

Section Four - General Fund Revenue Budget

Revised Budget 2019-20

1. During 2019-20, the Cabinet and Finance & Audit Committee (which provides the scrutiny function over budgetary control) have received three quarterly budget monitoring reports. Each Budget Monitoring report has included a summary of the known variances contributing to the projected year-end financial position of the authority.
2. The Budget Monitoring Report showing the projected financial position at the end of Quarter Three (period to 31 December 2019) indicates a projected underspend for the year of £1,066,110. The original budget was set on the basis of drawing £742,500 from working balances to fund the budget requirement for the year; the projected outturn indicates that this action is unlikely to be required, with instead a contribution to working balances being made, albeit income and expenditure variances in the last quarter of the year will impact on this figure.

Revenue Budget 2020-21

3. The Original Estimate for 2020-21 represents a balanced budget position, with a further contribution of £270,100 being made to working balances in 2020-21 (assuming a Council Tax increase of £4.95 (2.44%) in 2020-21). This provides a further welcome boost to the council's working balances given the uncertainty around the funding of local government beyond 2020-21.
4. A draft Budget Book is attached at Appendix 4a for Member information. The key factors considered when proposing the budget for 2020-21 are set out below.

Employee Costs

5. The National Joint Council for local government services have lodged a 2020 pay claim with the National Employers, seeking:
 - a 10% pay increase
 - a one-day increase in annual leave
 - a two-hour reduction in the working week
 - a review of workplace stress and mental health
6. In response to the 2020 pay claim, the National Employers indicated that they would not be in a position to respond to the claim until the outcome of the General Election was known. In the absence of any agreed pay claim, the proposed revenue budget for 2020-21 reflects a 2% pay award for all staff; this is in line with the pay award assumptions of other council's whose pay negotiations are also managed by the National Employers.

The Kent Superannuation Fund has recently undergone its triennial revaluation and the draft results have been shared with key stakeholders. The review will set the ongoing employer's contribution rate from 1 April 2020 as well as the level of back funding contributions. The draft figures represent 2020-21 employer contributions for Gravesham being some £54,000 more than 2019-20 levels, with the balance between future services contribution and back funding having been adjusted. This has been incorporated into the proposed budget.

7. A Vacancy Allowance of £350,000 has been retained for the General Fund.

Running Expenses

8. The council maintains budgets for regular expenditure on supplies and services which support the council in delivering its services to residents and achieving its objectives. Working with budget holders, these budget lines have been reviewed for 2020-21 to ensure that sufficient financial provision is made for such costs and that budgets remain fit for purpose.
9. The council is less exposed to inflationary pressures than other similar organisations due to a number of services (such as waste collection and recycling) being delivered in-house. Where known, inflationary increases have been built into the budget and the council retains an inflation provision to respond to any further pressures that may arise during the year.

Capital Financing

10. The council has existing external borrowing for the general fund in the form of a stock loan that is due to be repaid in May 2020, and has planned external borrowing to fund the capital programme for 2020-21. The interest payable on this borrowing is estimated to be £195,640.
11. The council is required to charge an expense to its revenue account for the repayment of external debt associated with its investment in capital assets (known as Minimum Revenue Provision, or MRP). For 2020-21, the required provision for this purpose is £672,780.

Other Government Grants

12. The council receives a number of grants from government, principally to compensate the council for lost business rate due to reliefs granted to businesses by central government or to support the administration of Housing Benefit and Localised Support for Council Tax.

Investment Income

13. Generating returns from traditional investment sources continues to be challenging, albeit the council has sought to maximise its returns where possible by expanding its investment portfolio into Property Funds and Diversified Income Funds. The council's treasury advisors, Link Asset Services, are currently forecasting that the Bank of England base rate will remain at 0.75% until March 2021 before increasing to 1.00%. This, along with the expected returns from Property Funds and Diversified Income Funds, has been factored into the investment Income projections within the MTFP.

Interest Rate Forecasts								
Bank Rate	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21
Link	0.75%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%

Fees and Charges

14. The responsibility for determining fees and charges has been delegated to Directors and Assistant Directors (with the exception of car park fees). The council reviews its fees and charges structure at least annually, and a report on the outcomes of this have been reported to Cabinet.

Rental Income

15. The council receives rental through number of lease arrangements, principally in respect of its commercial property portfolio, co-location of partner organisations within the Civic Centre and from council-owned garage sites.

Appropriations

16. The council will make a number of planned transfers into working balances and reserves during 2020-21 to support future spending plans and help cushion the impact of uneven cashflows or unexpected events, avoiding the need for temporary borrowing. As set out in Appendix 6, as part of the budget setting process the Director (Corporate Services) has considered the adequacy of the council's reserves and working balances; the proposed appropriations to and from reserves and balances are in accordance with the review and are in line with the council's Reserves Policy.
17. In 2020-21 the council will continue its policy decision of taking New Homes Bonus Funding directly to working balances when received.

Medium Term Financial Strategy – Bridging the Gap/Balancing the Budget activity

18. Since 2016, the council has been proactively progressing the workstreams set out below as a sound and realistic plan for managing the council's finances during the challenging period of austerity and the cuts to local government funding, whilst also seeking to protect services most valued by the community and deliver financial sustainability for the future.

Workstream	Expected Value of Activity (£)
Property Acquisition Strategy (Phase 1)	400,000
Fees and Charges Activity	270,000
Service Review Process Option Implementation	1,430,000
Shared Service Progression	240,000
Budgetary Challenge Measures	200,000
Property Acquisition Strategy (Phase 2)	397,000
Balancing the Budget Initiatives (November 2018)	1,274,000
Total Value of Activity	4,211,000

19. An update on each workstream is provided in the following paragraphs.

Property Acquisition Strategy

20. The council has allocated a total of £26.2m from the council's investment balances for the purpose of acquiring commercial property to generate a revenue rental income stream. To date, the strategy has secured interests in seven commercial property holdings valued at £22m and generating some £1.5m in annual rental income. This compares to £165,000 that these amounts would be generating per annum if invested with banks and building societies.

Fees & Charges Activity

21. The authority has in place a Charging Strategy which outlines the key considerations of the council to ensure that fees and charges for services are set in a transparent and consistent manner. The Strategy is based on the principles that services should maximise opportunities for income generation where there is the ability to do so, as a minimum seeking to cover the full costs of providing the service. The annual review of fees and charges is budgeted to deliver additional income of £43,200 in 2020-21.

Service Review Process Option Implementation

22. As reported to Cabinet in January 2020, the council has worked effectively to deliver the approved service review process options since 2016 with some £1.27m of base budget reductions delivered and reflected in the Medium Term Financial Plan.

Shared Service Progression

23. The Council has a successful track record in working with partners and other local authorities to deliver services in a more collaborative manner. Since 2017 the council has launched fully shared services for Legal Services, Human Resources and Licensing with Medway Council, as well as entering into a Service Level Agreement with Medway Council to provide payroll services for the council.

Balancing the Budget Initiatives

24. The Balancing the Budget Initiatives continued the council's intentions to proactively review the way it delivers services and identify ways to make savings against existing budgetary provisions or generate additional income. Since the decision to implement the initiatives was taken by Cabinet in November 2018, some £1.14m of activity has been reflected in the Medium Term Financial Plan.

Conclusion – Delivery of Bridging the Gap/Balancing the Budget activity

25. In proposing the budget for 2020-21, the council is able to demonstrate a sustained track record in delivery of activity against each workstream. To date, measures totalling £4.25m have been reflected in the MTFP.

Workstream	Expected Value of Activity (£)	Activity Implemented and reflected in MTFP (£)	Activity Agreed, not yet reflected in MTFP (£)	Value of further activity required (£)
Property Acquisition Strategy (Phase 1)	400,000			0
Network House, Gillingham		147,710		
Springhead Units, Gravesend		150,000		
St John's House, Dartford		110,670		
Fees and Charges Activity	270,000			58,200
Fees and Charges Review - 2017-18 budget setting		60,000		
Fees and Charges Review - 2018-19 budget setting		43,430		
Revised Garden Waste charges from April 2018		25,000		
Fees and Charges Review - 2019-20 budget setting		40,170		
Fees and Charges Review - 2020-21 budget setting		43,200		
Service Review Process Option Implementation	1,430,000			0
Economic Development & Town Centre Management		264,230	29,060	
Public Health & Communities		195,200	990	
Parking & Amenities		229,770	30,230	
Revenues & Benefits		97,000	-	
Regulatory Services		76,190	90,710	
Planning & Regeneration Services		138,140	7,860	
Customer & Theatre Services		98,580	12,340	
Direct Services Operation		174,350	19,200	
Shared Service Progression	240,000			121,760
Legal Services		87,000		
HR		22,660		
Licensing		8,580		
Budgetary Challenge Measures	200,000			0
Consistent Underspends Exercise		200,000		
Property Acquisition Strategy (Phase 2)	397,000			0
123-127 Sittingbourne High Street		85,000		
Acquisition of Site at Stuart Road, Gravesend		511,190		
Springhead Units (A1-3 & B1-4)		237,200		
Acquisition of 35-36 New Road, Gravesend		58,000		
Balancing the Budget Initiatives (November 2018)	1,274,000		130,360	
Communities Directorate		31,730		
Corporate Services		662,810		
Housing & Operations		349,100		
Cross-Directorate		100,000		
Total Value of Activity	4,211,000	4,246,910	318,770	179,960

* The total value of implemented, agreed and further activity required will not equal the total expected value of activity due to delivery beyond that expected in the Property Acquisition and Service Review workstreams.

26. The delivery of the proactive strategy to respond to the financial pressures first identified by the council in 2016 has enabled the 2020-21 budget proposal to be presented alongside a Medium Term Financial Plan which requires no additional savings to be delivered in the plan period to 2028-29. After a decade of significant and sustained cuts to local government funding, and the increased focus on financial governance that comes with such circumstances, the council is in a position to bring forward the ambitions set out in the Corporate Plan 2019-2023 to deliver a Gravesham to be proud of.

27. The proposed budget for 2020-21 and accompanying Medium Term Financial Plan supports:
- The delivery of a new Leisure Centre for the residents of the borough in 2025;
 - A fully-funded replacement programme for council-owned playsites in the borough from 2020-21;
 - The delivery of new housing in the borough;
 - An improved town centre street scene;
 - Seed-funding of £500,000 for taking forward the council's actions to deliver against its commitment to do what is within its powers and resources to become carbon neutral by 2030 and to work with partners on this.
28. There is still uncertainty over the future funding of local government beyond 2020-21, with this being informed by the 2020 Spending Review and the other local government funding reforms that are planned for introduction from April 2021 (including the Fair Funding Review and reforms to the current Business Rates Retention System). The council will monitor information on these reforms as it is released during 2020-21 so that it continues to be in the best position possible to respond to these reforms and remain able to deliver services to its residents.