



BOSTON BOROUGH COUNCIL

CABINET: 22 JANUARY 2020

**REPORT OF MARTIN HOWARD, FINANCE PORTFOLIO HOLDER AND AARON SPENCER,
LEADER**

(Author: Chief Finance Officer)

**DRAFT BUDGET SETTING REPORT AND MEDIUM TERM FINANCIAL STRATEGY (MTFS)
2020/21 – 2024/25**

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FOREWORD TO THE BUDGET FROM COUNCILLOR MARTIN HOWARD - FINANCE PORTFOLIO HOLDER AND COUNCILLOR AARON SPENCER – LEADER

This is the first budget of the new Council elected in May 2019, although both the financial and service delivery challenges that have faced councils for the last few years are set to continue.

Using the Government's figures, the real change in Boston's Core Spending Power across the four years to 2019/20 was -20%, with grant reductions well in excess of this. This meant that the Council's focus was on finding savings in a period of austerity and almost £3m of net budget reductions have been achieved since 2011, enabling annual balanced budgets to be set and delivered.

The Chancellor's 2019 single year Spending Review in September set out the Government's overall public sector spending figures for the coming year, allocating resources between government departments for 2020/21. The Government also announced that a longer term Spending Review is planned for next year, which should give councils a better understanding of the likely resources available in the medium term and assist their financial planning.

Major developments affecting the Council and the borough during 2019/20 included installation of the £100m+ Boston Barrier, the announcement of £21m funding for Accident & Emergency services at the Pilgrim hospital, the Council considering its response to the broader climate change agenda, the announcement of the award of up to £25m from the Government's Towns Fund to develop an innovative regeneration plan for the town, ongoing positive new house building numbers, progress with the Quadrant development and release of Housing Infrastructure Fund monies, and the commencement of construction of the new community football stadium.

In September 2019 the Council undertook a Peer Challenge with help from the Local Government Association, and in light of its findings and recommendations will be updating the Council's Corporate Plan during 2020 to give direction for the coming years. The outcome was very positive, and an action plan has been prepared and was approved by the Council in December 2019.

The financial regime from 2021/22 following the election of the new Government, the conclusion of the 2020 Spending Review, the proposed Fairer Funding review and introduction of further localisation of business rates, will determine the Council's future financial landscape and constraints/opportunities in the coming years. The recent closure of large local businesses highlights the difficulties that the economy faces, whilst the changing way that people shop is impacting on the viability of town centres across the country. These changes mean that there are potentially significant risks to future funding levels, which will require careful management and planning. The challenge of delivering balanced budgets remains a key issue, and the recent refresh of the Transformation Programme provides a clear framework within which resources will be aligned to continue to deliver valued services to the community. The Council's risk management processes are robust, and alongside the annual budget the quarterly performance reporting process will provide updates on the impacts experienced as things become clearer.

In 2020/21, net budget savings of over £450,000 have been identified, ensuring a balanced budget is proposed. The refresh of the Transformation Programme has ensured that the Council continues to provide the services it is required to by law, whilst also supporting the Borough's most vulnerable residents and investing in the local economy. The Council will continue to strive to be as efficient as possible in all its work, building on the existing partnership working initiatives, whilst ensuring it maximises the income it receives.

In developing the Council's budget proposals for 2020/21, it has managed inflationary pressures on its operational costs and pressures on some areas of income collection. Areas where net budget reductions have been delivered to produce a balanced budget include service modernisation initiatives in street cleansing, community safety and finance; increasing garden waste fees; amending council tax levels for long-term empty properties; and a review of bad debt provisions. The Council continues to develop its response to the 'commercial agenda' and the role of innovation and development of services to deliver new/increased income. An example is the Council's Commercial Waste Service that has delivered income growth to support the Council to deliver on its priorities and provides learning across all service areas to drive further commercialisation opportunities. In addition, following the Peer Review and continued high level of planning applications, resources have been increased in the development management service to provide additional officer capacity to support growth through the planning function.

In order to deliver its statutory budgetary duty from 2021/22 and develop proposals for a financially secure medium term, the Council will update its Corporate Plan during 2020/21 and continue to seek innovative opportunities to achieve the anticipated budget reductions necessary to deliver balanced budgets each year without adversely affecting service delivery and compromising its priorities. Reports will be presented for deliberation and approval as projects are worked up, using the Transformation Programme as the basis to progress from.

The budget for 2020/21 proposes an increase in Boston Borough Council's council tax of 2.05%. This will give an average Borough Band D council tax increase of less than 8 pence per week, with almost 90% of households paying less than this. This budget is designed to meet the Council's challenges and responsibilities, and ensure that the best possible services continue to be provided to Boston's residents, businesses and visitors.

EXECUTIVE SUMMARY:

	2019/20	2020/21
Boston Borough Council Precept	£3,618,029	£3,715,040
Council Tax Increase	2.99%	2.05%
Council Tax Band D	£189.09	£192.96
Government Funding (RSG, Specific Grants and NHB)	£1,956,050	£2,361,720
Boston Town Area Committee Special Expense Account (1.94% increase proposed) *	£680,303	£702,696
Earmarked Reserves (at 1 April)	£10.519m	£12.266m

* The 2020/21 figure for Boston Town Area Committee (BTAC) is the one recommended to its meeting on 22 January for consideration; once the budget has been recommended it will be incorporated into the reports to Cabinet and Council in February for further consideration and formal approval respectively.

SAVINGS REQUIREMENTS:

	2020/21 £000	2021/22* £000	2022/23* £000	2023/24* £000	2024/25* £000
Budget Savings Requirement (£'000) – cumulative	-	855	996	1,238	1,332
Budget Savings Requirement (£'000) – annual	-	855	141	242	94

* Given the previous announcement that a Spending Review will be undertaken during 2020/21 and the recently elected Government, at this stage future years' budget savings figures are based on projections made by LG Futures, specialist local government funding advisors

1. INTRODUCTION

- 1.1 This report outlines the 2020/21 revenue and capital position for the General Fund and proposals for the setting of discretionary fees and charges. The purpose of the report is to ask Members to recommend the 2020/21 estimates (along with associated Policies and Strategies) and council tax level for consultation prior to being reconsidered and passed to the Council for formal approval, and for Members to be advised on the projected financial position through to 2024/25. The provisional settlement figures were published by the government on 20 December 2019, with final figures expected in January/February 2020.
- 1.2 The Local Government Act 2003 introduced a requirement for the Chief Financial Officer to report on the robustness of the budget. The estimates have been prepared in a prudent manner, although it should be recognised that there are a number of elements outside of the Council's control. Assessing the projected 2019/20 outturn position informs the reliance we can place on the baseline we use for setting the 2020/21 estimates. Officers believe the outturn for 2019/20 will be broadly in line with the budget. Key risks have been identified in section 10 of this report and will be mitigated through the regular budget monitoring and risk management processes in place at the Council.
- 1.3 This year's Medium Term Financial Strategy is set at a time of continuing significant uncertainty, change and financial challenges for local government, with issues such as the new Government's priorities, welfare reform, responding to reductions in Central Government funding (with a greater emphasis on business and housing growth), the previously proposed 2020 Spending Review, and the expectation of a new funding regime from 2021/22 all contributing to the scale of the challenges the Council faces.
- 1.4 There are also significant changes affecting business rates. Some have already been introduced (the part-localisation of the regime from April 2013 and the 2017 revaluation exercise) and others (the proposal to further devolve business rate incomes to councils) are yet to come into full effect. Their impacts include the positive financial effect of growth in the local rateable value on the Council's resource base, but this comes at a price, with increased uncertainties surrounding the extent of appeals and the ability to accurately forecast income into the future.
- 1.5 All of these changes create both opportunities and downside risks to the Council, and are reflected in the Strategy.

2. BUDGET ASSUMPTIONS

Table 1 – Assumptions which influence the five year financial strategy

Assumption	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Budgeted inflation ¹	0%	0%	0%	0%	0%	0%
Pay costs increase ²	2% from scp 12	2%	2%	2%	2%	2%
Full Time Equivalent Employees ³	262.9	266.3	264.0	263.8	263.8	263.8
Pension contribution rate – current service cost ⁴	16.6%	17.7%	17.7%	17.7%	17.7%	17.7%
Pension contribution rate – lump sum element ⁴	£570,000	£598,000	£670,000	£745,000	£835,000	£935,000
NI contribution rate ⁵	13.8%	13.8%	13.8%	13.8%	13.8%	13.8%
Return on cash investments	1.00%	1.00%	1.00%	1.10%	1.20%	1.40%
Return on property funds	3.0%	3.25%	3.25%	3.25%	3.25%	3.25%
Staffing levels	99%	99%	99%	99%	99%	99%
Tax base ⁶	19,133.90	19,252.9	19,445.4	19,639.9	19,836.3	20,034.7
Fuel cost rises ¹	3%	5%	5%	5%	5%	5%

1. 0% used except for utilities/fuel where 5% per annum has been used, reflecting the price risk for these areas and also taking into account any gains from both climate change and transformational activity by the Council which are likely to lead to reduced consumption.
2. A flat 2% has been included for 2020/21 onwards.
3. It is recognised that some projects within the Transformation Programme could potentially further affect staffing numbers in future years. Until business cases are worked-up it is not possible to make further assumptions on any changes.
4. The pension contribution rate is based on a current service cost employer's contribution rate of 17.7% from 2020/21, plus annual monetary contributions in respect of past service.
5. The National insurance contribution is included at 13.8%; however this may change over the five years.

6. The tax base used for Council Tax setting is calculated as prescribed by statute, with responsibility for the setting of the tax base delegated to the Council's Section 151 Officer. The tax base for 2020/21 is 19,252.9 and for estimation purposes has been increased by 1% per annum thereafter. This may increase if the recent number of planning applications deliver additional Band D equivalent properties above the assumption, and will be reflected in the annual budget figures as appropriate.

3. RESOURCES

Business Rates Retention

- 3.1 Table 2 details the Council's retained business rates for 2020/21, based on the provisional local government settlement.
- 3.2 Under the current part localisation regime, where the Council collects more business rates than the baseline set by Central Government, a levy of 50% is applied and paid to Central government. A way to avoid this levy to Central Government is to pool business rates with a County Council, and, as in most years since 2016/17, Boston has entered into a voluntary pooling arrangement for 2020/21 with Lincolnshire County Council and some of the District Councils in the area (in 2018/19, the Council was part of a successful bid across the county to be a pilot for 100% localisation).
- 3.3 The Government has announced intentions for business rates to become 75% retained by councils, with proposals for a new funding system for local authorities also due to be in place from 2021/22. Consultation papers on the potential future localisation and Fairer Funding proposals were published in 2019, and their impacts will be reported as the regime is developed. Three yearly revaluation periods are set to be introduced from 2021.
- 3.4 Information on the new procedure for appeals, introduced at the same time as the 2017 national revaluation, continues to be limited to date, and there is a possibility that the actual situation will be significantly different from that included in the forward estimates which may require the Council to adjust its forecasts in light of the outcome.
- 3.5 As a consequence of the part localisation of the business rate regime the Council recruited a Business Rates Assurance Manager to ensure that the list is complete and accurate. The cost of the officer is funded from additional business rate income to the Council, and outcomes from that area of work are reported as part of the quarterly monitoring process, with significant positive impacts to the Council to date during a time when there have been numerous challenges to the list.

Table 2 – Business Rates

	2019/20 £'000	Draft 2020/21 £'000	Draft 2021/22 £'000	Draft 2022/23 £'000	Draft 2023/24 £'000	Draft 2024/25 £'000
Retained Business Rates	7,904	8,017	8,393	8,586	8,781	8,983
Tariff	(5,055)	(5,141)	(5,436)	(5,543)	(5,650)	(5,760)
Pre Levy Income	2,849	2,876	2,957	3,043	3,131	3,223
Renewable Energy (100% retained by Boston BC)	111	204	164	167	170	174
Less net levy payment to Lincolnshire Pool	(257)	(250)	-	-	-	-
Levy Account Surplus – Settlement Data	41	-	-	-	-	-
Estimated Business Rates (Deficit) / Surplus	1,569	(273)	-	-	-	-
Equals Net Retained Business Rates Income	4,313	2,557	3,121	3,210	3,301	3,397

- 3.6 The business rates surplus for 2019/20 in Table 2 is due mainly to the outcome of a review in 2018/19 into the appropriate provision needed to cover the likely costs of appeals not yet determined. The 2020/21 deficit reflects the fact that 2019/20 actual figures are expected to be below those estimated, recognising the difficult economic conditions being faced. It is being funded from the Funding Volatility Reserve.
- 3.7 In the 2018 Budget, the Chancellor announced support for retail businesses that reduces the amount of business rates shown in the table above for 2019/20 and 2020/21; compensating Section 31 grant money is being received by the Council to offset this.
- 3.8 The future business rate projections are in line with the inflation indices used by the Government. To illustrate the potential impact should these rates not materialise, uplifts of 2% p.a. would reduce the Council's retained business rates by approximately £120,000 by 2024/25. The annual MTFs refresh will provide updates on the projections, but they are included here to indicate some of the extent of uncertainties in the Council's future resource base inherent in the localisation regime. Also, in the November 2017 Budget the Chancellor announced a change to the method of indexation for business rates, to CPI, the cost of which will be reimbursed to councils through section 31 grant.

- 3.9 From 2021/22, the proposed revised regime could present risks to the Council's future funding position, depending on its growth in relation to the rest of the country between revaluations and the details of how the regime will operate.

Council Tax

- 3.10 Since 2013/14, the Council has revised its exemptions and discounts for Council Tax to recover the reduced funding as part of the Council Tax Support (CTS) scheme, and on 16 December 2019 the Council approved its CTS scheme for 2020/21.
- 3.11 The Council Tax element of the Collection Fund has been calculated based on the 2019/20 scheme, leaving a budget neutral position. This will be reviewed throughout the year, and collection rates assessed. The MTFS assumes an increase in the Borough's council tax of 2.05% for 2020/21, then circa 2.0% p.a. thereafter. The surplus in 2019/20 is as a result of additional properties being built during 2018/19 above the estimated figure.

Table 3 – Council Tax

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	No. Of properties	No. Of properties	No. Of properties	No. Of properties	No. Of properties	No. Of properties
Council Tax base (Band D equivalents)	19,133.9	19,252.9	19,445.4	19,639.9	19,836.3	20,034.7
	£	£	£	£	£	£
Council Tax Band D	189.09	192.96	196.83	200.79	204.84	208.98
Annual Increase £	5.49	3.87	3.87	3.96	4.05	4.14
Annual Increase %	2.99	2.05	2.01	2.01	2.02	2.02
Gross Council Tax collected	3,618,029	3,715,040	3,827,438	3,943,496	4,063,268	4,186,852
In year Surplus / (deficit)	30,000	10,900	-	-	-	-
TOTAL	3,648,029	3,725,940	3,827,438	3,943,496	4,063,268	4,186,852

Revenue Support Grant (RSG) and Section 31 Grants

Table 4 – RSG and Section 31 Grants

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue Support Grant	342	311	355	362	369	376
Rural Services Delivery Grant	85	85	85	85	85	85
Brexit Preparation Grant	17	-	-	-	-	-
S31 NNDR reliefs including SBRR	808	1,080	-	-	-	-
Total Received	1,252	1,476	440	447	454	461

- 3.12 Following the announcement of four year figures in 2016/17, significant reductions of Revenue Support Grant (RSG) have occurred in recent years, and from 2021/22 it has been held at present levels awaiting the outcome of proposals for further localisation of the business rates regime.
- 3.13 As part of the plans for further local retention of business rates, S31 relief grant has been removed from 2021/22. Other grants have been left in for illustration purposes until more detail is known.
- 3.14 In March 2016, the Government announced it would make the exempting of small businesses from business rates permanent, and the table above reflects the estimated reimbursement from government for Boston's share of this cost.
- 3.15 As part of the 2016/17 four year settlement, the Government gave some recognition to the additional costs of providing services in rural areas, with affected councils receiving amounts of Rural Services Delivery Grant over the period to 2019/20; this has been extended for one year and so in 2020/21 the Council will again receive support.

New Homes Bonus

- 3.16 The New Homes Bonus (NHB) was introduced in order to provide a clear incentive to local authorities to encourage housing growth in their areas. The Government then published a consultation paper in December 2015 “New Homes Bonus: Sharpening the Incentive” in order to make changes to the scheme from a system with no controls to one that is cash-limited each year. Key changes introduced in 2017/18 were:
- A move to four-year payments for both existing and future NHB allocations from 2018/19.
 - Introduction of a national baseline of 0.4%, for 2017/18 and 2018/19, below which allocations will not be made.
 - Government will also retain the option of making adjustments to the baseline in future years to reflect significant and unexpected housing growth.
 - Allocations will continue to be un-ring fenced.
- 3.17 For 2020/21, the Government has announced that payments will be made for one year only, with legacy payments for earlier years phased out over the coming years.

Table 5 – New Homes Bonus estimates

Boston BC share	2019/20	Draft	Draft	Draft	Draft	Draft
	£000	2020/21	2021/22	2022/23	2023/24	2024/25
		£000	£000	£000	£000	£000
TOTAL	721	886	482	289	-	-

- 3.18 It is anticipated that the Government will introduce a revised future incentive for councils to promote local growth, although no details have been published yet.
- 3.19 In line with the provisional settlement, the MTFs assumes that 50% of NHB payments will be transferred into the Capital reserve each year, with the remaining 50% used to support the Council’s revenue budget until 2022/23.

Fees and Charges

- 3.20 Income from fees and charges is an important source of revenue for the Council, representing over 13% of the gross income budgeted in 2020/21. Charges have a central role to play in service delivery, raising income, controlling access, responding to competition, funding investment and affecting behaviour.
- 3.21 For 2020/21, there is one area where a fee increase from 1 April 2020 has already been approved, for the collection of garden waste. The fees and charges charged in 2019/20 are shown at <https://moderngov.boston.gov.uk/documents/s6302/Appendix%20-%20Fees%20and%20Charges.pdf>
- 3.22 The Planning fee income budget has been revised upwards following the adoption of the Local Plan and the recent increase in the number of applications received, and expected to be received in the coming years. This has required additional staffing resource which is included in the spending plans set out in Section 4, funded from the additional fee income.
- 3.23 Fees and charges are set within the framework of the Corporate Charging Policy, which is attached at **Appendix 3**.
- 3.24 As part of the broader moves to commercialisation across the Council, in line with many other authorities as they respond to the increasing challenges of diminishing resources, it is recognised that, in accordance with the Corporate Charging Policy, in-year variances to the approved fees and charges on a trial basis, within the approved budget framework, can be made. Any such changes will then be reported in the next quarterly monitoring report.
- 3.25 **Appendix 4** shows the proposed fees and charges to be charged from 1 April 2020. Once these changes have been approved the full list of Council fees and charges applicable for 2020/21 will be published on the Council's website.
- 3.26 The following table shows the main income budgets from fees and charges for Boston, before any consideration of possible increases beyond 2020/21 as part of balancing net budget and resources in those years. At this time assumptions for the majority of these areas are that income levels will not increase within the period of the MTFs, and this will be revisited as part of the annual Budget and Strategy refresh. Given the scale of Transformation savings required in the coming years, it is likely that future years will see rises in some fee areas.

Table 6 – Fees and charges income budgets

Budget Area	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000	£'000
Leisure income	961	948	948	948	948	948
Building control	183	183	183	183	183	183
Licensing	122	131	131	131	131	131
Land charges	99	91	91	91	91	91
Bereavement	828	859	885	911	941	968
Garden Waste	408	574	574	574	574	574
Trade waste	251	285	294	302	311	321
Planning fees	515	561	571	584	594	601
Parking	990	1,019	1,019	1,019	1,019	1,019
Markets	160	130	130	130	130	130
Other small areas	169	179	179	182	183	184
TOTAL FEE INCOME	4,686	4,960	5,005	5,055	5,105	5,150

Other Income

3.28 The Council also receives a number of other forms of income, and these are shown in the following table:

Table 7 – Other Income

	2019/20 £'000	2020/21* £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Housing benefit subsidy	17,847	15,170	15,170	15,170	15,170	15,170
Council tax and Housing benefit administration grant	323	299	299	299	299	299
Specific government grants	119	47	46	45	44	44
Housing benefit overpayments	80	120	120	120	120	120
Court income	197	251	251	251	251	251
Rental income	617	578	579	579	579	578
NNDR admin grant	92	92	92	92	92	92
Other Contributions (from external bodies for sharing of services and posts)	868	836	857	876	895	790
Other Income	915	960	960	876	932	1,030
Total Other Income	21,058	18,353	18,374	18,308	18,382	18,374

* Housing benefit subsidy has reduced following the initial introduction of Universal Credit locally. Future phases have not been factored into budgets as their timing and impact are uncertain.

External Funding opportunities

3.29 With the continuing reduction in resources available to the Council it will be important to seek and secure funds from external sources wherever possible, in accordance with the Council's priorities. For example, the announcement during 2018/19 of the Council's successful bid, in conjunction with partners, in relation to the Controlling Migration Fund. The Council's revenue element is shown within specific government grants for 2019/20.

Summary

Table 8 – All sources of income

Budget Area	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000	£'000
Business rates	4,313	2,557	3,121	3,210	3,301	3,397
Revenue Support Grant	342	311	355	362	369	376
Other Grants	910	1,165	85	85	85	85
New Homes Bonus	721	886	482	289	-	-
Total Government Resources	6,286	4,919	4,043	3,946	3,755	3,858
Council tax – Boston BC precept, including Collection Fund adjustment	3,648	3,726	3,827	3,943	4,063	4,187
BTAC Special Area Expense	680	703	724	746	768	791
Parish Councils' Precepts	404	410	415	420	425	430
Fees & charges	4,686	4,960	5,005	5,055	5,105	5,150
Other income	21,058	18,353	18,374	18,308	18,382	18,374
Return on Cash Investments	82	100	123	147	181	218
Return on Property Funds	629	977	982	987	991	996
Contribution from Reserves	2,623	2,539	233	306	94	112
Gross budgeted income	40,096	36,687	33,726	33,858	33,764	34,116

4. 2020/21 SPENDING PLANS

- 4.1 The following table shows the estimates by type of expenditure/income split over the CIPFA standard classification for the next five years. The paragraphs below the table provide information on budget variances between years. Details of the overall position are shown at **Appendices 1 and 2**.

Table 9 – Estimates by expenditure/income

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000	£'000
Employees	9,555	9,513	9,742	9,957	10,324	10,615
Premises	1,360	1,400	1,418	1,452	1,487	1,482
Transport	552	531	547	563	579	588
Supplies and Services	2,801	3,174	2,901	2,880	2,954	3,057
Third Party Payments	201	155	157	159	161	163
Drainage Board Levies	1,899	1,942	1,981	2,020	2,061	2,110
Parish Councils' Precepts	404	410	415	420	425	430
Transfer Payments	17,847	15,170	15,170	15,170	15,170	15,170
Direct Revenue Financing of Capital	1,999	1,861	204	288	76	94
Interest Payable on Borrowing	500	494	494	494	494	494
Minimum Revenue Provision	-	15	15	15	15	15
Contribution to Reserves	2,978	2,022	1,537	1,436	1,258	1,230
Savings Target	-	-	(855)	(996)	(1,238)	(1,332)
Gross Expenditure	40,096	36,687	33,726	33,858	33,764	34,116

- 4.2 All staffing costs have been prepared in accordance with the Council's Pay Policy as detailed in **Appendix 7**. Pension cost estimates have been prepared on the basis of whether current post holders were in the scheme or not as at 31 August 2019. The pension costs reflect the revised contribution rates and lump sum payable as detailed in the triennial pension valuation results that will take effect from 1 April 2020.
- 4.3 Internal Drainage Board (IDB) increases have been estimated at this time, with an increase of 2% p.a. assumed. At a time of significant cuts and having to find significant savings annually, the Council is liaising with the local Internal Drainage Boards to work towards limiting future increases where possible. IDB commentary on their areas of work is included at **Appendix 8**.

- 4.4 Capital financing and direct revenue financing is mainly for capital expenditure funded from reserve contributions.
- 4.5 The contribution to reserves is for contributions to the capital reserve from New Homes Bonus funding, and the revenue contribution to the capital programme (£400,000 in 2020/21). The overall contribution is anticipated to reduce significantly across the MTFS period due to the New Homes Bonus scheme ending.

5. COUNCIL TAX REQUIREMENT

- 5.1 Outline estimates through to 2024/25 are shown at **Appendices 1 and 2**. In compiling these figures we have used the assumptions set out in Section 2 of this report and made specific adjustments to service budgets as and where Service Managers have advised of changes over the medium term. These forward estimates allow for annual increases of 2% at Band D from 2021/22 onwards for Council Tax, but are subject to risks surrounding the Secretary of State's annual referendum limits. These assumptions are for planning purposes only and are likely to change.

Table 10 – Council Tax Requirement

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Net Expenditure	9,009	9,055	9,011	9,266
Retained Business Rates	(3,121)	(3,210)	(3,301)	(3,397)
Revenue Support Grant	(355)	(362)	(369)	(376)
New Homes Bonus	(482)	(289)	-	-
Parish Councils' Precepts	(415)	(420)	(425)	(430)
Other Grants	(85)	(85)	(85)	(85)
Special Expenses	(724)	(746)	(768)	(791)
Boston BC Council Tax Requirement	3,827	3,943	4,063	4,187

- 5.2 The forward estimates demonstrate that achieving a balanced position annually will require significant ongoing savings, and the approval of the refreshed Transformation Programme provides the framework for this. Further information on efficiencies and economies is provided in section 9 of this report.

6. OTHER BUDGET ISSUES

- 6.1 In order to meet its obligations, equality impact assessments will be carried out when the nature of proposed changes to services and the potential mitigation (if any) is clear, so that the implications of decisions are fully understood as they affect specific groups and communities. These have been, and will continue to be, regularly undertaken and considered as part of the decision making process.
- 6.2 Cabinet members are also asked to note the draft budget proposals for the Boston Town Area Committee, set out in the Executive Summary, which will be discussed at its meeting on 22 January 2020. The outcome of its deliberations will be reported in the February reports to Cabinet and Council for recommendation and formal approval respectively.

7. RESERVES

- 7.1 To comply with the requirements of the Local Government Act 2003, the Council must undertake a review of the level of reserves as part of annual budget preparation. A review of the current projection for reserves has been undertaken, including a review of current and future 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.

General Balances

- 7.2 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.

Specific Reserves

- 7.3 Specific reserves are set up to provide funds for known future commitments or provide resources for unexpected events. The projected closing balance on specific reserves over the next five years is given below in table 11. 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.
- 7.4 The projected increase in the Capital Reserve is as a direct consequence of the expectation that the Council's capital resources will diminish in the coming years, and if it is to protect services and the value of its assets, the Council will need to ensure that funds are available to support core service priorities, as well as seeking external sources wherever possible.
- 7.5 The creation of the Mitigation Reserve occurred following the approval of capital spend on Property Fund holdings, with the recognition that the Council needs to ensure that future revenue budgets are protected, if necessary.

Table 11 – Specific Reserves

Reserve	Balance 31.03.20 £'000	Balance 31.03.21 £'000	Balance 31.03.22 £'000	Balance 31.03.23 £'000	Balance 31.03.24 £'000	Balance 31.03.25 £'000
Capital Funding	(5,298)	(5,657)	(6,924)	(8,020)	(9,132)	(10,261)
Transformation	(946)	(966)	(986)	(1,018)	(1,018)	(1,018)
ICT	(322)	(222)	(175)	(105)	(85)	-
Repairs and Renewals	(674)	(628)	(655)	(690)	(725)	(761)
Housing	(1,243)	(834)	(871)	(909)	(946)	(984)
Controlling Migration Fund	(80)	-	-	-	-	-
Funding Volatility Reserve	(2,930)	(2,669)	(2,669)	(2,669)	(2,669)	(2,669)
Insurance	(290)	(290)	(290)	(290)	(290)	(290)
Property Fund Mitigation Reserve	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
Total	(12,783)	(12,266)	(13,570)	(14,701)	(15,865)	(16,983)

- 7.6 **Appendix 5** and table 11 above outline the projected position on reserves over the next five years. This shows the name of each specific reserve, the balance as at the 1 April for each year of the financial strategy, and the movements in capital and revenue.
- 7.7 The main increase in reserves relates to the capital reserve. There are a number of potential capital commitments and risks such as ongoing investment in assets and energy efficiency measures, the majority of which have not been included in the capital programme at this point. A condition survey of the Council's assets will be undertaken during 2020/21 to inform future capital spend. Proposals will be brought forward annually as schemes are worked up.
- 7.8 The Government has been critical of Councils across the country and their levels of reserves. However, given strategic risks, such as business rate appeals and flooding, and uncertainties in respect of the amount of resources to meet future spending plans, we believe that Boston Borough Council's proposed level of reserves is appropriate.

8. CONSULTATION

- 8.1 Under the Gunning Principles, the following points are the golden rules of consultation:
- Proposals being consulted upon must be at a formative stage;
 - Proposals must contain enough information for the respondent to provide intelligent consideration;
 - Must give adequate time for a response;
 - Responses must be conscientiously taken into account.
- 8.2 Using these principles, the budget consultation process for the 2020/21 budget will comprise a number of elements. Firstly it will be published on the Council's website for consultation by all stakeholders, including the local business community.
- 8.3 In addition to this we will consult through a number of Member forums including Cabinet and Scrutiny; and on the governance aspects of its preparation through the Audit and Governance Committee.
- 8.4 Following the budget consultation process, comments received through the Member forums, preceptors and the public exercise will be taken into account in preparing and recommending the proposed budget for Cabinet review and formal Council approval on 19 February and 2 March 2020 respectively.

9. SAVINGS TARGETS/TRANSFORMATION PROGRAMME

- 9.1 The draft 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. The upcoming 2020 Spending Review and the outcome of the Fairer Funding review will impact on the Council's future resources and future savings.
- 9.2 In response to the likely challenges facing it, the Council refreshed its Transformation Programme which was formally approved in September 2019. It seeks to ensure that annual balanced budgets can be set across the MTFS period to 2025 without the need to cease the provision of any services, although some will be delivered differently as a result of implementing changes to reduce costs or improve income.
- 9.3 The table below shows the savings that have been included in the 2020/21 budget that have enabled the draft proposals to produce a balanced position for next year.

Table 12 – Transformation Programme savings in 2020/21

Transformation Theme Title	2020/21 £'000
TP 5 Service Modernisation - Corporate Services	20
TP 6 Service Modernisation - Finance review	28
TP 7 Service Modernisation – Housing & Regulatory	108
TP13 Policy Changes – Review collection rates	40
TP15 Income Generation – Garden waste	194
TP16 Income Generation – Other Fees	76
TOTAL	466

- 9.4 Based upon current budget assumptions the value of cashable savings required by the Transformation Programme to set a balanced budget for the next five years are as follows:

Table 13 – Savings Targets

	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Budget Savings Requirement (£'000) – cumulative	-	855	996	1,238	1,332
Budget Savings Requirement (£'000) – annual	-	855	141	242	94

- 9.5 Given the scale of savings made in recent years, the £1.332m gap by 2024/25 is significant, and the Council will need to maintain its focus and commitment if it is to achieve its aspirations.
- 9.6 In addition, there have been some events and actions during 2019/20 that have impacted on the MTFs assumptions for next year, which are incorporated into the draft budget figures. The main areas are:
- The one year financial settlement for 2020/21;
 - The single year payment of New Homes Bonus monies in 2020/21 with no legacy payments thereafter; and
 - Planning income increases due to numbers of applications, which has enabled additional resources for the development management service.
- 9.7 The ongoing delivery of a significant level of savings is recognised as a key challenge to the Council that will require both political direction and cultural change to ensure it is met.

10. RISK AND SENSITIVITY

- 10.1 The Council is required to set a budget, which is a realistic statement of its estimated Income and Expenditure for the coming year based upon information currently available to it. It has a duty to take into account the demand for its services, and the effect upon council taxpayers of meeting those demands at varying levels of service. I have examined the budget proposals contained in this report, and believe that whilst the spending and service delivery proposals contained within are tighter than we have previously set, they are nevertheless achievable and deliverable given good management practices and sound financial and performance monitoring. I am satisfied that the requisite management processes exist within the Council to deliver this budget, and to identify and deal with any problems which may unexpectedly arise throughout the year. We fully expect there to be a need to review these budgets throughout the coming financial year in order that we can respond to as yet undefined financial risks. As an organisation we recognise a period of budgetary turbulence and we will use our financial management processes to identify options that will allow us to adjust our budgetary position as and when required. Formal quarterly budget monitoring updates are presented to members throughout the year.
- 10.2 The following table shows the key risks and how we intend to treat them through our risk management practices. Members receive updates through the quarterly performance monitoring process as information becomes available.

Table 14 – Key Risks

Risk	Likelihood	Impact	Action
Fluctuation in business rates	High	High	Growth plans and accurate monitoring
Lack of funding from partners	High	High	Engagement and realism
Inadequate capital resources	High	High	Proportionate spending, sale of surplus assets, capital property fund spend
Central Government policy changes	High	High	Engagement in consultation and policy creation
Reductions in Government Funding	High	High	Lobbying and service transformation
A poor settlement for rural councils	Medium	High	Lobbying as a special interest group
Fee income volatility	Medium	Medium	Early monitoring of deviations
Increased demand for services	Medium	Medium	A robust performance management framework
Failure to deliver the required transformation programme	Low	High	Effective programme and project management

11. CAPITAL PROGRAMME

- 11.1 In drawing together the proposed capital programme we have taken a five year view from 2020/21 to 2024/25, to run alongside our revenue plans. This is sensible and encourages a link between revenue and capital spending decisions.
- 11.2 It is important to emphasise that no scheme will appear on the Capital Programme until the criteria set out in the capital strategy have been met and agreed by committees of the Council. Members may well be aware of several potential projects which are not included in the proposed five year capital programme. This is not to say that they will not happen but that they will not be included until an affordable business case is approved and more information is available. We will have a programme which is likely to have further schemes added once aspirations are turned into robust projects. The decisions that are taken ultimately have to be affordable, prudent and sustainable for the local community.
- 11.3 The future for capital investment, funded from both the Council's resources and external resources, will be dependent on decisions taken as part of each year's budget process. Our capital resources have been substantially eroded over time and we aim to take money from revenue to ensure that statutory commitments can continue to be met. This will demand a greater role for the Council's Asset Management Plan to ensure that future liabilities are reduced and that capital receipts are maximised. Commentary on the plan is provided at **Appendix 6**.
- 11.4 The suggested capital programme (including details of anticipated slippage in the 2019/20 capital programme) for 2020/21 to 2024/25 is shown in table 15 along with how the programme will be financed. It should be noted that some risk exists with capping the finance available for Disabled Facilities Grants (DFG) works as this is a statutory provision dictated by law based on need rather than the ability of the Council to provide the funds to carry out the works, and as such it is subject to ongoing review.
- 11.5 Following the publication of CIPFA's review and MHCLG guidance on the Prudential System (which guides and regulates councils' capital and investment strategies), during 2018/19 the Council made use of external borrowing to support the Council's long term Capital Strategy, by purchasing capital Property Fund units. The intention is to bring a number of benefits to the Council over the medium to long term, including yield, growth in future capital resources, statutory service resilience and historically low interest rate finance. This is subject to regular monitoring and is primarily overseen by the Audit and Governance Committee.

- 11.6 The Peer Review, overseen by the Local Government Association, conducted during the current year, recommended that work be commissioned on an asset condition survey, to provide supporting information to allow a longer term capital programme to be prepared. This will be done during 2020/21 and will inform future capital programmes, particularly when the medium term resource position is clearer.
- 11.7 In addition, Boston was chosen by the Government as one of 101 towns to be able to bid for funding of up to £25m to support growth initiatives for the town over the coming years. As projects are worked up by the Town Board and approved by the Government, the Council's capital programme will be amended accordingly.
- 11.8 Given the resource constraints with regard to funding the Council's future capital commitments it is proposed that the contribution from revenue budgets to the capital reserve is set at £0.4m in 2020/21, and then subject to annual review thereafter. This contribution is necessary given the absence of necessary capital receipts and the cessation of the New Homes Bonus from 2021/22.
- 11.9 The proposed capital programme is affordable, meets the Council's obligations and provides a basis for growth. An update to the capital strategy, which underpins the capital programme proposed from 2020/21 to 2024/25, is attached at **Appendix 6**.

Table 15 – Capital Programme

Capital Programme £'000	Expected Slippage in 2019/20	Revised 2020/21 with Slippage	2021/22	2022/23	2023/24	2024/25
1. Disabled Facilities Grants	-	280	280	280	280	280
2. Housing Strategy	150	150	-	-	-	-
3. Noise Monitoring Equipment	-	-	10	-	-	-
4. Vehicle Replacement Programme						
Refuse Fleet	1,225	1,279	-	-	-	-
Street Cleaning-road sweepers	-	240	75	-	-	-
Ford Transit Tipper Vans 350 (4)	-	-	-	50	56	-
Ford Transit Vans 290, 300 & 1.5tdci Courier(3)	-	-	-	60	-	-
Ford Ranger 2.5	-	-	-	25	-	-
5. Grounds Maintenance – Mower Replacement	-	-	20	80	-	-
6. Town Centre Heritage Scheme	400	981	458	42	-	-
7. Information Technology Refresh	-	100	47	70	20	94
8. Resurfacing and Footpath Improvements	-	11	14	-	-	-
Totals	1,775	3,041	904	607	356	374

Capital Financing £'000	Revised 2020/21 with Slippage	2021/22	2022/23	2023/24	2024/25
1. Capital Grants and Contributions	1,180	700	319	280	280
2. Capital Reserve	1,530	149	218	56	9
3. IT Reserve	100	47	70	20	85
3. Repairs and Renewal Reserve	81	8	-	-	-
4. Housing Reserve	150	-	-	-	-
Totals	3,041	904	607	356	374

12. OPTIONS

- 12.1 There are no alternative options presented, and Cabinet are requested to recommend the draft budget and council tax level for consultation. Given the likely outlook for future resource levels, the Council needs to focus strategically over the next five years, and consider to what extent they wish to maintain existing services, how services might be prioritised, and to develop proposals on how future budgetary shortfalls might be addressed. As in previous years, the Cabinet are encouraged to work with all Members (and stakeholders generally) as critical friends to assist in the development of future years' budgets.

13. REASONS FOR RECOMMENDATIONS

- 13.1 To comply with the budgetary and policy framework.

14. RECOMMENDATIONS

- 14.1 To recommend the draft budget and associated documents for consultation, specifically:
- The budget setting report and associated policies and strategies 2020/21 – 2024/25, and
 - The Borough Council Tax for a Band D property in 2020/21 is set at £192.96.