

Classification: Public

Key Decision: No

Gravesham Borough Council

Report to: Cabinet
Finance & Audit Committee

Date: 29 June 2020 / 21 July 2020

Reporting officer: Director (Corporate Services)

Subject: General Fund Provisional Outturn Report 2019/20

Purpose and summary of report:

To present:

- The 2019/20 provisional General Fund Outturn Report, including movements in the General Fund working balances and earmarked reserves
- The 2019/20 provisional General Fund Capital Outturn

To update Members on other key areas of financial performance that may impact on the Council's Medium Term Financial Strategy, Medium Term Financial Plan, or Financial Statements.

Recommendations:

1. This report is for information only.

1. INTRODUCTION

- 1.1. The Constitution of the Council requires Members to receive reports in respect of the Council's finances and financial performance. This report provides details of the provisional budget outturn for the 2019/20 financial year and complements the 2019/20 Financial Statements for the authority, which will subsequently be considered by the Finance & Audit Committee.
- 1.2. During 2019/20, the Council continued to operate robust budgetary control actions to ensure good financial governance and respond to the pressures on the Council's finances. In addition to the reporting of financial performance through regular budget monitoring reports, these actions have included:
 - Requiring all financial decisions and major acquisitions to be brought to Management Team for discussion and approval;
 - Appropriate controls in approving purchase orders;
 - Requiring all recruitment activity to be considered and approved by Management Team;
 - Monitoring the delivery of activity under the council's *Bridging the Gap* Strategy, as set out in the Medium Term Financial Strategy (MTFS) covering the period.

2. EXECUTIVE SUMMARY

General Fund - Revenue

- 2.1. The provisional outturn position for the year is an underspend of £1,194,250. This position has largely arisen as a result of the Council's ongoing proactive action to realise base budget reductions through delivery of *Bridging The Gap* activity, as well as favourable year-end performance against some budget lines. Action to manage vacancies and other workforce matters also resulted in employee-related costs being lower than originally budgeted.
- 2.2. The council ended 2018/19 in a favourable position, enabling budgets totalling £184,670 to be approved for carry forward into 2019/20.
- 2.3. The level of Working Balances at year-end is £10.35m, constituted of the minimum working balances of £1.25m, the General Fund reserve of £4.00m and usable Working Balances of £5.1m.
- 2.4. Movements in the year have resulted in a net increase in reserves of £0.67m, with the level of reserves being £11.24m at start of year and £11.91m at year-end.
- 2.5. Significant risks to the General Fund's financial position continue to come from the lack of clarity regarding the long-term future of local government funding, and more recently, the financial consequences of the Covid-19 pandemic.

General Fund - Capital

- 2.7. The revised budget of the General Fund Capital Programme for the year is £8.2m, including £1.3m to support furtherance of the council's land and commercial property portfolio and £1.7m to fund the initial works to redevelop the St George's Shopping Centre. Actual spend for the year was £3.3m.
- 2.8. The Capital Programme has been updated during the budget-setting process for 2020/21, to take account of projects that are no longer expected to occur during 2019/20 but in 2020/21 and future years instead.

3. GENERAL FUND - REVENUE

3.1. Budget 2019/20

- 3.1.1. The approved Original Budget Requirement for 2019/20 was £11,474,270, funded by retained Non-Domestic Rates, New Homes Bonus, Council Tax and use of £742,500 Usable Working Balances, in accordance with the Medium Term Financial Strategy.
- 3.1.2. Following some limited changes to the responsibilities of Directors and Assistant Directors from 2nd September, the former Environment & Operations and Housing & Regeneration directorates have been adjusted to Housing & Operations and Planning & Development respectively. This reflects the transfer of Housing Services from Housing & Regeneration to Housing & Operations. The table on the next page and subsequent commentary reflects the revised structure and sets out the closing assessment of performance against the Original Budget by Directorate.
- 3.1.3. The provisional General Fund outturn against the Original Budget is presented in the table below. It should be noted that headings for directorates, reserves and transactions below the line have been adjusted to neutralise the effect of year-end accounting entries such as depreciation, and incorporate the correct accounting treatment for reserves and

grant income. As a result, the table may not be directly comparable to previous budget monitoring reports.

- 3.1.4. The original budget requirement upon which 2019/20 council tax levels were originally set remains unchanged, and all other lines only include variations which CIPFA funding regulations permit to be levied against council tax and business ratepayers.

Directorate / Budget Heading	Original Budget 2019/20 (£)	Outturn 2019/20 (£)	Variation 2019/20(£)
All Directorate - Salaries	13,700,720	13,485,590	(215,130)
Chief Executive	(120,160)	(120,320)	(160)
Communities	47,760	(1,189,850)	(1,237,610)
Corporate Services	4,891,740	4,982,990	91,250
Housing & Operations	(696,900)	(396,020)	300,880
Planning & Development	10,620	(181,500)	(192,120)
Non-Directorate Specific	1,074,900	1,055,230	(19,670)
Interest and Investment Income	(917,750)	(1,055,560)	(137,810)
Government Grant Funding	(1,213,840)	(1,288,040)	(74,200)
Transfers to/ (from) reserves	192,480	668,280	475,800
Transfers to/ (from) balances	611,150	611,150	0
Transactions below the line	(6,106,450)	(6,076,760)	29,690
BUDGET REQUIREMENT	11,474,270	10,495,190	(979,080)
Business Rates Income	(3,085,050)	(3,300,220)	(215,170)
Council Tax Income	(6,892,290)	(6,892,290)	0
Parish Precepts	(339,740)	(339,740)	0
New Homes Bonus	(611,150)	(611,150)	0
Transfers to/(from) the Collection Fund	196,460	196,460	0
Use of Working Balances	(742,500)	(742,500)	0
BUDGET SHORTFALL/(UNDERSPEND)	0	(1,194,250)	(1,194,250)

Table 1: General Fund Revenue Outturn by Directorate / Budget heading

3.2. ALL DIRECTORATE – SALARIES

- 3.2.1 **Staffing: £215k favourable variance** – the council continued through the year to maintain a close analysis of staffing budgets through regular monitoring to Management Team and effective management of vacant posts and the staffing establishment. The budget for 2019/20 incorporated a vacancy allowance of £350k; the year-end position was an underspend of £565k, giving rise to the net favourable variance of £215k.

3.3. CHIEF EXECUTIVE’S DIRECTORATE – NIL VARIANCE

- 3.3.1 There are no significant variances to report.

3.4. **COMMUNITIES DIRECTORATE – £1,238k FAVOURABLE VARIANCE**

- 3.4.1. **Acquisition of Units at Springhead Park: £236k favourable variance** – as part of the council’s continuing Property Acquisition Programme, the purchase of several industrial units at Springhead Park was completed in February 2019. Due to the timing of this acquisition compared to budget-setting arrangements, this was not able to be reflected in the 2019/20 original budget and therefore there is now a favourable year-end variance of £236k to report.
- 3.4.2. **Right of access to land at Coldharbour Lane: £207k favourable variance** – in April 2019 the Council received a sum of £207k relating to the granting of access rights over the strip of land fronting Lanes Avenue (off Coldharbour Lane), in order to provide pedestrian access to the Bovis Homes / Persimmon Homes scheme at that site.
- 3.4.3. **Council-owned Garages: £149k favourable variance** – within the council’s Balancing the Budget initiatives identified in November 2018, a review of council-owned garages and clarification of the legal position has resulted in a reallocation of income and expenditure between the Housing Revenue Account (HRA) and General Fund. It has been determined that where such garages or parking spaces are being used by non-council tenants, the associated income and expenditure should be appropriated to the General Fund, rather than the HRA as has traditionally been the case. The resultant effect is a net benefit to the General Fund of £149k in 2019/20 with £180k anticipated in future years.
- 3.4.4. **Acquisition of site at 35-36 New Road, Gravesend: £56k favourable variance** – as part of the same strategy described in paragraph 3.4.1., the council acquired in January 2019 the site at 35-36 New Road, Gravesend, which at the time was tenanted by Bon Marche. This purchase was also not completed for reflection in the 2019/20 original budget, and therefore there is now additional income of £56k to report.
- 3.4.5. Although Bon Marche subsequently went into administration in October 2019, the administrator found a buyer for the business, and rather than take the property back and try to re-let it, the Council negotiated a new lease with the buyer. Whilst the subsequent rent is lower (£40k per annum, compared to the £58k Bon Marche were paying after an initial rent-free period), the transaction does ensure that the property remains let and an income stream is maintained.
- 3.4.6. **Legal Shared Services: £50k favourable variance** – as a result of year-end underspends in the shared service hosted by Medway Council, largely due to staff turnover and vacancies, there is a reduction in the council’s contribution to the shared service budget. The result of this is a year-end favourable variance of £50k.
- 3.4.7. **St Georges’ Shopping Centre: £526k favourable variance** – during 2019/20 the Council has received rental income from the centre, as well as meeting costs arising from the finance lease arrangement and other items relating to non-recoverable service charges e.g. in instances of vacant units. Additionally, a rent guarantee sum has been accrued from Reef as part of contractual agreement, and investment income has been generated from the initial investment balance received. The net effect of these income streams less costs incurred in 2019/20 is £526k. This has been set aside at year-end in an earmarked reserve described further within section 3.11 to safeguard against lost rental income, void periods and non-recoverable service charges during further phases of redevelopment at the centre.
- 3.4.8. **Other Net Variances: £14k favourable variance** – the net effect of other variances across the Communities Directorate is a favourable variance of £14k.

3.5 CORPORATE SERVICES DIRECTORATE – £91k ADVERSE VARIANCE

- 3.5.1 **Interest Payable: £246k favourable variance** – when setting the budget for 2019/20 in February 2019 there was an assumption that the authority would undertake some external borrowing during 2019/20 to support elements of the capital programme. However, as these schemes have not progressed in the timescales originally envisaged, the external borrowing anticipated is now budgeted to be undertaken in 2020/21 instead, thus resulting in reduced interest costs in 2019/20.
- 3.5.1 **Housing Benefit Net Subsidy: £116k favourable variance** – during 2019/20 the total level of recoverable overpayments has been higher originally budgeted. This, alongside a reduced level of housing benefit administration expenditure, has resulted in an overall favourable variance within the service.
- 3.5.2 **Corporate Inflation Provision: £93k favourable variance** – the Council holds a central fund for supplies and services inflation within the Corporate Services directorate to act as a safeguard against inflationary increases to contract payments and general supplies and services costs. In 2019/20, services were largely able to manage inflationary increases within existing budgets, resulting in a reduced call on this fund compared to the original budget. The impact of this is a year-end underspend of £93k.
- 3.5.3 **Corporate Expenses: £23k adverse variance** – following activity to refine budgetary arrangements including analysis of historic items held on the balance sheet, £23k has been charged back to the revenue budget in 2019/20.
- 3.5.4 **Bank Charges: £37k adverse variance** – credit card fees were some £29k higher than originally anticipated as there were delays in finalising the new contract with Worldpay, as well as fees incurred from an additional 6,800 sales relating to Garden Waste invoices. Other charges relating to the Council's bank account and Capita Bill Payment contract were some £8K higher than forecasted, leading to the overall net variance of £37k.
- 3.5.5 **Increased Sundry Debt bad debt provision: £60k adverse variance** – following analysis of the year-end provision for General Fund sundry debt, an increased provision in 2019/20 is required, leading to a £60k adverse variance.
- 3.5.6 **Covid19 Impact – additional bad debt provision: £377k adverse variance** – in addition to the routine practices of establishing a bad debt provision relating to General Fund sundry debt and Housing Benefit overpayments, officers have also been assessing the potential impact of the Covid-19 pandemic on debt recovery. To summarise, it has been identified that more current debts which generally do not attract a bad debt provision would be at greater-risk of non-payment than is usually the case. Officers have undertaken various aged debt analysis modelling, and thus in the interests of budgetary prudence and in recognising these unique circumstances, a further bad debt provision of £377k has been set aside.
- 3.5.7 **Other Net Variances: £49k adverse variance** – the net effect of other variances across the Corporate Services Directorate is an adverse variance of £49k.

3.6 HOUSING & OPERATIONS DIRECTORATE – £301k ADVERSE VARIANCE

- 3.6.1 **Garden Waste Collection Service: £53k favourable variance** – the garden waste subscription service has continued to expand in 2019/20. This additional volume, in conjunction with a review of the existing charging structure from 1 April 2019, has led to additional net income of £53k compared to the original budget.
- 3.6.2 **Controlled Parking Zone Review: £30k favourable variance** – the Service Review process identified a need to update some aspects of the existing Controlled Parking Zones. Implementation of the new arrangements went live in May 2019; as result of moving away from five-year permits to a system of annual permit renewal, a favourable variance has been realised in 2019/20 of £30k.
- 3.6.3 **Parking equipment: neutral variance** – funding of £33k has been transferred from the Service Review Reserve in order to finance the purchase of new equipment and signage to enable the operation of new parking schemes within the town centre.
- 3.6.4 **Waste Freighter vehicle parts: £31k adverse variance** – there have been on-going reliability issues with the refuse vehicles due to their age, which has resulted in higher maintenance costs than provided for within the original budget. Rectification of defects with these vehicles has required the purchase of replacement parts which has led to an adverse variance of £30k. The replacement of the current fleet of refuse vehicles has started with two vehicles on order and due to be delivered in 2020.
- 3.6.5 **Town Centre Improvement Works: £33k adverse variance** – as part of the town centre review it was agreed that a budget would be provided to trial new equipment and update some of the current equipment used within the town centre. This has led to an adverse variance of £33k.
- 3.6.6 **Waste Recycling Support Payment: £90k adverse variance** – the waste recycling support payment has exceeded budget every year since the agreement with KCC was put into place and the income budget has been increased to reflect this. For 2018/19, due to gate fees for recycling materials going up, the disposal saving for Kent County Council and subsequently Gravesham Borough Council has gone down leading to an adverse variance of £45k; this has then been reflected in the 2019/20 forecasted payment leading to a further adverse variance of £45k.
- 3.6.7 **Denton and Southfield Shaw Repairs: £93k adverse variance** – the day-to-day maintenance and up-keep of the sites was accommodated within existing budgets. The additional expenditure on both sites was due to significant major works that needed to be carried out, including clearance of excessive fly-tipping and major drainage issues at Denton Caravan Site and an extensive electrical upgrade on one area of Southfield Shaw.
- 3.6.8 **Net income deficit within Car Parks: £106k adverse variance** – Covid-19 has had a detrimental impact on pay and display income; weeks 50 & 51 saw a very sharp fall in car park usage and from 24th March the car parks were free of charge. These factors had an impact of approximately £25k. The usage, (in terms of pay and display tickets purchased) across all car parks was down slightly from 2018/19 which has had a detrimental impact on income, compared to initial predictions for 2019/20.
- 3.6.9 **Homelessness: neutral variance** – the year-end position for service shows an overall balanced budget position, after government funding received by the Council has been applied. In Quarter Four of 2019/20, the Council was approached by 393 households requiring assistance to resolve their housing needs. This resulted in 74 households

being housed in temporary accommodation (including legacy cases) at year-end, the same number as the end of Quarter Three and a slight reduction on the 80 households requiring such assistance at the end of Quarter Two.

- 3.6.10 During 2019/20, the number of homeless households in temporary accommodation continued to reduce, from a peak of 111 at the end of April 2019 (including 44 households in nightly paid accommodation, of which 17 placements were outside Gravesham), to 74 at the end of March 2020 (including just 7 households in nightly paid accommodation, of which 3 placements were outside Gravesham).
- 3.6.11 Following the coronavirus pandemic and the instruction to get all rough sleepers out of shared sleeping sites by 30 March, emergency temporary accommodation for a total of 57 rough sleepers has been provided. This includes a number of people to whom the Council has no duty to accommodate and those with no recourse to public funds who are not eligible for any financial assistance towards their housing costs. For 2019/20, these costs have been met by the grant-funded Rough Sleeper initiative, although the long-term impact will continue to be monitored throughout 2020/21.
- 3.6.12 Total expenditure on temporary accommodation during 2019/20 was £361k, partly offset by £132k Housing Benefit income, and £18k received from households who are ineligible for Housing Benefit. The remaining balance of £211k has been met by grant funding provided by central government, resulting in an overall neutral reported variance for the service.
- 3.6.13 **Other Net Variances: £31k adverse variance** – the net effect of other variances across the Housing & Operations Directorate is an adverse variance of £31k.

3.7 **PLANNING & DEVELOPMENT DIRECTORATE – £192k FAVOURABLE VARIANCE**

- 3.7.1 **Planning Performance Agreements: £85k favourable variance** – during 2019/20, funds were received from the Port of Tilbury relating to the planning performance assessment (PPA) associated with the “Tilbury2” project. The project comprised of a review of the Port of Tilbury, including the potential re-design of the terminal and associated infrastructure of rail and road facilities, revisions to the existing marine infrastructure, and wider transport considerations to link the existing road and rail network around the surrounding River Thames area. The PPA contributed to Gravesham Council officer resources associated with pre-application discussions, protocols for the provision of information and responses related to the project, and the examination and pre-decisions stages of the Development Consent Order process.
- 3.7.2 **Planning Consultancy Costs: £51k favourable variance** – the consultancy budget is typically used to procure specialist agricultural advice on rural planning matters, and design advice relating to major applications. It is also utilised for the engagement of consultants to assist with the processing of planning applications, particularly when additional capacity has been required. During the course of 2019/20, a range of recruitment across the service has taken place, leading to a reduced requirement to engage consultants and therefore a year-end underspend has arisen.
- 3.7.3 **Housing Services – Empty Properties: £30k favourable variance** – this budget is held to cover legal fees to enable the Council to serve various legal notices, issue Empty Dwelling Management Orders, cover Land Registry fees or consider the Compulsory Purchase of empty properties and any minor works in default. This budget was not required during 2019/20 since no enforcement action relating to empty properties that attracted legal costs took place. Therefore, there is an underspend for 2019/20 of £30k.

- 3.7.4 **Local Development Plan: neutral variance** – funding from the Planning Policy Reserve of £101k has been released in order to support the delivery of the Local Plan Partial Review, Site Allocations and Development Management Policies documents as well as wider corporate priorities. Expenditure includes a sustainability appraisal, a habitats regulations assessment and other reviews and studies of the local area, as well as communications and publicity related expenditure. During the budget-setting process for 2020/21 the reserve has been re-profiled to take account of the latest projected expenditure patterns over the next 4 years.
- 3.7.5 **Other Net Variances: £26k favourable variance** – the net effect of other variances across the Planning & Development Directorate is a favourable variance of £26k.
- 3.8 **NON-DIRECTORATE SPECIFIC – £20k FAVOURABLE VARIANCE**
- 3.8.1 **Past Service Pension Contributions: £20k favourable variance** – as a result of timing differences between the budget-setting process for 2019/20 and the forecast charges for the year being notified, there is favourable variance at year-end of £20k.

3.9 ITEMS CARRIED FORWARD FROM 2018/19 – £185k

3.9.1 The following items from 2018/19 have been approved for carry forward to 2019/20 by the Section 151 Officer and the Council's Management Team:

Summary of General Fund Revenue 2018/19 year-end carry forward requests			
Directorate	Service	Amount	Reason for carry-forward request into 2019/20
Communities	Regeneration	£980	Maintenance works are required on the town pier access system, this budget is required to offset the cost of this work.
Communities	Younger Persons Fund	£1,810	Unspent budget to be rolled forward to pay for grant funded projects already identified in 2019/20.
Communities	Older Persons Fund	£2,050	To be rolled forward to pay for various projects which have already been identified. These include a TV for Portreeve Resident's Association and Defibrillator's at Meopham Parish Council, Istead Rise Memorial Hall and Vigo Village Hall.
Communities	Property Services	£5,000	The final 2018/19 service charge for St John's House has not yet been received. As the building was empty for a few months this charge may exceed the original estimate. As such this budget carry forward is being requested to cover that eventuality as a one off event.
Communities	Community Engagement	£7,610	Unspent MOD grant to be rolled forward. The MOD have agreed that this money can be carried forward and used against an appropriate project next year.
Communities	Woodville Halls	£10,000	Equipment for market café. Spotlites are interested in taking on a unit in the market to provide the café there. This approach will give the market a much needed offer and ensure there is the provision needed. Spotlites will be able to use staff & stock across both sites making this a cost-effective second business for them. To do this, there will be a need to purchase equipment including fridges, hot warmers, tea/coffee machine. In the very unlikely event the offer did not work, the equipment would be reused in the main Spotlites kitchen.
Communities	Community Engagement	£10,590	To support a range of initiatives for next year – community cohesion, tackling hate crime, building footfall in the town etc. This will be linked to ongoing work and the Altogether Stronger project that the council has just received approval for.
Communities	Woodville Halls	£22,000	The auditorium floor needs repairing, sanding and varnishing each year. However, as this has not been undertaken for a number of years, replacement of the floor is now required.
Communities	Woodville Halls	£23,000	This budget will pay for the introduction of a second till at Spotlites and a redesign of the counter to accommodate this. This will enable the team to better serve customers, particularly during busy times.
Communities	Woodville Halls	£70,000	The current dimmer rack responsible for the auditorium lighting needs to be replaced; however, a survey is required to ascertain whether this is the most appropriate route or whether a change to the overall lighting installation is more appropriate / cost effective. Ring-fencing the balance of savings (£70k) is expected to cover the majority of the cost of this work.
Corporate Services	Corporate Performance	£1,520	The Corporate Plan as a project operates over a rolling four year basis. In years 2 and 3 virtually no monies are committed. However, year 4 (2018/19) has a sizeable portion spent as we carry out preparatory work on the new plan and year 1 (2019/20) will likely see all monies spent. The bulk of the budget will be committed to the various communication and promotional aspects of the new Corporate Plan; imagery, printing etc.
Environment and Operations	Horticulture	£3,450	Some of the Playground budget was set aside to fund the cost of the replacement parts at Woodlands Park Play Area. The replacement head unit was not received by 31/03/19 due to a delay with the delivery. The budget now needs to be used to offset this cost in 2019/20.
Environment and Operations	Car Parking	£26,660	The underspend achieved in 2018/19 is needed to supply & install CPZ Parking Signs in 2019/20.
Total carry-forward requests		£184,670	

Table 2: Items Carried Forward from 2018/19

3.10 INTEREST AND INVESTMENT INCOME – £138k FAVOURABLE VARIANCE

- 3.10.1 When setting the investment income budget for the Multi Asset Funds, it was assumed that a dividend return of just under 3% would be generated as the investment had only been held for approximately nine months. However, the return was around 3.7%, leading to additional income of £83k.
- 3.10.2 When setting the investment income budget for Property Funds, whilst the investments had been held since 2016, a prudent view was taken that returns would be around 3.2% given the uncertain economic conditions surrounding Brexit. Dividend returns for the year were around 4.2%, resulting in additional income of £90k.
- 3.10.3 Each year the General Fund makes a interest payment to the HRA based on the various HRA balances held during the year. In 2019/20, this payment was £35k more than originally budgeted.
- 3.10.4 Thus, the net overall position for interest and investment income is a combination of the additional incomes of £83k and £90k respectively in conjunction with the additional year-end transfer required to the HRA of £35k.

3.11 FUNDING STREAMS – £431k ADVERSE VARIANCE

- 3.11.1 **Government Grant Funding – Section 31 grants: £74 favourable variance** – the outturn for Section 31 grants received to compensate the Council for various business rate reliefs granted has provided a net benefit to the MTFP in 2019/20 of £74k.
- 3.11.2 **Transfers to/(from) reserves: £476k net additional transfer to reserves** – this comprises:
- NNDR Growth Fund Reserve – membership of the Kent Business Rates Pool has generated £169k that has been transferred into the NNDR Growth Fund Reserve. This represents a reduction of £50k from what was previously anticipated in the original budget for 2019/20.
 - St George's Income Protection Reserve – following on from the favourable variance relating to the St George's Shopping Centre described within the Communities Directorate section, an equivalent sum of £526k has been transferred to this earmarked reserve. This will ensure that monies are set aside to negate lost rental income, void periods and non-recoverable service charges, particularly during the early phase of the project with construction and re-enlivening works taking place. The full surplus generated of £526k has been transferred to the reserve, therefore resulting in no net overall variation to the Council.
- 3.11.3 **Transactions below the line – Minimum Revenue Provision: £30k adverse variance** – the MRP budget for 2019/20 was based on the assumption that the garages would transfer from the HRA to the General Fund as referenced in section 3.4.3. It was subsequently determined that there was no requirement to transfer the garages as physical assets between the HRA and General Fund, but that income and expenditure was appropriated between the funds, and therefore did not give rise to any adjustment on MRP.
- 3.11.4 **Business Rates Income: £215k favourable variance** – the outturn for 2019/20 business rates income takes into account benefits resulting from membership of the Kent Business Rates Pool of £98k. Additionally, the outturn for Section 31 grants received to compensate the council for various business rate reliefs granted (within the

Government Grant Funding section) has also been updated, giving a further MTFP benefit of £74k.

- 3.11.5 Following the Council's membership of the Kent Business Rates Pilot scheme in 2018/19, subsequent year-end reconciliations of data across the region have been undertaken to finalise the overall position. The resultant effect is a net further benefit to the Council of £107k relating to the Financial Sustainability and Housing Growth Funds.
- 3.11.6 A further sum of £10k has been received in 2019/20 relating to a one-off distribution from the national NNDR levy account surplus.
- 3.11.7 Therefore the total variation for this section is a combination of the £98k Kent Pool benefit, £107k additional Kent Pilot 2018/19 monies and £10k levy account surplus – an overall favourable variance to the MTFP of £215k in 2019/20.

3.12 Working Balances and Reserves

- 3.12.1 The variances and Carried Forward items outlined in this report have the following effect upon the General Fund working balances:

Working Balances	£
Balance Brought Forward from 2018/19	9,287,850
New Homes Bonus (Straight to working balances)	611,150
Budgeted use of Working Balances to support the General Fund	(742,500)
Variances per budget report (Incl.items Bfwd from 2018/19)	1,194,250
Working Balances C/Fwd (as at 31 March 2020) including Minimum GF Working Balance	10,350,750
Less: Minimum GF balance	(1,250,000)
Less: Additional General Fund Reserve	(4,000,000)
Usable Working Balances C/Fwd (as at 31 March 2020)	5,100,750

Table 3: Effect on General Fund Balances

3.12.2 The general working balance is supplemented by specific reserves, established to assist with future funding obligations or initiatives. The table below provides a summary of the final movements on these specific reserves during the year.

General Fund Earmarked Reserves	Opening Balance 01/04/2019 £'000	Actual Use of Reserve (Expenditure) £'000	Actual Contributions (Income) £'000	Closing Balance 31/03/2020 £'000
Planning Policy Reserve	420	(101)	50	369
Asset Enhancement Reserve	1,377	(157)	100	1,320
Spend to Save Reserve	157		3	160
Leisure Centres Reserve	1,326	(33)	356	1,649
Corporate Priorities Reserve	310	(60)		250
Town Pier Pontoon Reserve	99		12	111
Local Authority Mortgage Scheme (LAMS)	50	(25)		25
Elections Reserve	172	(120)	22	74
NNDR Collection Fund Equalisation Reserve	666	(166)		500
IT Infrastructure Reserve	305	(40)	75	340
DSO Vehicle Capital Reserve	414	(417)	105	102
Freighter Replacement Reserve	780		222	1,002
NNDR Growth Fund Reserve	478	(60)	170	588
Lower Thames Crossing Reserve	150			150
Woodville Repairs Reserve	170		57	227
Investment Interest Equalisation Reserve	500			500
Housing & Commercial Growth Fund	700			700
St George's Income Protection Reserve	422		526	948
Commercial Income Protection Reserve	424		59	483
Service Review Reserve	247	(6)		241
Playgrounds Reserve	167	(50)		117
Decriminalisation Reserve	85		100	185
Sub-total - Specific Earmarked Reserves	9,419	(1,235)	1,857	10,041
Revenue Grants not yet applied	1,819	(166)	212	1,865
Total - All Earmarked Reserves	11,238	(1,401)	2,069	11,906

Table 4: Analysis of Specific Reserves

3.12.3 Significant or new approved use of reserves, other than those already referred to in section 3.11 or within individual directorates include:

3.12.4 **Asset Enhancement Reserve** – £95k see “Essential Repairs to Buildings” paragraph in section 4.1 within the Capital Programme.

3.12.5 **Corporate Priorities Reserve** – £16k CCTV (Communities), £8k Corporate Debt Pilot System (Corporate Services), £7k Safer Place Officers’ equipment (Communities), £26k LATCO Development Costs (Capital Programme).

3.12.6 **NNDR Equalisation Reserve** – Transfer of £166k to meet NNDR Collection Fund deficit from 2018/19.

3.12.7 **Elections Reserve** – £120k Borough Council elections in May 2019 (Communities).

3.12.8 **DSO Vehicle Capital** - £417k Operational Services vehicles – see “Purchase of Vehicles (DSO Fleet) paragraph in section 4.1 within the Capital Programme.

3.12.9 **Playgrounds Reserve** – £50k playground replacement works - see “Replacement Playground Programme” paragraph in section 4.1 within the Capital Programme.

3.13 **Medium Term Financial Planning**

- 3.13.1 The General Fund has ended the 2019/20 financial year in healthy position, principally due to the Council pressing ahead with its proactive Bridging the Gap programme of activity to respond to the unrelenting financial challenges facing local government. This is largely due to some significant new income streams resulting from the purchases made under the Property Acquisition Programme as well as strong return within interest and investment income.
- 3.13.2 The Council continues to be a member of the Kent Business Rates Pool, and in 2019/20 this generated a direct benefit of £98k as set out within section 3.11.
- 3.13.3 The financial environment within which the Council operates will remain challenging and with yet more uncertainty in 2020/21. It was confirmed in December 2019 that following the single-year funding arrangement for 2020/21, a more comprehensive review of Local Government Finance, pending the outcomes of the Fair Funding Review would take place during 2020/21. This has since been postponed until after April 2021 given the current Covid-19 pandemic.
- 3.13.4 The Covid-19 pandemic is also likely to affect the Council's financial outlook in 2020/21. In terms of year-end accounting and reporting for 2019/20, the major impact of Covid-19 is experienced within the increased debt impairment provisions set aside, as described within the Corporate Services directorate.
- 3.13.5 During 2020/21 it is likely that the Council will see significant reductions of income, for example in the following areas:
- Rental income payments from tenants within commercial and investment properties
 - Fees charges – for example car parking income and receipts at The Woodville
 - Investment income from Property and Multi-Asset Funds
 - Council Tax and Business Rates
- 3.13.6 As of writing, the Council has received around £1.1m funding from Central Government in order to assist with the response to the pandemic. Although assisting with direct expenditure, the local government sector continues to lobby Central Government for further support to assist with the projected income losses described above.

4. GENERAL FUND CAPITAL PROGRAMME

4.1 The following table details the final outturn for the General Fund Capital Programme and the revised original budget for 2019/20, taking into consideration adjustments for carried forward items approved by the Section 151 Officer and Management team, and subject to audit.

Scheme	2019/20 Original Budget inc C/Fwd £	2019/20 Approved Adjustments £	2019/20 Working Budget £	2019/20 Final Outturn £	Variance £	C/Fwd and Adj's to 2020/21 £	2020/21 Approved budget £	2020/21 Original Budget including C/Fwd £
Essential Repairs to Buildings	465,400	389,390	854,790	430,420	(424,370)	424,370	474,500	898,870
Gravesend Cemetery Improvements	21,580	0	21,580	6,750	(14,830)	14,830	0	14,830
Parrock St Car Park - resurfacing	0	167,500	167,500	155,760	(11,740)	11,740	0	11,740
Purchase of Vehicles (DSO Fleet)	535,000	52,870	587,870	517,040	(70,830)	70,830	205,000	275,830
Gatekeeper Replacement	50,000	0	50,000	0	(50,000)	50,000	0	50,000
New Wheeled Bins for Flat Recycling	100,000	0	100,000	0	(100,000)	100,000	0	100,000
Waste & Horticulture back office system	192,950	0	192,950	84,260	(108,690)	108,690	0	108,690
Replacement Playground Programme	185,300	0	185,300	135,430	(49,870)	49,870	55,000	104,870
IT Equipment Air Conditioning Unit	40,000	(40,000)	0	0	0	0	40,000	40,000
Brookvale Office Accommodation	1,400,000	(1,400,000)	0	0	0	0	0	0
Property Acquisition Programme	2,328,600	(2,328,600)	0	0	0	0	3,286,980	3,286,980
Land Acquisition Programme	3,658,810	(2,566,810)	1,092,000	0	(1,092,000)	1,092,000	2,566,810	3,658,810
Land at Dering Way	4,735,000	(4,500,000)	235,000	32,090	(202,910)	202,910	4,500,000	4,702,910
Heritage Quarter - St George's Centre	5,461,640	(3,761,640)	1,700,000	1,816,610	116,610	0	130,000	130,000
Cascades Replacement Flumes	0	80,000	80,000	50,560	(29,440)	29,440	0	29,440
Replacement Artificial Sports Pitches	50,000	0	50,000	50,000	0	0	0	0
Heritage Assets	328,500	(278,500)	50,000	16,420	(33,580)	33,580	355,000	388,580
Gym Equipment Leisure Centres	0	0	181,000	0	(181,000)	181,000	205,000	386,000
Back up Generator	75,000	0	75,000	0	(75,000)	75,000	0	75,000
Envelope Filling Equipment	20,000	0	20,000	19,660	(340)	0	0	0
Parking Machines	251,200	(251,200)	0	0	0	0	251,200	251,200
LATCO development costs	0	0	50,000	11,000	(39,000)	24,110	0	24,110
LATCO working capital provision	0	0	500,000	0	(500,000)	500,000	0	500,000
Elizabeth Huggins Cottages	0	2,000,000	2,000,000	0	(2,000,000)	2,000,000	0	2,000,000
Town Centre Improvements	0	0	0	0	0	0	67,590	67,590
Parking Software	0	0	0	0	0	0	74,750	74,750
Purchase of Freighters	0	0	0	0	0	0	400,000	400,000
Enforcement of Private Housing Standards	0	0	0	0	0	0	55,000	55,000
Brookvale Office Accommodation	0	0	0	0	0	0	1,400,000	1,400,000
IT Infrastructure Assets	0	0	0	0	0	0	330,000	330,000
	19,898,980	(12,436,990)	8,192,990	3,326,000	(4,866,990)	4,968,370	14,396,830	19,365,200

Table 5: General Fund Capital Programme 2019//20

- **Essential Repairs to Buildings**

The following work was completed in 2019/20:

- Resurfacing of the access way to Brookvale Depot;
- The replacement of water heating plant to Kings Farm changing rooms;
- Annual window servicing and follow-up repairs to windows at the Civic Centre
- LED lighting on the ground and first floors of the Civic Centre have been upgraded;
- Replacement of dimmer racks and rewiring of lighting circuits to The Woodville
- Replacement of the main roof at Cascades Leisure Centre (insurance works) is nearing completion

A number of projects will now be completed in 2020/21:

- Rebuilding of boundary wall at St Peter & St Paul's Church this has been delayed to the new financial year due to Covid-19 restrictions;
- Initial on site investigations relating to the conservation of the Larkin Memorial
- Installation of LED Lighting for the remaining floors of the Civic Centre
- Work to the 1st floor flat toilet at the Civic Centre
- Replacement of roof coverings to café and pool changing rooms to Cascades

- **Gravesend Cemetery Improvements** – the new cemetery management software has now been implemented.

- **Parrock Street Car park resurfacing** – this initiative was completed during the third quarter of 2019/20 and some additional works have also now been undertaken.
- **Purchase of Vehicles (DSO Fleet)** – all the fleet vehicles ordered for 2019/20 have been delivered and the fleet renewal plan is now being updated ready for 2020/21.
- **Gatekeeper Replacement** – enforcement of a Bus Gate with Automatic Number Plate Recognition (ANPR) cameras as opposed to a physical 'gate'/barrier is the preferred option for replacement of the King Street gate. The capital budget reflects the associated costs for camera enforcement. A business case was submitted to KCC Highways in 2019 and this approach is supported by the Joint Transportation Board. A decision is now awaited from KCC to enable this project to proceed.
- **New Wheeled Bins for Flat Recycling** – a review is currently taking place considering blocks of flats to determine the number of bins required before any orders are placed. A food waste trial is currently being undertaken at Pickwick House to understand the feasibility of food waste collections from blocks of flats.
- **Waste & Horticulture Back Office System** – the first stage implementing information systems for bin deliveries, domestic, and garden waste has been completed. The second stage of implementation, focusing on trade waste, is underway with an expected operational date of July 2020.
- **Replacement Playground Programme** – the equipment has been renewed at Central Avenue, Durndale Lane and Waterton Avenue play sites. A 20 year programme for play site renewals has been agreed from 2020/21 onwards, and has been incorporated into the budget-setting process.
- **IT Equipment air conditioning unit** – a way forward has now been agreed on the replacement of the server room air conditioning unit and Property Services are obtaining quotes for the work, on behalf of IT Services.
- **Brookvale Office Accommodation** – this has been temporarily delayed, and is now reflected within the Capital Programme for 2020/21 instead of 2019/20. This is due to some wider works to the Depot being implemented in order to facilitate launching the Vehicle Servicing Local Authority Trading Company initiative with effect from 1 April 2020. The delay also allows for additional office accommodation within Brookvale Depot to be utilised in the meantime whilst the necessary reconfigurations are made to the depot yard.
- **Property Acquisition Programme** – the council continues to be pro-active in identifying suitable acquisition opportunities to add to its commercial property portfolio, albeit this activity is currently on hold given the pandemic situation.
- **Land Acquisition Programme** – agreement was reached in early January to secure a parcel of land to the East of Lion Business Park, Gravesend, at a projected cost of around £1.1m. Additionally, the council continues to maintain an overview of strategic land sites in the borough so that, as sites come to the market, their acquisition can be considered as a means of delivering development and revenue generating opportunities for the council and the wider borough in the future.
- **Land at Dering Way** – the scheme is currently on hold pending the outcome of a wider master planning exercise for the various landholdings under the ownership of the council in the Denton area, and thus been re-profiled within the Capital Programme. This master planning exercise will seek to consider complementary uses of the adjacent land

holdings to ensure that development in that area maximises benefits to the council and to the wider community, taking advantage of opportunities to improve access to and provision of services, green space and high quality housing.

- **Heritage Quarter (St George's Centre)** – the works to re-enliven the mall areas of the St George's Centre have now been completed. Further works at the site have been re-profiled within the Capital Programme, in line with the latest projected pattern of development.
- **Cascades Replacement Flumes** – works started on the major refurbishment of the existing flumes in December during a planned shutdown period at Cascades. The majority of works internally have now been completed, which included some additional internal structural steel repairs. The external works to the flume structures will now take place later in the Spring time, although this will not require a shutdown of the pool hall to complete. Final works costs are now estimated to be £80k, funded from a combination of S106 monies and existing council budgets.
- **Replacement Artificial Sports Pitches** – the Gravesend Rugby Football Club site was highlighted within the Gravesham 2016 Playing Pitch Strategy as strategically important to the local area but in need of refurbishment. Gravesham Sports Trust were successful in raising the additional external funding required, and works to complete replacement carpet works on site have now been completed.
- **Heritage Assets** – the capital programme has been adjusted to reflect expenditure in 2019/20 and the programme of expenditure for future years. 2019/20 expenditure relates to repairs at New Tavern Fort; progressing works to the riverwall at St Andrew's Arts Centre (taking place in 2020/21); preparation of a conservation management plan and associated surveys to inform future restoration works within Gravesend Cemetery; and, surveys to progress repairs to Gravesend Blockhouse and the Larkin Monument, Higham. Alongside the Council's own capital programme, plans are underway to submit applications for funding from the National Lottery Heritage Fund. Progress will be subject to Covid-19 restrictions where applicable.
- **Back-up Generator** – tender documents to procure a back-up generator have been prepared. The project manager is currently making arrangements for the tender to be issued.
- **Envelope Filling Equipment** – a new envelope filling machine was installed following a short procurement exercise. The new machine has provided more advanced capabilities and is more reliable than the previous machine.
- **Elizabeth Huggins Cottages** – at Full Council on 17 December 2019, Members gave approval for the addition of a £2m loan within the 2019/20 Capital Programme for the purpose of providing long term funding to the Elizabeth Huggins Cottages Charity Housing Association. There was no request for funding received prior to the end of the financial year and this provision is now reflected within the Capital Programme for 2020/21.

5 Capital Resources

5.1 The table below shows the General Fund resources available to fund capital projects in the future

General Fund Capital Resources	Opening Balance 01/04/2019 £	Actual Income 2019/20 £	Use of Funding 2019/20 £	Final Balance 31/03/2020 £
Capital Receipts	(988,020)	(6,670)	398,410	(596,280)
S106 Capital Contributions	(531,050)	(50,000)	50,000	(531,050)
Capital Grants unapplied	(330,290)	0	183,100	(147,190)
Total Capital Resources	(1,849,360)	(56,670)	631,510	(1,274,520)

Table 6: General Fund Capital Resources 2019/20

Capital Grants Unapplied	Opening Balance 01/04/2019 £	Actual Income 2019/20 £	Use of Funding 2019/20 £	Final Balance 31/03/2020 £
Transport Quarter Stage 3	(179,160)	0	176,190	(2,970)
Localised Council Tax Support	(89,220)	0	0	(89,220)
Local Enterprise Partnership Funding	(6,910)	0	6,910	0
Land at South of Hever Court Road	(55,000)	0	0	(55,000)
Total Capital Grants Unapplied	(330,290)	0	183,100	(147,190)

Table 7: Capital Grants Unapplied 2019/20

5.2 The table below lists the S106 developer contributions currently held by the council. These contributions are treated as specific grants as they have conditions attached to their use.

S106 Developer Contributions	General Fund £	HRA £	Third Party Contributions £	Total S106 Income 2019/20 £	Purpose of S106
Infrastructure Maintenance Depot (IMD) Compensation fund	(2,590)	0	0	(2,590)	This grant fund was established by money secured from Union Rail the developers of the Channel Tunnel Rail Link. The original contribution was £242,000. Its aim is to support the delivery of landscape access, wildlife and recreation schemes in the Wards and Parishes affected by the development.
Land at the South of Hever Court Road	0	0	(80,000)	(80,000)	Highways contribution.
Whitehill Open Space	(52,000)	0	0	(52,000)	Towards qualitative improvements to the wider Whitehill amenity space. These funds might be put towards a number of potential opportunities including, for example, new seating, footpath improvements, new planting and/or the levelling of the retained amenity space to the north of the proposed development.
Land South of Dalefield Way, Dering Way	(17,000)	0	0	(17,000)	Flood Risk Management - £12,000, Bus Shelter - £5,000.
Whitehill Road	0	0	(1,000)	(1,000)	Highways contribution
Springhead Leisure Contribution	(150,000)	0	0	(150,000)	To provide additional and/or improved play facilities at the Recreational ground and if not expended in 7 years after payment any unspent sum should be repaid
Bluewater - Gravesend Town Centre Improvements	(259,460)			(259,460)	A scheme to improve or enhance the environmental setting, visitor and shopper experience, and / or attractiveness of Gravesend Town Centre.
Dover Road - Open space	(50,000)			(50,000)	For use by Gravesend Council leisure for Springhead Recreation Ground pitch improvements at Dover Road Development, Includes levelling works to make 'pitch' 2 more usable to accommodate junior markings and potential 5V5 pitch.
Total S106 Contributions	(531,050)	0	(81,000)	(612,050)	

Table 8: S106 Contributions 2019/20

The background papers to this report are held within the Accountancy Section

IMPLICATIONS	APPENDIX 1
Legal	There are no specific legal matters arising from this report.
Finance and Value for Money	The financial implications are contained within the body of this report.
Risk Assessment	The purpose of this provisional outturn report is to identify performance against the original budget set for the 2019/20 financial year and illustrate how this affects the Working Balances and Earmarked Reserves held by the council at the end of the financial year (subject to audit).
Data Protection Impact Assessment	<p><i>A data protection impact assessment (DPIA) should be carried out at the start of any major project involving the use of personal data or if you are making a significant change to an existing process.</i></p> <p>a. Does the project/change being recommended through this paper involve the processing of personal data or special category data or criminal offence data?</p> <p>A definition of each type of data can be found on the Information Commissioner's Office website via the above links.</p> <p>N/A</p> <p>b. If yes to question a, have you completed and attached a DPIA including Data Protection Officer advice?</p> <p>N/A</p> <p>c. If no to question b, please seek advice from your nominated DPIA assessor or the Information Governance Team at gdpr@medway.gov.uk.</p> <p>N/A</p>
Equality Impact Assessment	<p>a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community? If yes, please explain answer.</p> <p>No decision – paper is for information only.</p> <p>b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality? If yes, please explain answer.</p> <p>N/A</p> <p><i>In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above</i></p>
Corporate Plan	Strategic Objective #3 Progress; Sound Financial Management & Successfully Managing Key Business Risks

Crime and Disorder	No direct implications.
Digital and website implications	No direct implications.
Safeguarding children and vulnerable adults	No direct implications.