664k, efficiencies forecast so far are:

Table 2 – Efficiency Description	Amount £'000	Comments
DLUHC IDB Levies Grant	(319)	Future funding uncertain
Regulatory	(6)	BR RELIEFS NEW BURDENS & LICENCES
General Fund Assets - Electricity & Gas	(107)	Budget in excess of requirements
Leisure and Culture - Electricity & Gas	(2)	Budget in excess of requirements
Neighbourhoods – Fuel	(8)	Budget in excess of requirements
Neighbourhoods - Electricity & Gas	(7)	Budget in excess of requirements
Finance	(21)	Procurement service now provided by PSPS
Total	(470)	
Target	(664)	
Efficiencies to be identified	194	
Total deficit at Q2 excluding efficiencies	317	
Total efficiencies to be found to balance year end based on Q2 forecast	511	

Further work is underway to look at and consider opportunities for efficiencies and we are engaging with Service Managers to take this process forward.

Income

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

Table 3 – Trading Income Budgets				
Income Area	Revised Budget to 30 September 2023 £'000	Actual Income to 30 September 2023 £'000	Variance (above)/ below budget £'000	Comments
GF - Car Parking, Bereavement, and Property	(2,030)	(1,763)	267	£200k Car Parking - footfall has not yet returned to pre-covid levels & permit income is also down due to loss of annual purchases. £67k Bereavement income down due to decreased volumes compared to budget & prior year to date volumes.
Leisure Pool, and Markets	(936)	(676)	260	£235k loss of leisure income (transfer to Parkwood December 2023 - offset by reduction of expenditure budgets £245k), £25k markets income.
Neighbourhoods – Office Cleaning, Recycling	(1,049)	(1,015)	34	£40k commercial waste (£6k) office cleaning.

Table 3 – Trading Income Budgets

Income Area	Revised Budget to 30 September 2023 £'000	Actual Income to 30 September 2023 £'000	Variance (above)/ below budget £'000	Comments
Development Management	(645)	(390)	255	£250k planning application fees. Applications have generally been smaller, low value applications and free submissions. Rising costs, a slowdown in the housing market and interest rate rises have all been contributing factors. This has impacted on larger/speculative developments. However, the overall income received could swing considerably in a short space of time based on submissions – for example a solar farm, or large housing scheme – which the Council cannot predict receipt of. Therefore, a cautionary approach has been taken.
Regulatory – Land Charges, Licences	(400)	(407)	(7)	(£7k) Building control fee.
Bed & Breakfast	(30)	(30)	0	
Property Asset Income	(1,104)	(977)	127	£142k rent income PRSA (offset by reduction of gas & electric expenditure), £6k Mayfair partially offset by (£22k) Municipal buildings rent.
Total	(6,194)	(5,258)	936	

Reserves

At 30 September 2023 specific reserves are forecast to be £8.964m, after a net transfer from reserves of £4.991m in Quarter 2 to cover revenue and capital expenditure. **Table 4** reflects the outturn position.

Table 4 – Specific and General Reserves Balance

Reserve	Balances at 1 April 2023 £'000	Contributions into Reserves £'000	Use of Reserves £'000	Balances at 31 March 2024 £'000
Capital Funding	5,643	344	(4,000)	1,987
Transformation	1,391		(416)	975
Repairs and Renewals	667	35		702
ICT	50		(17)	33
Housing	1,395		(127)	1,268

Table 4 – Specific and General Reserves Balance				
Reserve	Balances at 1 April 2023 £'000	Contributions into Reserves £'000	Use of Reserves £'000	Balances at 31 March 2024 £'000
Controlling Migration Fund	14			14
Insurance	250		(20)	230
Risk Mitigation Reserve	1,116			1,116
Funding Volatility	2,566		(674)	1,892
Contingency Reserve	578		(116)	462
Climate Change Reserve	84			84
Planning Reserve	86			86
Property Funds Reserve	115			115
Specific Reserves Total	13,955	379	(5,370)	8,964
General Fund	2,000			2,000
S106 & Commuted Sums	157		(14)	143
TOTAL	16,112	379	(5,384)	11,107

Section 2.3 – Capital Budget

This section covers:

- Revisions to the Capital Programme
- Progress against the 2023/24 approved capital programme and the anticipated outturn
- Funding of the Capital Programme

Table 5 – 2023/24 Capital Programme and Q2 Forecast Outturn							
Scheme	Approved Budget 2023/24 £000	22/23 Slippage/ accelerated spend (-) £000	Changes to approved budget £000	Revised Budget 23/24 £000	Actual September 23 £000	Forecast Outturn 2023/24 £000	Variance (under)/over £000
Disabled Facilities Grant	630	-	-	630	177	630	-
Housing Stock Modelling Condition Survey	55	-	(22)	33	-	33	-
Housing Strategy Costs-Waterloo Housing, 80 new affordable homes	59	-	-	59	-	-	(59)
Multi Use Games Area (Controlling Migration Funding)	-	17	-	17	-	17	-
Resurfacing & footpath improvements	-	28	-	28	-	28	-
Vehicle Replacement - Grounds Maintenance - Mowers x 3	56	255	-	311	-	311	-

Table 5 – 2023/24 Capital Programme and Q2 Forecast Outturn

Scheme	Approved Budget 2023/24	22/23 Slippage/ accelerated spend (-)	Changes to approved budget	Revised Budget 23/24	Actual September 23	Forecast Outturn 2023/24	Variance (under)/over
	£000	£000	£000	£000	£000	£000	£000
Changing Place	-	300	-	300	212	300	-
Town Centre Heritage Scheme	-	1,161	-	1,161	42	449	(712)
Information Technology Infrastructure Refresh	120	-	-	120	35	120	-
IT Refresh	96	-	-	96	-	96	-
Telephony	49	-	-	49	49	49	-
Car Park Machines	200	-	-	200	-	200	-
Local Authority Housing Fund	1,530	-	124	1,654	4	1,654	-
Total Projects (Excl Towns Funds, UKSPF & LUF)	2,795	1,761	102	4,658	519	3,887	(771)
Towns Fund - Leisure	5,442	203	575	6,220	182	1,535	(4,685)
Towns Fund - Mayflower	8,467	59	-	8,526	12	1,102	(7,424)
Towns Fund - St Botolph's Library	0	124	-	124	55	124	0
Towns Fund - Centre for Food & Fresh Produce Logistics	702	(192)	-	510	245	456	(54)
Towns Fund - Healing the High St (incl. Shodfriars)	2,334	(58)	(575)	1,701	40	760	(941)
Towns Fund - Boston Station	1,926	435	-	2,361	84	1,111	(1,250)
Total Towns Fund Projects	18,871	571	0	19,442	618	5,088	(14,354)
UKSPF (Capacity building projects for local groups)	107	53	-	160	-	160	-
UKSPF Rural (Community projects aimed at reducing the cost of living)	200	-	-	200	-	200	-
Total UKSPF Projects	307	53	0	360	0	360	0
LUF - Civic Hub	890	-	-	890	-	890	-
LUF - CROWN HOUSE	4,397	-	-	4,397	451	1,501	(2,896)
LUF - Public Realm	6,070	-	-	6,070	-	500	(5,570)
Total LUF Projects	11,357	-	-	11,357	451	2,891	(8,466)
Grand Total	33,330	2,385	102	35,817	1,588	12,226	(23,591)

The revised capital budget as at Q2 was £35.817m, derived from the combination of the 2023/24 approved budget of £33.330m, 2022/23 slippage or accelerated spend of £2.385m and recent net changes to approved budget of £0.102m.

The Towns Fund projects represent the largest group £19.442m, 54% of total revised capital budget followed by Levelling Up Fund (LUF) £11.357m which represents 32%. Others make up the remaining £5.018m, 14% of total revised capital budget.

The overall expenditure forecast as at Q2 is showing the potential for slippage of £12.226m, however this position could change substantially as the year progresses and projects develop.

Changes to approved capital budget

The changes proposed to the approved budget are the slippage of £2.385m from 2022/23 and an increase of £0.124m and a reduction of £0.022m (£0.102m net amount) and these are detailed below.

Project Description	Amount £'000	Approval
Local Authority Housing Fund: On 28 th June 2023, Cabinet agreed to increase Boston Borough Council's contribution towards this project from £0.838m to £0.962m (an increase of £0.124m), to reflect the nature and price of homes currently.	124	Approved by Cabinet on 28 th June 2023.
Housing Stock Modelling Condition Survey: A budget reduction of £22k from £55k, only £33k is required in 2023/24.	(22)	The £55k was approved by Full Council in March 2023.
Towns Fund – Leisure and Healing the High Street: Transfer between projects of £575k due to savings identified to the Shodfriars building. Requirement for funding to be transferred to the joint plaza area for the Leisure and Mayflower projects.	-	Boston Town Deal Board
Total	102	

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That Cabinet recommends to Full Council to amend the Capital Programme to take into account the changes set out in this report at Appendix A – Table 5.

Progress against approved budgets

- Leisure (£4.110m slippage) – Initial planning permission was secured on 28th April 2023 for the original 2000m² extension scheme. A reduced 1500m² extension scheme has been developed to bring the project cost estimate within the funding and budget envelope and amended planning application submitted. These changes have resulted in a delay to the start of the project with the current estimated start being January 24.
- Mayflower (£7.424m slippage) - Project to start August 23, completion March 25. Contractor evaluation is currently being done and the service is currently assuming one-third completion for 2023/24.
- Centre for Food and Fresh Produce Logistics (£0.054m slippage) - The project has had a slow start however, the University of Lincoln working in partnership with Boston College continues to undertake various activities in a bid to create more enquiries.
- Healing the High Street (£1.516m slippage) - There is pipeline of projects that has been delayed as the process of bringing the owners into grant funding agreement is taking longer than anticipated.
- Boston Station (£1.250m slippage) - Delays to the project is because of the hold up in the grant funding agreement sign-off. Contract to start in Oct 23 and to complete in Oct 24.
- Town Centre Heritage Scheme (£0.712m slippage) – There is pipeline of projects that has been delayed as the process of drawing up contracts is taking longer than anticipated.
- Housing Strategy Costs-Waterloo Housing, 80 new affordable homes (£0.059m slippage) – This is top-up funding for Housing Assoc (Registered Providers) to encourage them to build new affordable homes. No schemes currently agreed so it is unlikely this funding will be used in 2023/24.
- Housing Stock Modelling Condition Survey – The current expenditure estimate for BBC is £0.033m to be funded from the DGF grant. This is likely to be spent within Q3.
- Car Park Machine – All spend save any retention (assumed 10%, £0.02m) to be completed by Q3.
- LUF – Delayed start to both Crown House and Public Realm projects. Crown House is an externally managed project that will be subject to a grant agreement. Public Realm project has a design team appointed during quarter two of 2022/23. Further updates will be provided on this project as the year progresses.
- All other projects are forecasting to spend to the 2023/24 budgets.

2023/24 Funding

All Projects	Approved Budget 2023/24	Revised Budget Plus Slippage/ accelerated spend (-) 2023/24	Full year forecast	Variance
	£'000	£'000	£'000	£'000
Capital Grants	(28,057)	(30,283)	(6,751)	23,532
Capital Reserve	(4,000)	(4,283)	(4,283)	-
Transformation Reserve	(200)	(200)	(200)	-
RR Reserve	-	-	-	-
IT Reserve	-	-	-	-
Housing Reserve	(59)	(59)	-	59
Internal Borrowing	(120)	(120)	(120)	-
Internal Borrowing - Housing	(839)	(839)	(839)	-
External Grants	(55)	(33)	(33)	-
Totals	(33,330)	(35,817)	(12,226)	23,591

Capital Financing

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

Table 6 indicates the forecast capital resources available to the Council at the end of 2023/24. The estimated position for the following two years is also provided.

Table 6 – Capital Resources			
	2022/23 £'000	2023/24 £'000	2024/25 £'000
Capital Resources* available at start of each year	6,358	5,918	1,964
Capital Investment (estimate in future years)	(3,747)	(12,226)	(31,459)
Additional Sources of Finance			
New Capital Receipts (estimate in future years)	(456)	-	-
Funding from other reserves	58	200	59
External Grants	3,352	6,784	30,429
Revenue Contributions	35	-	-
Internal borrowing	-	959	194
Budgeted contributions to capital reserve	333	344	344
Minimum Revenue Provision	(15)	(15)	(15)
Transfer from Capital Reserve to support ongoing projects	-	-	-
Estimated Capital Resources* at end of each year	5,918	1,964	1,516

* Capital Reserve and Capital Receipts

Section 2.4 – Treasury Management*Investments at 30 September 2023*

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 on 30 September 2023 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 – Cash Investments on 30 September 2023

Financial Institution	Country	Amount (£)	Start Date	Maturity Date	Fixed/Variable	Yield %
HSBC Bank	UK	840,000	N/A	Instant Access	Variable	0.50%
CCLA Money Market Fund	Various	6,650,000	N/A	Instant Access	Various	5.20%
UK Debt Management Office	UK	2,300,000	28/09/23	02/10/23	Fixed	5.17%
UK Debt Management Office	UK	2,300,000	29/09/23	02/10/23	Fixed	5.17%
Goldman Sachs	UK	3,000,000	07/07/23	06/10/23	Fixed	5.52%
Bank of Montreal	Canada	3,000,000	07/11/22	06/11/23	Fixed	4.80%
Rabobank	Netherlands	3,000,000	14/11/22	14/11/23	Fixed	4.68%
Lloyds Bank	UK	3,000,000	10/07/23	11/12/23	Fixed	5.95%
Credit Industrial et Commercial	France	3,000,000	12/01/23	12/01/24	Fixed	4.71%
Toronto Dominion Bank	Canada	2,000,000	06/04/23	05/04/24	Fixed	5.10%
Skandinaviska Enskilda Banken AB	Sweden	3,000,000	05/05/23	03/05/24	Fixed	5.23%
National Australia Bank	Australia	3,000,000	27/06/23	24/05/24	Fixed	6.35%
UBS Bank	Switzerland	3,000,000	13/07/23	12/07/24	Fixed	6.69%
DNB Bank	Norway	2,000,000	31/08/23	30/08/24	Fixed	6.18%
TOTAL		40,090,000				

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>
	TOTAL	4,455,762	44,244	0.99	4,500,006
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>
	TOTAL	4,270,006	(20,000)	(0.47)	4,250,006
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>
	TOTAL	4,133,886	105,868	2.56	4,239,754
M&G Investments UK Property Fund (after repayments)	14/09/18	646,921	88,020	2.25	734,941
AEW UK Core Property Fund	31/10/18	3,745,319	254,681	6.80	4,000,000
TOTAL		17,251,894	472,813	2.30	17,724,707

Property Fund Investments (Capital Expenditure) as at 30 September 2023

Financial Institution	Purchase Cost (£)	Estimated Net Revenue Received 2023/24 (£)	Projected Annualised Distribution Yield 2023/24 (%)	Net Asset Value (£)	Total Gain/(Loss) Since Purchase (£)	Total Gain/(Loss) Since Purchase (%)	2023/24 Capital Gain/(Loss) Since 31/3/23 (£)	2023/24 Capital Gain/(Loss) Since 31/3/23 (%)	2023/24 Combined Annual Return (%)
BlackRock UK Property Fund	4,500,006	73,779	3.08%	4,144,974	(355,032)	(7.89%)	(113,672)	(2.67%)	0.41%
Schroder UK Real Estate Fund	4,250,006	75,730	3.63%	3,754,976	(495,030)	(11.65%)	(203,956)	(5.15%)	(1.52%)
Threadneedle Property Unit Trust	4,239,754	92,605	4.68%	3,651,644	(588,110)	(13.87%)	(46,195)	(1.25%)	3.43%
M&G Investments UK Property Fund (After Distribution Payments)	734,941	31,155	N/A	816,409	81,468	N/A	(33,452)	N/K	N/K
AEW UK Core Property Fund	4,000,000	68,338	3.95%	3,480,829	(519,171)	(12.98%)	19,597	0.57%	4.52%
TOTAL	17,724,707	341,607		15,848,832	(1,875,875)		(377,678)		

The movement in fair value of the funds gets charged to the revenue account and reversed out through the MIRS to the capital adjustment account each year end so there is no bottom-line impact.

Property Fund Dividends

An analysis of dividend distributions received since the purchase of the property funds to 30 September 2023 can be found in **Table 8** below.

Table 8 – Property Fund Dividend Information

Financial Institution	Actual Net Dividend Distributions Received Pre 2023/24	Original Budgeted Net Distribution 2023/24	Net Dividend Distributions Received 2023/24	Total Net Distributions Received Since Purchase
BlackRock UK Property Fund	664,402	81,041	73,779	738,181
Schroder UK Real Estate Fund	641,271	76,539	75,730	717,001
Threadneedle Property Unit Trust	810,274	76,354	92,605	902,879
M&G Investments UK Property Fund	489,440	16,030	31,155	520,595
AEW UK Core Property Fund	737,521	72,036	68,338	805,859
Total Revenue	3,342,908	322,000	341,607	3,684,515

The M&G UK Property fund is liquidating its assets and therefore their fund valuation is reducing as repayments are made. M&G have now paid Boston BC distribution payments totalling £3,265,060 as at 30 September 2023, from the asset sale proceeds.

Maturity Structure of Investments

An analysis of the maturity structure of investments on 30 September 2023 can be found in Table 9 below.

Table 9 - Maturity Structure of Investments on 30 September 2023.

Period to Maturity	Amount (£)	% of Portfolio
Less than one week	15,090,000	26%
Less than one month	0	0%
One to three months	9,000,000	15%
Three to six months	3,000,000	5%
Six to nine months	8,000,000	14%
Nine months to a year	5,000,000	9%
>12 Months	17,724,707	31%
TOTAL	57,814,707	100%

Summary of Investment Income Received Against Budget and Forecast Outturn

Table 10 below provides a comparison of investment income received and an estimate of the outturn position for the year against the original budget.

Table 10 - Investment Income Received Against Budget and Forecast Outturn

Investment Type	2023/24 Profiled Q2 Budget	2023/24 Profiled Q2 Actual	2023/24 Annual Budget	2023/24 Projected Outturn
Treasury Investments	409,000	735,518	818,000	1,668,000
<u>Property Funds</u>				
Gross Distributions	407,000	431,783	814,000	836,704
Less Management Fees	(85,000)	(90,176)	(170,000)	(174,704)
Net Distributions	322,000	341,607	644,000	662,000
Total Net Income	731,000	1,077,125	1,462,000	2,330,000

Treasury investments achieved an average rate of 4.91% (previously 4.44%) compared to the benchmark average 3-month Sterling Overnight Index Average (SONIA) rate of 5.024% (previously 4.65%) and property fund investments achieved an average rate of 3.84% (previously 4.02%). The combined rate achieved on all investments was 4.51% (previously 4.26%).

The projected outturn for investment income is now £868k compared with £554k previously reported as at Quarter 1.

The higher levels of investment income compared to the original budget is due to increased balances available for investment resulting from additional grant money being received, recent rises in interest rates on new investments and a revised profile for capital expenditure.

External Borrowing

On 30 September 2023 the Council had £15.449m of external PWLB fixed rate borrowing as shown in table 11 below.

Table 11 – External Borrowing

Entity	Amount (£)	Start Date	Maturity Date	Rate (%)
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%
TOTAL	15,449,000			2.475% Average

Fixed interest costs for 2023/24 on this borrowing were £382,388.

In addition to the PWLB loans above the Council has a £1m Lender Option Borrower Option (LOBO) loan with State Street Nominees at a rate of 11.125% which is due to mature in 2051. Interest costs for 2023/24 on this borrowing are £111,250.

As at the 30 September 2023, the premature repayment discount on these loans was £6,147,227 compared to the previously reported figure of £5,106,127 at 31 July 2023. Under accounting rules, this discount would need to be credited to revenue over 10 years.

On 9 October 2023 the Council prematurely repaid £15.449m of external borrowing to the Public Works Loan Board (see Appendix B for further information). As this transaction falls into Quarter 3, the financial implications of this decision will be reflected in the Quarter 3 Monitoring Report.

Public Works Loan Board (PWLB) Borrowing Rates

During the start of the financial year PWLB borrowing rates had been on a gradual rising trend due to stubborn inflation levels and expectations for further base rate rises. These rates stabilised during June and July 2023 when inflation levels slowly started falling but have increased again during late September 2023. The 50-year PWLB certainty rate was 5.43% on 30 September 2023 (4.95% as at Quarter 1).

Graph 1 – PWLB Borrowing Rates



Section 2.5 – Insurance

2023/24 Claims Statistics

Table 7 details the number of formal insurance claims for Quarter 2 of 2023/24 (figures in brackets are comparable figures for 2022/23).

Table 8 – Insurance Claims					
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Public Liability	1(0)	0(1)	(1)	(2)	(4)
Employers Liability	0(0)	0(0)	(1)	(1)	(2)
Motor	4(1)	2(2)	(2)	(5)	(10)

Property	0(0)	0(0)	(0)	(0)	(0)
Officers Indemnity	0(0)	0(0)	(0)	(0)	(0)
Total	5(1)	2(3)	(4)	(8)	(16)

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 September 2023 the balance on the reserve was £230k, 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

A review of debts is undertaken every month, and monitoring is reported against targets. In line with the new financial procedure limits there are no debts in excess of £50,000 requiring Executive Board approval for write off.

An analysis of the sundry debts the Council held as at 30 September 2023 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
£	£	£	£	£	£	£	£
319,183	36,572	61,631	23,992	409,132	136,833	449,414	1,436,757

Note: This does not include details of invoice amounts (£87,818) that are not yet due

Section 2.7 – Council Tax and Business Rates

There is uncertainty over the ongoing impact on collection and recovery as a result of the knock-on effect of the pandemic, 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.

A programme of statutory recovery activity is in place throughout the year.

Council Tax Support Scheme (CTS)

Following the statutory annual review during 2022/23, the 2023/24 scheme remains unchanged from the previous year, allowing for national up-ratings.

Council Tax – Quarter 2 In-Year Collection

The annual collectable debit at 30 September 2023 was £42.3m with a net collection rate of 52.27% (53.19% at 30 September 2022).

Business Rates – Quarter 2 In-Year Collection

The annual collectable debit at 30 September was £19m with a net collection rate of 54.88% (57.19% at 30 September 2022, however this is not a reliable performance comparison due to the differences between financial years, including revaluation and rate relief schemes).