



**BOSTON BOROUGH COUNCIL**

**REPORT OF SANDEEP GHOSH, FINANCE PORTFOLIO HOLDER**

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**BUDGET SETTING REPORT AND ASSOCIATED FINANCIAL STRATEGIES - 2024/25-2028/29**

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## **FOREWORD TO THE BUDGET FROM COUNCILLOR SANDEEP GHOSH - FINANCE PORTFOLIO HOLDER**

The creation of next year's budget has been 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; however, the uncertainty remains significant 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 cost of living crisis by focussing on the provision of financial support to underpin economic recovery for the district and seeking to invest in our places.

Despite the challenges we have continued to work to develop new opportunities, efficiencies, and income streams to support the Council's revenue budget.

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,

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 2024/25 is an annual increase of £7.20 for a band D property.

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

The Council has maintained a capital resource base commensurate with our capital delivery ambitions and is moving towards use of the minimum revenue provision for financing ongoing asset investment requirements.

The Budget for 2024/25 proposes:

- A Council Tax increase of £7.20 per year (for Band D homes this is equivalent to 13.8p 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

Our focus is to deliver well the projects we have already committed to through the Towns Fund, Levelling Up Fund and UK Shared Prosperity Funds we have received to support our community and places to thrive in a challenging economic environment.

**Councillor Sandeep Ghosh, Portfolio Holder for Finance**



**EXECUTIVE SUMMARY:**

	<b>2023/24</b>	<b>2024/25</b>
Boston Borough Council Precept	£4.235m	£4.387m
Council Tax Increase	2.97%	3.45%*
Council Tax Band D	£208.89	£216.09
Government Funding	£1.387m	£1.482m
Retained Business Rates used to support budget	£4.208m	£5.598m
Boston Town Area Committee Special Expense Account	£0.764m	£0.769m
Earmarked Reserves (at 1 April)	£12.761m	£10.265m

\*See note at 4.5 - Council Tax

## 1. INTRODUCTION

- 1.1 This appendix sets out the 2024/25 budget estimates and Medium-Term Financial Strategy (MTFS) for the period 2024/25 to 2028/29 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 Sub-regional Strategy and Annual 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 2024/25 to 2028/29.
  - The 2024/25 General Fund Revenue Budget & Financing.
  - The General Fund Reserves Position.
  - The General Fund Capital Programme and Financing.
  - Risks, key issues, sensitivity, and monitoring.
- 1.4 The unprecedented challenges faced by all of us in 2022/23, 2023/24 have continued into 2024/25, with significant inflationary pressures. The government settlement delivered in mid-December for Boston included New Homes Bonus (£343k) and 4% funding guarantee (£550k).
- 1.5 In 2024/25, a budget is proposed that allows expenditure to be financed through the creation of efficiencies and appropriate funding in order to smooth the impact of the council's ongoing pressures. 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 the Council 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	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Budgeted inflation <sup>1</sup>	0%	0%	0%	0%	0%	0%
Pay costs increase <sup>2</sup>	5%	3.5%	3%	2.5%	2.5%	2.5%
Number of Full Time Equivalent Employees	244.71	227.16	218.66	217.42	217.42	217.42
Staffing levels <sup>3</sup>	96%	96%	96%	96%	96%	96%
Pension contribution rate – current service cost <sup>4</sup>	23.6%	23.6%	23.6%	23.6%	23.6%	23.6%
Pension contribution cash amount to fund deficit on scheme <sup>4</sup>	£687,000	£713,000	£741,000	£741,000	£741,000	£741,000
Return on cash investments <sup>5</sup>	4.40%	4.55%	3.10%	3.25%	3.25%	3.25%
Return on property funds <sup>6</sup>	3.60%	4.00%	4.00%	4.00%	4.00%	4.00%
Utility cost rises <sup>7</sup>	150%	0%	0%	0%	0%	0%
Fuel cost rises <sup>8</sup>	25%	0%	0%	0%	0%	0%
Tax base <sup>9</sup>	1.1%	0.1%	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 renewal.
2. The nationally agreed pay award ended on 31st March 2023. An award for 2023/24 was agreed November 2023 being a rise of up to 9.42% for the lowest paid through to 3.88% for those on the highest bands. For 2024/25 a 3.5% increase has been assumed with this moving to 3% for 2025/26 and then 2.5% from 2026/27 onwards.

3. An annual General Fund saving in staff costs (£354k) has been 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 2024/25 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 of £713k towards the deficit is confirmed for 2024/25.
5. These are the estimated returns on cash. Average rate achieved to Q3 2023/24 was 5.09%.
6. These are the estimated returns on the Property Fund that the council holds. Average rate achieved to Q3 2023/24 was 3.99%.
7. Utility costs in 2023/24 were inflated by 150% as a result of increased wholesale prices. For 24/25 budget assumptions have been based on actuals for 2023/24 to rebase the budgets where needed to reflect actual spend.
8. Vehicle fuel costs were increased by 25% in 2023/24 due to national trends, fuel costs have now been rebased to reflect the current fuel costs and actuals from 2023/24.
9. The tax base projections for 2024/25 have provided for a growth of 28 band D equivalent properties. Future growth has been projected at 1.5% (see section 4.6 and Table 3).

### **3. RESOURCES AND SPENDING PLANS**

- 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 5<sup>th</sup> February 2024 the Local Government Finance Settlement 2024/25 was delivered. The papers included a continuation of New Homes Bonus for 2024/25 and the Funding Guarantee which replaced 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 the funding formula for at least 2 years.
- 3.4 As a result of this announcement, it makes planning the years from 2026/27 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. DETAILED RESOURCES AND SPENDING PLANS

### DETAILED RESOURCES

#### Business Rates

- 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 The Council is expecting a number of appeals. 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 2024/25 and provisional figures for 2025/26 through to 2028/29.

Table 2 – Business Rates

<b>Business Rates (Income)/Expenditure</b>	<b>Draft 2023/24 £'000</b>	<b>Draft 2024/25 £'000</b>	<b>Draft 2025/26 £'000</b>	<b>Draft 2026/27 £'000</b>	<b>Draft 2027/28 £'000</b>	<b>Draft 2028/29 £'000</b>
Retained Business Rates	(7,658)	(8,110)	(8,141)	(8,303)	(8,469)	(8,639)
S31 Grants relating to Business Rates	(2,645)	(2,724)	(2,779)	(2,834)	(2,891)	(2,949)
Tariff	5,247	5,368	5,476	5,585	5,696	5,811
<b>Pre- levy income</b>	<b>(5,056)</b>	<b>(5,466)</b>	<b>(5,444)</b>	<b>(5,552)</b>	<b>(5,664)</b>	<b>(5,777)</b>
Renewable Energy (100% retained by Boston BC)	(189)	(222)	(226)	(231)	(235)	(240)
Levy payment to Lincolnshire Pool	298	312	291	297	303	309
Estimated (Surplus)/Deficit on Collection Fund	739	(222)	0	0	0	0
<b>Net Retained Business Rates Income</b>	<b>(4,208)</b>	<b>(5,598)</b>	<b>(5,379)</b>	<b>(5,486)</b>	<b>(5,596)</b>	<b>(5,708)</b>

- 4.4 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 economic impacts. 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

- 4.5 The MTFS assumes a Council Tax increase in line with the maximum allowed under the Local Government Settlement. In the case of BBC for 2024/25 this is a £7.20 (3%) 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

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	No. Of properties	No. Of properties	No. Of properties	No. Of properties	No. Of properties	No. Of properties
Council Tax base (Band D equivalents)	20,274	<b>20,302</b>	20,607	20,916	21,229	21,548
Council Tax Band D	208.89	<b>216.09</b>	222.57	229.25	236.12	243.21
Annual Increase £	6.03	<b>7.20</b>	6.48	6.68	6.88	7.08
Annual Increase 3% or £5	2.97%	<b>3.45%</b>	3.00%	3.00%	3.00%	3.00%
Gross Council Tax collected	£4,235,036	<b>£4,387,059</b>	£4,586,395	£4,794,847	£5,012,773	£5,240,603
In year Surplus / (deficit)	(£28,346)	<b>(£52,514)</b>	£0	£0	£0	£0
<b>TOTAL</b>	£4,206,690	<b>£4,334,545</b>	<b>£4,586,395</b>	<b>£4,794,847</b>	<b>£5,012,773</b>	<b>£5,240,603</b>

Local authorities are permitted to increase council tax by up to 3% or £5, whichever is higher, relating to the relative basic amount. The RBA takes into account the total of the council tax precepts plus Boston Town Area Committee, the table below demonstrates that the annual increase is within the 3% threshold when considering the RBA.

The increase in the in year deficit is due to an increase in arrears and an increase in the usage of the Council Tax Support Scheme.

Relative Basic Amount Calculation	2023/24		2024/25		Movement	
	Precept (£)	Band D (£)	Precept (£)	Band D (£)	£	%
BTAC	763,636.00	79.38	768,772.00	80.37	0.99	1.25
BBC	4,235,036.00	208.89	4,387,059.00	216.09	7.20	3.45
<b>Total – RBA</b>	<b>4,998,672.00</b>	<b>246.56</b>	<b>5,155,831.00</b>	<b>253.96</b>	<b>7.40</b>	<b>3.00</b>
Tax Base	No of Properties		No of Properties			
BTAC	9,619		9,566		-53.00	-0.55
BBC	20,274		20,302		28.00	0.14

### Council Tax Premiums

- 4.6 The levelling Up and Regeneration Act 2023 introduced two key changes to council tax premiums (additional Council Tax charges), enabling authorities to:
- Charge a premium up to 100% for unoccupied and unfurnished properties for 1 year, replacing the current provisions which allows the premium to be charged after 2 years, and
  - Charge a premium up to 100% on properties occupied periodically (second homes). This requires a local authority to make a decision at least 12 months before the financial year to which it would apply.
- 4.7 Whilst Council Tax premiums are a means of incentivising owners to bring empty and under-utilised properties back into use. The government has indicated that it expects local authorities to have regard to guidance issued by the Secretary of State in terms of exceptions to the premiums, and regulations are expected in the new year.
- 4.8 It is proposed that Cabinet recommends that Council:
- Re-affirms its previous decision, made 27<sup>th</sup> February 2019, in respect of long-term empty properties, i.e.
    - For properties unoccupied and unfurnished for 2 years but less than 5 years – 100% premium.
    - For properties unoccupied and unfurnished for 5 years but less than 10 years – 200% premium.

- For properties unoccupied and unfurnished for over 10 years – 300% premium.

And that consideration will be given to Government guidance and any subsequent regulations made, in respect of exceptions.

- ii) Makes a determination for the introduction of the premium for substantially furnished with no resident (second homes), to be introduced at the earliest time, 1 April 2025.
- 4.9 At the end of November 2023, Boston had 312 properties which had been empty for more than two years and subject to a premium charge. No additional revenue will be generated from the re-affirmation of the current approach. In addition, there are 114 properties which are substantially furnished but have no resident (second homes).
- 4.10 Additional revenue generated by premiums may be reduced as a result of Government guidance and anticipated regulation for exceptions, and when empty or second homes are brought back into use.
- 4.11 The tax base for 2024/25 has increased by 0.1% and a budgeted increase of 1.50% per annum assumed thereafter. This is based on the latest projected house building trajectory.

**BTAC expenses**

	2023/24 £'000	<b>2024/25 £'000</b>	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
BTAC Expenses	764	<b>769</b>	784	800	816	833

Table 4 – Precepting Authority Band D charges

Authority	Proposed Band D amount. £p	Increase over 2024/25 £p	Increase over 2024/25 %
Lincolnshire County Council	£1,578.69	£75.06	4.99%
Police and Crime Commissioner	£304.20	£12.96	4.45%
Boston BC	£216.09	£7.20	3.45%
Parishes (average)	£66.37	£2.39	3.74%

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

4.12 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 future funding. 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 more recent Funding Guarantee grant. RSDG for 2023/24 is proposed to be £116k and the Funding Guarantee grant is £550k for 2024/25, 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

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue Support Grant	433	454	454	454	454	454
Rural Services Delivery Grant	100	116	116	116	116	116
Services Grant	109	19	19	19	19	19
Funding Guarantee (3%)	457	550	550	550	550	550
<b>Total Received</b>	1,099	1,139	1,139	1,139	1,139	1,139
Annual Change in resource		40				

**New Homes Bonus**

- 4.13 New Homes Bonus (NHB) allocations were announced as part of the Local Government Finance Settlement for 2024/25. The government has added a year of additional grant, and the assumption currently is that this will continue or be replaced with another similar scheme.
- 4.14 In light of current funding pressures the New Homes Bonus is being used to support budgetary pressures (£343k).

Table 6 – New Homes Bonus estimates

	Final 2023/24 £000	<b>Final</b> <b>2024/25</b> <b>£000</b>	Draft 2025/26 £000	Draft 2026/27 £000	Draft 2027/28 £000	Draft 2028/29 £000
New Homes Bonus	288	<b>343</b>	343	343	343	343

**Fees and Charges**

- 4.15 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.
- 4.16 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, it is proposed that the budget should apply RPI increases to all discretionary fees and charges on an annual basis where appropriate.



Table 7 – Fees and charges income budgets

<b>Budget Area</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Leisure income*	820	0	0	0	0	0
Building control	170	206	212	219	225	232
Licensing	131	151	155	160	165	170
Land charges	78	58	60	62	63	65
Bereavement	934	978	1007	1037	1068	1100
Garden Waste	644	680	700	720	741	763
Trade waste	402	395	407	419	432	445
Planning fees	645	645	648	649	650	650
Parking	1019	906	933	960	988	1017
Markets	95	95	98	101	104	107
Other small areas	220	190	179	186	243	200
<b>TOTAL FEE INCOME</b>	<b>5,158</b>	<b>4,304</b>	<b>4,399</b>	<b>4,513</b>	<b>4,679</b>	<b>4,749</b>

\*No leisure income from 2024/25 due to transferring to Parkwood Leisure during 2023/24.

Note: Fees and Charges are subject to review in future years due to inflationary pressures.

## Other Income

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

Table 8 – Other Income

	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Interest on Investments	1,631	2,397	1,900	1,688	1,572	1,517
Housing Benefit Subsidy	11,210	12,391	12,391	12,391	12,391	12,391
Housing Benefit/Universal Credit Overpayments	120	30	30	30	30	30
Council tax and Housing benefit administration grant	260	183	183	183	183	183
Specific Government Grants	736	419	151	151	151	151
Court Income & Council Tax Penalties	251	265	265	265	265	265
Rental income	967	900	904	908	913	918
NNDR admin grant	92	91	91	91	91	91
Other Contributions (from external bodies for sharing of services and posts)	1,522	0	0	0	0	0
Other Income/Grants	29,568	37,121	7,568	6,507	6,469	6,599
Use of Reserves	4,879	2,496	2,877	(57)	114	(57)
<b>Total Other Income</b>	<b>51,236</b>	<b>56,293</b>	<b>26,360</b>	<b>22,157</b>	<b>22,179</b>	<b>22,088</b>

- Use of Reserve values will change as and when new schemes are approved for inclusion within the programme.
- Increase in the Housing Benefit Subsidy income is due to a realignment of the budget to reflect current anticipated levels of activity. There is a corresponding increase in expenditure.
- Assumptions have been made on investment income levels due to a variety of factors.

## 4.18 Summary

Table 9 – All sources of income

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000	£'000
Business Rates	4,208	<b>5,598</b>	5,379	5,486	5,596	5,708
Revenue Support Grant	433	<b>454</b>	454	454	454	454
Services Grant	109	<b>19</b>	19	19	19	19
Funding Guarantee (4%)	457	<b>550</b>	550	550	550	550
Rural Services Delivery Grant	100	<b>116</b>	116	116	116	116
New Homes Bonus	288	<b>343</b>	343	343	343	343
Council Tax	4,207	<b>4,334</b>	4,586	4,795	5,013	5,241
<b>Funding Subtotal</b>	<b>9,802</b>	<b>11,414</b>	<b>11,447</b>	<b>11,763</b>	<b>12,091</b>	<b>12,431</b>
Fees, Charges, Rents*	5,158	<b>4,304</b>	4,399	4,513	4,679	4,749
Other Income	51,236	<b>56,293</b>	26,360	22,157	22,179	22,088
<b>Fees, Charges &amp; Other Income</b>	<b>56,394</b>	<b>60,597</b>	<b>30,759</b>	<b>26,670</b>	<b>26,858</b>	<b>26,837</b>

Note\* Fees and charges are subject to review in future years.

**2024/25 SPENDING PLANS**

- 4.19 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.
- 4.20 The table below summarises the main changes in expenditure budgets between 2023/24 and 2024/25. 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

	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Employees*	10,667	11,400	11,248	11,408	11,768	12,261
Premises	2,415	2,543	2,453	2,469	2,492	2,501
Transport	994	2,469	2,482	2,496	2,510	2,525
Supplies and Services	3,530	3,139	3,018	2,987	3,060	3,070
Third Party Payments	3,413	4,884	4,569	4,336	4,338	4,338
Drainage Board Levies	2,470	2,825	2,910	2,997	3,087	3,180
Parish Councils' Precepts	533	579	590	602	614	626
Transfer Payments	39,167	41,814	14,488	13,486	13,386	13,316
Direct Revenue Financing of Capital	4,259	2,172	2,917	0	0	0
Interest Payable on Borrowing	494	111	111	111	111	111
Minimum Revenue Provision	15	129	211	287	346	651
Capital Charges Contra Entry	200	2,140	0	0	0	0
<b>Gross Expenditure</b>	<b>68,157</b>	<b>74,205</b>	<b>44,997</b>	<b>41,179</b>	<b>41,712</b>	<b>42,579</b>

\* Employee costs appear to move minimally from 2023/24 to 2024/25, this is due to the transfer of GMLC leisure staff to Parkwood Leisure.

- 4.21 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 3.5% increase in 2024/25, 3% for 2025/26 and 2.5% thereafter. Pension cost estimates have been prepared on the basis of current staff in the pension scheme at October 2023/24, 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.
- 4.22 The Council applied a supplement to the lowest paid officers to enhance their hourly rate to the same level as the Real Living Wage rate, as set by the Living Wage Foundation. This supplement is also applied to South Holland District Council and East Lindsey District Council employees. The budget assumes the continued implementation of a pay supplement to enhance pay to a minimum of £12.00 per hour for all employees of the Council paid on the National Joint Council (NJC) pay rate.
- 4.23 Premises budgets have stabilised in 2024/25 from the large increases in 2023/24. All utilities budgets are now reflective of the actual costs in 2023/24 and adjusted for the new contract prices.

- 4.24 Transport costs have increased from 2023/24 levels due to realignment of fleet maintenance recharges, there is a corresponding increase in income to neutralise this.
- 4.25 Supplies and Services budgets have decreased mainly due to realignment of building maintenance recharges and also the transfer of GMLC leisure costs to Parkwood leisure.
- 4.26 Third party payments - These budgets reflect payments to Public Sector Partnership Services and other outside bodies.
- 4.27 Transfer Payments – There is a large decrease from 2023/24 levels due to less project grant funding being received.
- 4.28 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 are funded from reserves.
- 4.29 Internal Drainage Board (IDB) increases are set out in the table below. 2024/25 increases have been built in with increases from the drainage boards averaging 40.29%. 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.

	2021/22 Actual £	2022/23 Actuals £	2023/24 Actuals £	2024/25 Budget £	Increase from 2021/22 to 2024/25 £	Increase from 2021/22 to 2024/25 %
Witham Fourth Internal Drainage Board	1,108,050	1,196,693	1,256,520	1,507,824	399,774	36.08%
Welland and Deepings Internal Drainage Board	61,851	66,799	77,962	83,348	21,497	34.76%
Black Sluice Internal Drainage Board	842,838	885,757	1,139,128	1,232,588	389,750	46.24%
South Holland Drainage Board	973	1,051	1,130	1,220	247	25.39%
<b>TOTAL LEVY</b>	<b>2,013,712</b>	<b>2,150,300</b>	<b>2,474,740</b>	<b>2,824,980</b>	<b>811,268</b>	<b>40.29%</b>

## 5. BUDGET REQUIREMENT

5.1 The budget requirement is formed by comparing resource prediction and spending plans as set out in Table 11 below.

5.2 Appendices 1a and 1b bring together the budgeted expenditure and income and show the overall MTFs position analysed by income and expenditure type, service area and by portfolio budgets.

Table 11 – Requirement Budget

	2023/24 Estimate	<b>2024/25 Estimate</b>	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
	£'000	<b>£'000</b>	£'000	£'000	£'000	£'000
Fees, Charges & Other Income (table 9) *	(56,394)	(60,597)	(30,759)	(26,670)	(26,858)	(26,837)
Gross Expenditure (table 10)	68,157	74,205	44,997	41,179	41,712	42,579
Efficiency Target	(664)	(846)	(1,417)	(1,344)	(1,333)	(1,852)
<b>Net Budget</b>	<b>11,099</b>	<b>12,762</b>	<b>12,821</b>	<b>13,165</b>	<b>13,521</b>	<b>13,890</b>
<u>Funded By</u>						
Retained Business rates	(4,208)	(5,598)	(5,379)	(5,486)	(5,596)	(5,708)
Revenue Support Grant	(433)	(454)	(454)	(454)	(454)	(454)
Service Grant	(109)	(19)	(19)	(19)	(19)	(19)
Funding Guarantee (4%)	(457)	(550)	(550)	(550)	(550)	(550)
Rural Services Delivery Grant	(100)	(116)	(116)	(116)	(116)	(116)
New Homes Bonus	(288)	(343)	(343)	(343)	(343)	(343)
BTAC	(764)	(769)	(784)	(800)	(816)	(833)
Parish Precepts	(533)	(579)	(590)	(602)	(614)	(626)
Council Tax	(4,207)	(4,334)	(4,586)	(4,795)	(5,013)	(5,241)
<b>Total Funding</b>	<b>(11,099)</b>	<b>(12,762)</b>	<b>(12,821)</b>	<b>(13,165)</b>	<b>(13,521)</b>	<b>(13,890)</b>

\*Major change in other income is due to the inclusion of capital grants in 2023/24 from Towns Fund, UKSPF and LUF funding.

5.3 Based on current assumptions the Council has a significant efficiency target for 2024/25 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.

#### 5.4 Boston Area Town Committee

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 2024/25 is estimated at £768,772 (2023/24 - £763,636).

## 6. 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.

### 6.1 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.

### 6.2 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>2024/25</b>
	<b>£'000</b>
<b>Contribution to Reserves</b>	
<b><u>Transformation Reserve</u></b>	
District Council Elections 23.24 contribution	(43)
<b><u>Repairs and Renewals Reserve</u></b>	
Riverside Ind Est-25% income	(17)
<b>Contribution to Reserves total</b>	<b>(60)</b>
<b>Contribution from Reserves</b>	
<b><u>Capital Reserve</u></b>	
Capital Programme 2024.25	2,115
<b><u>Transformation Reserve</u></b>	
Crowd fund annual cost	11
Contract extension for Community Leadership Assistant to Oct 2024	8
Shared 113 Officer - Env Services Project Coordinator	7
Regulatory Group Managers	42
Tender Work	40
<b><u>Housing Reserve</u></b>	
DASH Funding	3
Housing Options Advisor (Proforma B 002)	6
Healthy and Accessible Homes Officer	16
Capital Programme 2024.25	57
<b><u>Funding Volatility Reserve</u></b>	
Bad Debt Provision	135
<b><u>Planning Reserve</u></b>	
Local Plan review budget	50



<b>Contingency Reserve</b>	
Lead Safety Officer	16
<b>Property Reserve</b>	
MRP	50
<b>Contribution from Reserves total</b>	<b>2,556</b>
<b>Net contribution (to)/from Reserves</b>	<b>2,496</b>

Reserves	Estimated balance 31.03.2024	Balance 31.03.2025	Balance 31.03.2026	Balance 31.03.2027	Balance 31.03.2028	Balance 31.03.2029
	£'000	£'000	£'000	£'000	£'000	£'000
Capital Funding	(5,987)	(3,872)	(955)	(955)	(955)	(955)
Transformation Reserve	(627)	(562)	(604)	(646)	(517)	(560)
Repairs and Renewals	(628)	(645)	(663)	(680)	(698)	(715)
ICT Reserve	(33)	(33)	(33)	(33)	(33)	(33)
Housing Reserve	(1,387)	(1,305)	(1,295)	(1,294)	(1,291)	(1,289)
Controlling Migration	(14)	(14)	(14)	(14)	(14)	(14)
Insurance Reserve	(230)	(230)	(230)	(230)	(230)	(230)
Property Fund Returns Risk Mitigation Reserve	(1,116)	(1,116)	(1,116)	(1,116)	(1,116)	(1,116)
Funding Volatility Reserve	(1,892)	(1,757)	(1,756)	(1,756)	(1,756)	(1,756)
Contingency Reserve	(421)	(405)	(396)	(395)	(395)	(394)
Climate Change Reserve	(84)	(84)	(84)	(84)	(84)	(84)
Planning Reserve	(84)	(34)	(34)	(34)	(34)	(34)
S106 & Commuted Sums Reserve	(143)	(143)	(143)	(143)	(143)	(143)
Property Fund Reserve	(115)	(65)	(65)	(65)	(65)	(65)
<b>Total Specific Reserves</b>	<b>(12,761)</b>	<b>(10,265)</b>	<b>(7,388)</b>	<b>(7,445)</b>	<b>(7,331)</b>	<b>(7,388)</b>
General Reserve	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
BTAC Reserve	(239)	(239)	(239)	(239)	(239)	(239)
<b>Total Reserves</b>	<b>(15,000)</b>	<b>(12,504)</b>	<b>(9,627)</b>	<b>(9,684)</b>	<b>(9,570)</b>	<b>(9,627)</b>

## CAPITAL PROGRAMME AND TREASURY MANAGEMENT

- 7.1 The Capital Strategy and Asset Management Strategy 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.
- 7.2 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.
- 7.3 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	Scheme	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	Total
1	Disabled Facilities Grants	780	630	630	630	630	3,300
2	Vehicle Replacement	311	0	0	0	0	311
3	Housing Strategy	57	0	0	0	0	57
4	Information Technology Infrastructure Refresh	367	163	265	548	100	1,443
5	UKSPF	279	0	0	0	0	279
6	UKSPF - Rural	203	0	0	0	0	203
7	LUF - Civic Hub	690	0	0	0	0	690
8	LUF - Crown House	7,160	0	0	0	0	7,160
9	LUF - Public Realm	6,413	0	0	0	0	6,413
	<b>General Fund Total</b>	<b>16,260</b>	<b>793</b>	<b>895</b>	<b>1,178</b>	<b>730</b>	<b>19,856</b>
10	Towns Fund - Leisure	4,000	2,917	0	0	0	6,917
11	Towns Fund - Mayflower	8,150	0	0	0	0	8,150
12	Towns Fund - Healing the High St (incl Shodfriars)	1,600	1,003	0	0	0	2,603
13	Towns Fund - Boston Station	2,274	0	0	0	0	2,274

	<b>Towns Fund Total</b>	<b>16,024</b>	<b>3,920</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>19,944</b>
	<b>Total Current Approved Programme</b>	<b>32,284</b>	<b>4,713</b>	<b>895</b>	<b>1,178</b>	<b>730</b>	<b>39,800</b>
	<b>New Projects/Additions</b>						
1	Disabled Facilities Grants - increase in line with grant received	256	170	170	70	0	<b>666</b>
2	Neighbourhoods Vehicle Replacements	56	406	0	2,004	425	<b>2,891</b>
	<b>New Projects/Additions Total</b>	<b>312</b>	<b>576</b>	<b>170</b>	<b>2,074</b>	<b>425</b>	<b>3,557</b>
	<b>Grand Total</b>	<b>32,596</b>	<b>5,289</b>	<b>1,065</b>	<b>3,252</b>	<b>1,155</b>	<b>43,357</b>
	<b>Funded By:</b>						
	Internal Borrowing	423	569	265	2,553	525	<b>4,335</b>
	External Grants	30,001	1,803	800	699	630	<b>33,933</b>
	Capital Reserve	2,115	2,917	0	0	0	<b>5,032</b>
	Other Reserve – Housing	57	0	0	0	0	<b>57</b>
	<b>Grand Total</b>	<b>32,596</b>	<b>5,289</b>	<b>1,065</b>	<b>3,252</b>	<b>1,155</b>	<b>43,357</b>

Table 13 – Treasury Assumptions

<b>Treasury Assumptions</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>
Average Investment Balances	£35.0m	£21.9m	£16.2m	£14.0m	£12.7m
Investment return assumptions – on non-cash balances	4.55%	3.10%	3.25%	3.25%	3.25%
Investment assumptions – property fund return (revenue return only)	4.00%	4.00%	4.00%	4.00%	4.00%
External Borrowing	£1m	£1m	£1m	£1m	£1m
Average Borrowing Rate	11.125%	11.125%	11.125%	11.125%	11.125%

7.4 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.

## **8. CONSULTATION**

8.1 Under the Gunning Principles, the following points are the golden rules of consultation:

- 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.

8.2 Using these principles, the budget consultation process for the 2024/25 budget comprised a number of elements. It was published on the Council's website for consultation by all stakeholders, including the local business community.

8.3 In addition to this the Council consulted through a number of Member forums including Cabinet, Audit and Governance and Corporate and Community Committee.

8.4 Following the budget consultation process, comments received through the Member meetings and consultation exercise were taken into account in preparing and recommending the proposed budget for Cabinet review and formal Council approval on 21st February and 4<sup>th</sup> March 2024 respectively.

## **9. EFFICIENCY TARGETS**

9.1 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.

9.2 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 – Efficiency Targets

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Budget Efficiency Requirement (£'000) – annual	172	1,417	1,344	1,333	1,852
IDB Funding Requirement (£'000)	674				
<b>Total</b>	<b>846</b>	<b>1,417</b>	<b>1,344</b>	<b>1,333</b>	<b>1,852</b>

9.3 The ongoing delivery of a significant level of efficiencies and savings is recognised as a key challenge to the Council that will require both political and cultural direction to ensure it is met.

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

10.1 As we think of 2024/25 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. 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.

As we look forward into 2024/25 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 2024/53 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, LUF, NPO and UKSPF
- A Council service modernisation programme through investment with PSPS and also in ICT
- 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
- Delivering the Boston Town Centre Strategy and Action Plan

## 11. RISK AND SENSITIVITY

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

11.2 Table 15 – Key Risks

Risk	Likelihood	Impact	Mitigating Action
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 24/25 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

**12. OPTIONS**

12.1 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.

**13. RECOMMENDATIONS**

13.1 Reason for recommendation - To comply with the budgetary and policy framework.

13.2 Recommendations – That Full Council approves:

- The General Fund budget and Council Tax for 2024/25.
- The associated financial strategies 2024/25 to 2028/29
- The approach to council tax premiums as detailed in paragraph 4.8.