

Finance Q1 2019/20 – appendix C

1 The National Picture – key financial events during Quarter 1 2019/20

The main issues affecting the Council in the first quarter of 2019/20 were:

- Bank base rate remained at 0.75% (since 2 August 2018);
- Not leaving the European Union on 29 March 2019, meaning uncertainty continues; and
- Local Election held on 2 May 2019.

2 Revenue Budget

Table 1 – Net spend for the year against budget by Service Area:

Service Area	Net Budget 2019/20 £000	Projected Outturn 2019/20 £000	Variance (under spend)/ overspend £000	Summary of Main Variances
Chief Executive	309	309	-	
Deputy Chief Executive	899	869	(30)	Development Management
Chief Finance Officer	793	793	-	
Head of Corporate Services	1,113	1,113	-	
Head of Regulatory Services	1,915	2,089	174	CCTV, Housing Grants, Controlling Migration Fund (CMF) award - homelessness
Head of Operations	897	897	-	
Head of Place and Space	(32)	8	40	Leisure Pool, Markets, Parking
BTAC	680	680	-	
Net Service Expenditure	6,574	6,758	184	
Drainage Board Precepts	1,898	1,898	-	
Direct Revenue				
Financing of Capital	1,999	875	(1,124)	Note 8
Investment Income	(92)	(92)	-	
Income Receivable from Property Funds	(619)	(645)	(26)	Note 7
Interest Payable	500	494	(6)	Note 7
Net Transfer to Earmarked Reserves	355	1,610	1,255	Note 6
Total Expenditure	10,615	10,898	283	
Financing				
Council Tax	(4,328)	(4,328)	-	
Business Rates	(4,419)	(4,402)	17	Levy Payment
Renewable Energy	(111)	(111)	-	
Non Ring Fenced Government Grant	(1,757)	(1,999)	(242)	Business Rates Relief Reimbursement S31
Net Overspend	-	58	58	

Table 2 – Net spend for the year against budget by Portfolio Holder Area:

Portfolio Holder Area	Net Budget 2019/20 £000	Projected Outturn 2019/20 £000	Variance (under spend)/overspend £000	Summary of Main Variances
Housing, Property & Community	1,358	1,452	94	Housing Grants, Controlling Migration Fund (CMF) award - homelessness
Tourism, Arts, Culture & Heritage	303	343	40	Leisure Pool
Town Centre	(573)	(573)	-	Markets, Parking (net to nil)
Environment	1,371	1,371	-	
Economic Development & Planning	885	855	(30)	Development Management
Leader	2,106	2,106	-	
Regulatory	444	524	80	CCTV
BTAC	680	680	-	
Net Service Expenditure	6,574	6,758	184	
Drainage Board Precepts	1,898	1,898	-	
Direct Revenue Financing of Capital	1,999	875	(1,124)	Note 8
Investment Income	(92)	(92)	-	
Income Receivable from Property Funds	(619)	(645)	(26)	Note 7
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Business Rates	(4,419)	(4,402)	17	Levy Payment
Renewable Energy	(111)	(111)	-	
Non Ring Fenced Government Grant	(1,757)	(1,999)	(242)	Business Rates Relief Reimbursement S31
Net Overspend	-	58	58	

Table 3 – Net spend for the year against budget by Corporate Priority:

Priority	Net Budget 2019/20 £000	Projected Outturn 2019/20 £000	Variance (under)/ overspend £000	Summary of Main Variances
Prosperity	1,061	1,101	40	Markets, Leisure, Development Management
People	1,033	1,127	94	Housing Grants, Controlling Migration Fund (CMF) award - homelessness
Place	1,636	1,716	80	CCTV
Public Service	2,164	2,134	(30)	Parking
BTAC	680	680	-	
Net Service Expenditure	6,574	6,758	184	
Drainage Board Precepts	1,898	1,898	-	
Direct Revenue				
Financing of Capital	1,999	875	(1,124)	Note 8
Investment Income	(92)	(92)	-	
Income Receivable from Property Funds	(619)	(645)	(26)	Note 7
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Business Rates	(4,419)	(4,402)	17	Levy Payment
Renewable Energy	(111)	(111)	-	
Non Ring Fenced Government Grant	(1,757)	(1,999)	(242)	Business Rates Relief Reimbursement S31
Net Overspend	-	58	58	

3. Variations to budget

	Budget 2019/20	Variance 2019/20	Projected Outturn 2019/20	Comments
	£'000	£'000	£'000	
Total Service Expenditure	6,574			
Additional Costs				
Leisure Pool		10		Equipment purchase & software upgrade
Housing – Advice and Homelessness, grant award		161		Rapid Rehousing Pathway
Housing – Advice and Homelessness, grant award		145		Rough Sleeper Initiative
Housing – Advice and Homelessness, grant award		234		CMF Countywide Project
		550		
Reduced Costs		-		
Additional Income				
Development Management		(30)		Application Fees above Year To Date (YTD) budget
Parking		(30)		Q1 YTD Income above YTD budget
Housing – Advice and Homelessness, as above		(161)		Rapid Rehousing Pathway
Housing – Advice and Homelessness, as above		(145)		Rough Sleeper Initiative
Housing – Advice and Homelessness, as above		(187)		Controlling Migration Fund Countywide Project
Housing – Advice and Homelessness		(40)		Flexible Homelessness Support Grant
		(593)		
Reduced Income				
CCTV		80		ELDC (BT operational issues) expected share savings delayed until 2020/21.
Leisure Pool		20		Monthly member fees. Action Plan in place.
Leisure Pool		10		Swimming lessons. Action Plan in place.
Markets		30		Projected outturn below initial estimate.
Housing – Housing Enforcement		87		Housing Grant
		227		
NET SERVICE EXPENDITURE			6,758	

Other Operating Income and Expenditure	3,686			
Direct Revenue Financing of Capital		(1,124)		
Income Receivable from Property Funds		(26)		
Interest Payable		(6)		
			2,530	
Net Transfer to Earmarked Reserves	355	1,255	1,610	
TOTAL EXPENDITURE	10,615	283	10,898	
Financing	(10,615)			
Business Rates		17		Levy Payment to Lincolnshire Pool
Non Ring Fenced Government Grant		(242)		Business Rates Relief Reimbursement S31
			(10,840)	
Net Overspend	-	58	58	

4 Controlling Migration Fund

Table 4 shows the total funding received on the project, which covers a 2-year period and the cumulative actual expenditure to 30 June 2019

Table 4 – Breakdown of Bid and Cumulative Spend to June 2019

Spend Category	Breakdown of Bid £'000	Spend to 30 Jun 2019 £000
A Passion for People Project	80	52
Community Leadership, Advice & Integration	467	247
Adding Value to Learning	114	86
Doing what's important for our community	726	268
Total	1,387	653

5 Trading Income

The Council has a number of demand led budget areas, which are reliant on receiving income for services provided. Markets and Leisure were below budget. These areas are included in the following table:

Table 5 – Trading Income:

Income Area	Budget £000	Projected Outturn £000	Variance £000
Building Control	(184)	(184)	-
Planning	(515)	(545)	30
Land Charges	(99)	(99)	-
Licensing	(122)	(122)	-
Garden Waste	(408)	(408)	-
Bereavement	(828)	(828)	-
Commercial Waste	(249)	(249)	-
Parking	(990)	(1,020)	30
Markets	(160)	(130)	(30)
Leisure	(963)	(933)	(30)
Total	(4,518)	(4,518)	-

6 Earmarked Reserves

The following table shows the level of earmarked reserves held at the beginning of the year, movements in the year, and the projected position at 31 March 2020:

Table 6 – Earmarked Reserves

Reserve	Balance 1 April 2019	Previously Approved Movement	Proposed Movement	Projected Balance 31 March 2020
	£000	£000	£000	£000
Capital Funding	4,424	(432)	1,172	5,164
Transformation Reserve	1,091	(39)	(12)	1,040
Repairs and Renewals	717	(116)	(9)	592
ICT Reserve	394	(45)	(27)	322
Housing Reserve	1,178	(279)	(94)	805
Controlling Migration	547	(530)	-	17
Insurance Reserve	290	-	-	290
Risk Mitigation Reserve	275	751	-	1,026
Tax Reserve	1,618	1,045	225	2,888
Total	10,534	355	1,255	12,144

Notes

- **Capital Funding Reserve** – the proposed movement in reserve reflects changes to in-year financing requirements associated with the revised capital programme, as set out in section 8: the majority of which relates to replacement of the Refuse Freighter fleet.
- **Housing Reserve** – the proposed movement in reserve reflects the funding required on the CMF Countywide project and transfers to cover housing net expenditure in year.
- **Tax Reserve** – additional S31 grant for Business Rates based on current calculation on estimated small business rate and other reliefs and increase in projected levy payment to the Lincolnshire Pool.

Recommendation:

F1 To approve the reserve movements detailed in Table 6.

7 Treasury Management

At 30 June 2019, the Council held £13.470m in cash investments (£11.268m at 31 March) and £20.580m in property funds (£20.627m at 31 March).

The Council budgeted to receive £711,000 in investment income in 2019/20 comprising £619,000 from Property Funds and £92,000 from cash investments. As at 30 June 2019, total investment income for the year is now estimated to be £737,000 comprising £645,000 from Property Funds and £92,000 from cash investments.

In 2019/20 quarter 1, the Council achieved an average net return (after deduction of management charges) of 3.29% from the Property Fund purchases and 0.75% from cash investments.

Graph 1 – Comparison of investment income budget to actual

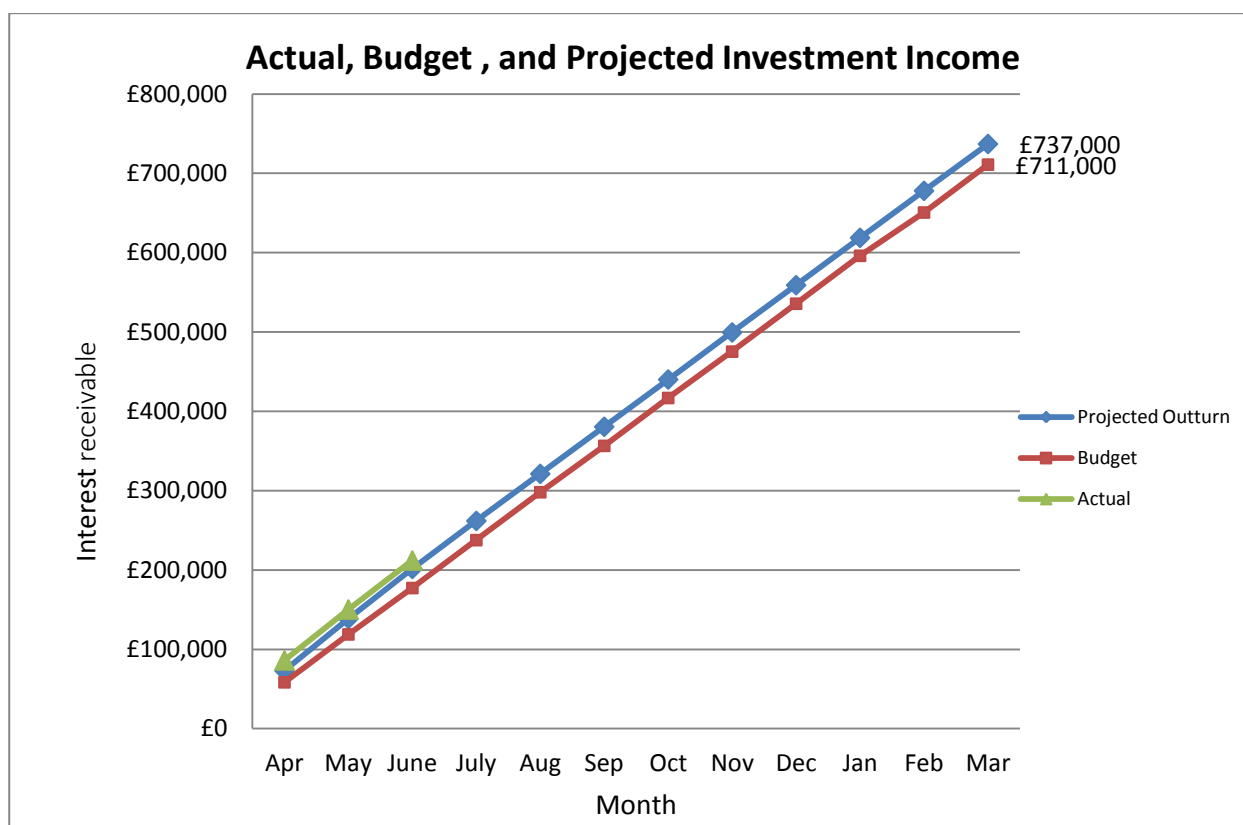


Table 7 - Property Funds as at 30 June 2019

Property Fund	Sum Invested £000	Fair Value 31 March 2019 £000	Fair Value 30 June 2019 £000	Gain /(Loss) in Q1 2019-20 £000
Black Rock	4,500	4,581	4,561	(20)
Schroders	4,250	4,344	4,343	(1)
Threadneedle	4,239	4,102	4,079	(23)
M&G	4,000	3,836	3,806	(30)
AEW	4,000	3,764	3,791	27
TOTAL	20,989	20,627	20,580	(47)

External Borrowing

At the start of the 2019/20 financial year, the Council's total long-term borrowing was £16.449m, of which £15.449m is from the Public Works Loans Board and was used to part-finance the 2018/19 property fund acquisitions of £19.989m. Total annual interest payable on external borrowing is estimated at £494,000.

No additional borrowing was undertaken during the quarter ended 30 June 2019.

8 Capital

The following table shows the approved capital programme for 2019/20 as reported to Council on 28 February 2019 and subsequently slippage from 2018/19 as presented in the outturn report in June 2019, plus other known in-year changes together with actual spend to the end of quarter 1:

Table 8 –Capital Programme for 2019/20

Scheme	2019/20 Approved Program. Feb. 2019 £'000	2019/20 Program. with slippage £'000	In Year Changes £'000	Revised Program. £'000	Actuals to 30 June 2019 £'000
Scheme					
Disabled Facilities Grants*	280	612	427	1,039	40
Housing Strategy	272	272	-	272	-
Municipal Buildings Alterations	5	5	-	5	-
Housing Scheme – Julian's Yard/Ingelow Avenue	25	25	-	25	-
Marginal Viability Fund**	3,500	3,500	-	3,500	-
CCTV-System upgrade	43	43	-	43	-
Resurfacing and Footpath Improvements	23	23	-	23	-
Estates Works	10	10	-	10	-
Public Convenience Refresh Alterations	15	15	-	15	-
PSICA (Shop Front Scheme)					
23 High Street, Boston	-	34	-	34	33
49 Market Place, Boston	-	47	-	47	39
Town Centre Heritage Scheme	400	400	-	400	-
Enhanced Play Equipment and Recreational Facilities – Garfits Lane	-	73	-	73	-
Multi Use Games Area	269	269	-	269	-
GMLC Investment	57	57	-	57	-
Information Technology Refresh	45	72	-	72	13
Vehicle Replacement					
Ford Transit Tipper Van	22	22	-	22	-
Grounds Tractor	60	60	-	60	-
Refuse Vehicles***	1,225	1,225	(1,225)	-	-
St John's Depot Accommodation	-	5	-	5	3
Upgrade to Bartec Collective Crematorium – Canopy for Floral tribute area	-	18	-	18	1
25	25	-	25	-	
Crematorium – Provision of Parking and Resurfacing Works	65	65	-	65	-
Crematorium-Install Air Conditioning	25	25	(15)	10	-
Boston Masterplan-Feasibility Study	-	27	-	27	-
GMLC Boiler Replacement	-	-	45	45	-
	6,366	6,929	(768)	6,161	129

Capital Financing	2018/19 Approved Program. Feb. 2019 £'000	2018/19 Program. with slippage £'000	In Year Changes £'000	Revised Program. £'000	Actuals to 30 June 2019 £'000
External Grants and Contributions	4,367	4,859	427	5,286	106
Capital Reserve	1,531	1,554	(1,195)	359	3
I.T. Reserve	45	72	-	72	13
Transformation Reserve	-	12	-	12	-
Repairs and Renewals Reserve	151	160	-	160	7
Housing Reserve	272	272	-	272	-
	6,366	6,929	(768)	6,161	129

****Disabled Facility Grants***

Total resources for Disabled Facility Grants, including approved Better Care Funding of £0.558m for 2019/20, is £1.039m. The waiting list has been cleared, although there is still a significant number and value of cases being progressed. The speed of this is dependent on the clients' agents, availability and capacity of contractors.

At Quarter 1, the Council has commitments of £0.159m with a further £0.450m in progress of being specified and evaluated by the Lincolnshire Home Independence Agency. In addition, a further £41,000 has been committed to a joint project with other Lincolnshire District Councils and Lincolnshire County Council.

*****Marginal Viability Fund***

The £3.5m Housing Infrastructure Fund contract with Homes England was signed in July 2019 for the development of Boston United's new Community Stadium, a new major road junction, new businesses and 212 new homes. The drawdown of funds is expected in four tranches, equating to one payment of £1.682m in Quarter 3, 2019/20 with three further payments totalling £1.818m also currently expected in 2019/20.

****** Vehicle Replacements – Refuse Vehicles***

The capital programme for 2019/20 includes £1.225m for Refuse Collection Vehicle (RCV) fleet replacement. The Council has access to the Lincolnshire Vehicle Procurement Framework managed by Procurement Lincolnshire and this framework will be used to replace the RCV fleet.

Following recent discussions, timing of the fleet's replacement has been amended to 2020/21 to coincide with tendering for future vehicle maintenance arrangements.

Recommendation:

F2 To approve the updated capital programme as detailed in Table 8

9 Consultancy costs

Where specialist work is required, the Council seeks support from third parties when necessary.

Table 9 – Consultants

Consultant	Q1 £000	Activity
Link Asset Services	2	Treasury services
Anderson and Glenn	6	Architectural consultant
Elysian Associates	1	VAT Consultancy Services
Heritage Trust of Lincolnshire	2	Archaeological services
Total	11	

10 Debt Collection

A review of debts is undertaken every month and monitoring is reported against targets. Debts approved for write off by the Chief Finance Officer under the approved delegation, after all appropriate and proportionate recovery actions had been undertaken, were £41,647 for Council Tax and £10,839 for Housing Benefit Overpayments.

Approval is sought to write-off one Business Rate debt over £5,000 shown in Table 10 and two Housing Benefit Over-Payments over £5,000 shown in Table 11, where we have exhausted all recovery methods available to the council.

Table 10 – Business Rates write off

Name	Balance £	Year	Reason for write off
Fogarty (Filled Products) Ltd	145,842	2018-19	As previously reported, the company ceased trading on 29 October 2018 and went into administration.
Total	145,842		

At the Year End 31 March 2019 a bad debt provision for this was set aside, therefore there is no ongoing financial impact as a consequence of writing off this debt.

Table 11 – Housing Benefit Over-Payments write off

Name	Balance £	Address	Reason for write off
HB Ref 100055554	16,108	Benington, Boston.	Debtor deceased 08/01/19. No Estate.
HB Ref 100937945	7,886	Tattershall Road, Boston	Both HMRC and DWP have provided confirmation that the debts are irrecoverable.
Total	23,994		

An analysis of the Council's Sundry Debts held at 30 June 2019 is shown in the following table:

Table 12 – Sundry Debt analysis

Quarter 1	Not yet due	0-30 days	31-91 days	92-365 days	Over 365 days	Total
Amount £	185,506	72,161	75,184	19,962	19,320	372,133

Recommendation:

F3 To write-off the irrecoverable Business Rates Debt in the sum of £145,842 and the Housing Benefit Over-Payments in the sum of £23,994.

11 Supplementary Estimates

Supplementary estimates reflect instances where the Council has received additional income in the quarter, notified since the formal budget was set and its use is for a specific purpose.

Table 13 – Supplementary Estimates

Supplementary Estimates requiring Cabinet approval	Amount £000
Rough Sleeper Initiative (12 month funding)	145
To be added to in year budget	(145)
Rapid Rehousing Pathway (12 month funding)	161
To be added to in year budget	(161)
Controlling Migration Fund – Homelessness Project	187
To be added to in year budget	(187)

Recommendation:

F4 That the supplementary estimates in respect of Rough Sleeper Initiative, Rapid Rehousing Pathway and Controlling Migration Fund, as set out in table 13.

12 Insurance

The number of insurance claims against the Council are relatively small and are in line with the past 4 years' average. Not all claims result in the Council making a settlement payment.

A summary of the number of claims received, comparing them to 2018/19, is given below:

Table 14 – Insurance claims received

Cover	Q1
Public Liability	1 (2)
Employer's Liability	0 (0)
Motor	1 (1)
Property	0 (0)
Total	2 (3)

(Previous year comparison in brackets)

13 Procurement Exemptions

Under the Council's Contract and Procurement Procedure Rules (specifically sections 3.1.2 (1) and (2) in this instance), exemptions over £25,000 need to be approved by the Cabinet. The award of grant funding under the Rough Sleepers Initiative (RSI) requires an exemption for the commissioning of the first property under the RSI due to a number of factors -

- There is a lack of any infrastructure in Boston
- no applicable properties are available through social housing partners
- other forms of accommodation were not deemed appropriate
- only landlord/letting agent was able to deliver for the Council
- a very quick offer/decision was needed to support the application for funding under the RSI funding offer

Recommendations:

F5 That the procurement exemption in respect of commissioning the first property to support activity under RSI funding be approved.

14 Localisation of Business Rates and Council Tax Support Scheme

Table 15 – Localisation of Business Rates

	Base Estimate Included in 2019/20 £	Projected Outturn 2019/20 £	Projected Deficit/ (Surplus) in 2019/20 £
Business Rates income for the year	19,759,572	20,096,444	(336,872)
Less: Lincolnshire County Council share (10%)	(1,975,957)	(2,009,644)	33,687
Less: Central Government share (50%)	(9,879,786)	(10,048,222)	168,436
Boston Borough Council's Share (40%)	7,903,829	8,038,578	(134,749)
Renewable Energy Schemes	110,969	110,969	-
Net Levy to Pool	(256,780)	(274,207)	17,427
Business Rates - Tariff adjustment	(5,054,650)	(5,058,294)	3,644
Levy Account Surplus Grant income	40,800	40,800	-
Business Rate Income credited to General Fund	2,744,168	2,857,846	(113,678)

The projected outturn for the year to 31 March 2020 shows an overall Collection Fund surplus in year of £336,872 of which £113,678 is Boston BC's share. This surplus will carry over into 2020/21 and will be included in the 2020/21 budget and Medium Term Financial Strategy (MTFS).

Business Rates Assurance

This report covers results for the 2017 Rating List changes to date (i.e. from 1 April 2017 to 30 June 2019) and includes backdated 2010 Rating List changes made during the same period.

Of the 453 new cases finalised since 1 April 2017, a further 42 business rate assessments have been identified for the 2010 Rating List (making 238 extra ones from the start in 2014) and 110 extra ones have been identified for the 2017 Rating List. The 2017 List Rateable Value growth of £2.66m has been achieved so far from these cases. The positive impact on rates payable across both Lists has been £1.10m (5.29%). Boston's net share is £0.57m and this is worth an extra £0.54m to this Council annually. Unfortunately, this does not translate into additional funding of this amount for the Council overall, as there are other changes taking place that would, without the Business Rates Assurance Function, reduce the Council's share of total business rate income.

The Valuation Office Agency (the body responsible for maintaining the Rating Lists) still has 34 rating appeals outstanding for the 2010 Rating List (equating to 1.6% of Boston's total rating assessments in that List), and there is an appropriate provision in the Council's Accounts for the potential losses associated with any successful appeals. There continues to be no meaningful data available on outstanding appeals for the 2017 Rating List, although the outcome of these successful appeals is monitored as the appeals are determined.

Council Tax Support Scheme

2019/20 is the seventh year of the localised Council Tax Support (CTS) scheme. Following the statutory annual review during 2018/19, the decision was made to go forward into this year with a largely unchanged scheme, but allowing national up-ratings to be applied. This scheme continues to support the Government's Welfare Reform agenda to bring further reductions to the national benefits bill. The continuation of the scheme sustains the required protection of those of pension age, protects vulnerable customers and encourages people into employment. A more

fundamental review of the Council's CTS scheme will not take place until the local impacts of Universal Credit (UC) are known, which is unlikely to be for at least two years given the pace and extent of introduction of UC in Boston. The first UC cases here commenced in September 2018.

Whilst Collection of Council tax remains steady and on track against forecasts, there is still some uncertainty of the overall ongoing impact of CTS. In recognition, we continue to remain prudent in setting the bad debt provision in this area.

The number recipients of CTS in 2019/20 continues to show a roughly even split between working age claimants and pensioners.

15 Other Financial Matters

Audit and Governance Committee

A number of reports were presented to Audit and Governance Committee on the 22 May 2019:

- Annual External Audit Fee.
- External Audit Progress Report including Technical Update.
- Annual Fraud Performance Report 2018-19
- Pre-Audit Financial Report 2018-19
- Annual Treasury Management Report 2018-19
- Internal Audit Annual Report 2018-19
- Internal Audit Progress Report 2019-20
- Work Programme