

Classification: Public

Key Decision: No

Gravesham Borough Council

Report to: Cabinet
Finance & Audit Committee

Date: 07 September 2020 / 13 October 2020

Reporting officer: Director (Corporate Services)

Subject: General Fund Budget Monitoring Report
2020/21 – Quarter One

Purpose and summary of report:

To provide Members with information on actual performance against the approved Revenue and Capital budgets for 2020/21, including projected variances agreed or identified through budgetary control activity.

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 therefore provides an assessment of performance against approved budgets for the 2020/21 financial year for the first quarter to 30th June 2020, as well as updating Members on other key areas of financial performance.
- 1.2. The Council continues 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 include:
 - 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).

2. EXECUTIVE SUMMARY

Revenue

- 2.1. At the end of Quarter One, there is a projected overspend for the year of £3,359,890. Movements affecting the forecast position against the original budget for the year are largely attributable to reduced income projections arising from the Covid-19 pandemic.
- 2.2. The council ended 2019/20 in a favourable position, enabling budgets totalling £85,800 to be approved for carry forward into 2020/21.
- 2.3. The level of Working Balances at year-end is projected to be £7.86m, constituted of the minimum working balances of £2.0m, the General Fund reserve of £3.25m and usable Working Balances of £2.61m.
- 2.4. Movements in the year are projected to result in a net decrease in reserves of £0.67m, with the level of reserves being £11.91m at start of year, and projected to be £11.24m 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.

2.6. **Capital**

- 2.7. The revised General Fund Capital Programme budget is £19.37m, including £6.95m to support furtherance of the council's land and commercial property portfolio and £4.7m for developing Land at Dering Way. Actual spend for Quarter One was £1.38m.

3. REVENUE

3.1. Budget 2020/21

- 3.1.1. The approved Original Budget Requirement for 2020/21 was £11,543,950, funded by a combination of retained Non-Domestic Rates, New Homes Bonus, and Council Tax. It also enabled a contribution of £270,100 to be made to Usable Working Balances, in accordance with the Medium Term Financial Strategy.
- 3.1.2. The table below sets out the current assessment of performance against the Original Budget by Directorate, based on known and projected variances as at 30 June 2020.

Directorate / Budget Heading	Original Budget 2020/21 (£)	Forecast 2020/21 (£)	Variation 2020/21 (£)
Chief Executive	26,810	26,810	0
Communities	3,509,280	5,586,140	2,076,860
Corporate Services	2,978,780	3,778,780	800,000
Housing & Operations	3,680,230	3,746,740	66,510
Planning & Development	1,850,240	1,985,460	135,220
Items Carried Forward from 2019-20	0	85,800	85,800
Non-Directorate Specific	850,200	850,200	0
Interest and Investment Income	(850,000)	(654,500)	195,500
Government Grant Funding	(1,267,930)	(1,267,930)	0
Transfers to/ (from) reserves	(515,180)	(360,180)	155,000
Transfers to/ (from) balances	603,010	603,010	0
Transactions below the line	678,510	523,510	(155,000)
BUDGET REQUIREMENT	11,543,950	14,903,840	3,359,890
Business Rates Income	(3,698,510)	(3,698,510)	0
Council Tax Income	(7,144,320)	(7,144,320)	0
Parish Precepts	(368,210)	(368,210)	0
New Homes Bonus	(603,010)	(603,010)	0
Transfers to Working Balances	270,100	270,100	0
BUDGET SHORTFALL/(UNDERSPEND)	0	3,359,890	3,359,890

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

3.2. CHIEF EXECUTIVE'S DIRECTORATE – NIL VARIANCE

3.2.1 There are no significant variances to report.

3.3. COMMUNITIES DIRECTORATE – £2,077k ADVERSE VARIANCE

3.3.1. **Leisure Services Income: £149k adverse variance** – the Council has considered financial support to Gravesham Community Leisure Limited who manage Cascades and Cygnet Leisure Centres within the borough, in the light of the centres' enforced closure resulting from government actions to combat Covid-19. Resultantly, fees payable for quarters one and two of 2020/21 have been waived with the effect of reduced income of £149k.

3.3.2. **Woodville & Market income: £443k adverse variance** – due the outbreak of the Covid-19 pandemic and government measures designed to combat the spread of the virus, both The Woodville and Borough Market ceased operations immediately in March 2020. Following the partial lifting of restrictions, the Market reopened in early June, with a Woodville cinema offering commencing in early July (although the Theatre itself remains closed, and is not expected to reopen until later in 2020/21). Financial projections have been undertaken to analyse the impact of reduced income at both the Market and Woodville, with the combined net effect projected at being £443k for the current financial year.

- 3.3.3. **Rental Income: £466k adverse variance** – the Council’s original budget for 2020/21 included an estimation of £4,625k for rental income, predominantly within the Communities directorate, and therefore an exercise has been undertaken to evaluate this income stream closely in the light of the Covid-19 pandemic. This has included an assessment of the likely impact on properties acquired under the Council’s Property Acquisition Programme, as well as existing sites held such as Industrial Units, and District Shopping Centres.
- 3.3.4. For the most significant income streams and where greater information is known about tenants and payment habits, detailed projections have been considered. For the residual items held under the rental income heading, an estimate of a 25% potential income reduction has been applied. The net effect of both sets of calculations is a projected adverse variance of £466k for 2020/21.
- 3.3.5. **Parking Income: £1,019k adverse variance** – following the lockdown announcement of 23 March in response to the Covid-19 pandemic, parking charges – both on-street and within car parks, were suspended whilst government restrictions were in place to combat the spread of coronavirus. As restrictions were partially lifted, parking charges and enforcement were reintroduced across the borough from June, however, with no income being realised across the first two months of the financial year, there is an adverse effect on the Council’s Medium Term Financial Plan.
- 3.3.6. Additionally, with the proposed development of The Charter gaining momentum in 2020/21, it is anticipated that Horn Yard and Market Square car parks will be closed from September 2020. Officers in Finance have been working with the Parking Services Manager on updated income projections to take account both of these closures, and the wider income reduction arising from the Covid-19 pandemic. The net effect is a projected adverse variance of £1,019k in 2020/21.
- 3.3.7. **Safer Stronger Communities: Neutral variance** – the Council has successfully secured a Crime Reduction Grant of around £35k from the Police and Crime Commissioner to support the Community Safety service. This comprises the upgrade of CCTV cameras in key locations within the town centre and other known areas of crime.

3.4 **CORPORATE SERVICES DIRECTORATE – £800k ADVERSE VARIANCE**

- 3.4.1 **Fees & Charges: £800k adverse variance** – work is ongoing across the Council’s finances to assess the impact of the Covid-19 pandemic, particularly in relation to a range of fees and charges budget lines. For significant income streams, detailed projections have been ascertained following work between the Finance team and budget holders e.g. Parking, Planning, Rental Income, with variances reported within their respective directorates. For the residual items within fees & charges across all directorates, an assumption of a 25% reduction has been applied and recorded under Corporate Services, giving rise to the £800k adverse variance. This assumption has been derived on the basis of little income expected April-June, with a staggered increase occurring across the rest of 2020/21. It is consistent with expectations of other District Councils in Kent, and will continue to be monitored throughout the year.
- 3.4.2 **The Charter: Neutral variance** – work to progress The Charter development within Gravesend town centre is ongoing, and resultant, £40k has been made available from the NNDR Growth Fund to finance external consultancy advice relating to an independent review of the proposed scheme.

3.5 HOUSING & OPERATIONS DIRECTORATE – £67k ADVERSE VARIANCE

- 3.5.1 **Garden Waste Collection Service: £37k favourable variance** – the garden waste subscription service continues to expand in 2020/21. This additional volume of around 1,600 new customers since April 2020, in conjunction with a review of the existing charging structure from the same date, has led to additional net income of £37k compared to the original budget.
- 3.5.2 **Waste Recycling Income: £15k favourable variance** – income received from recycling credits has been higher than budgeted due to an increase in recyclable waste in the first quarter of the year.
- 3.5.3 **Increased fuel costs: £20k adverse variance** – following the recent expansion of the Brookvale Depot fleet of vehicles, combined with additional domestic collection and fly-tipping recovery journeys as an indirect consequence of lockdown measures associated with the Covid-19 pandemic, there is projected additional fuel expenditure of £20k in 2020/21.
- 3.5.4 **Trade Waste Collections: £99k adverse variance** – as a result of government restrictions following the outbreak of the Covid-19 pandemic, many local businesses were required to close temporarily, and thus no longer required the Council's trade waste collection services. Although many have now re-opened, some are running at reduced capacity compared to pre-lockdown, with others closed permanently. There is therefore a reduced demand for waste collection services, which gives rise to the projected income deficit of £99k for 2020/21.

3.6 PLANNING & DEVELOPMENT DIRECTORATE – £135k ADVERSE VARIANCE

- 3.6.1 **Planning Application Income: £103k adverse variance** – the volume of planning applications since lockdown was announced on 23 March has decreased by 20-25%. This is at both a national and local level, and has occurred due to the restrictions in place delaying applications and works that were previously envisaged. Although it is hoped that volumes will increase during the rest of the year, an overall income reduction of 25% is currently expected, resulting in an adverse projected variance of £103k for 2020/21.
- 3.6.2 **South Thames Gateway Building Control Partnership: £32k adverse variance** – in a similar fashion to the variance described above, Building Control activity has been substantially affected by lockdown restrictions arising from the Covid-19 pandemic. The Partnership as a whole is currently forecasting an income deficit for 2020/21 of £512k, of which the Gravesham share would be £77k. This represents an additional £32k over and above the originally budgeted contribution payable from the Council to the Partnership of £45k.
- 3.6.3 **Street-Lighting: Neutral variance** – reserve funding of £50k each from the NNDR Growth Fund, and revenue grants not yet applied has been made available to facilitate the conversion, where possible, of Council-owned street and amenity lighting to LED lighting, as well providing for maintaining and fixing existing assets.
- 3.6.4 **Bus interchange at Rathmore Road: Neutral variance** – reserve funding of £15k as been made available as a contribution to a Kent County Council-led project to implement a new bus hub to improve the transport interchange between bus and rail in Gravesend town centre at Barrock Row.

3.7 ITEMS CARRIED FORWARD FROM 2019/20 – £86k

3.7.1 The following items from 2019/20 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 2019/20 year-end carry forward requests			
Directorate	Service	Amount	Reason for carry-forward request into 2020/21
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	Community Involvement	£12,640	Unspent Community Involvement budget to be used to bolster activities and events in the new year due to the cancellation of a number of activities in 2019/20.
Communities	The Woodville	£15,000	Unspent Woodville budget to be rolled forward to cover the cost of new lighting in the Kent Room and Bar.
Communities	Arts Development & Cultural Events	£6,000	Grant associated with The Arts Council Service Level Agreement. Outstanding information delayed due to organisational restructure. Funds will be re-aligned in the 2020/21 Service Level Agreement.
Communities	Arts Projects	£3,450	Income received from ticket sales of the annual Outdoor Theatre held at Nurstead Court. The funds raised from the previous years performance will be used to cover 2020/21 production costs.
Communities	Licensing	£6,200	Budget needed to fund the cost of new tablets for the Licensing Team, this has been delayed due to COVID-19.
Communities	Major Outdoor Events	£17,690	Social Values income received in 2019/20 which has not been allocated to events. This will now be spent in 2020/21.
Corporate Services	Corporate Management Expenses	£13,710	Budget to be rolled forward to pay for the solicitors cost for the sale of Lord Street car park.
Housing & Operations	Burials Admin	£3,500	Safety equipment required for grave excavation which is a legal requirement, the delivery of this equipment was delayed due to COVID-19.
Total carry-forward requests		£85,800	

Table 2: Items Carried Forward from 2019/20

3.8 INTEREST AND INVESTMENT INCOME – £195k ADVERSE VARIANCE

- 3.8.1 The COVID-19 pandemic has had a significant impact on the world's economy. In the UK, the Monetary Policy Committee (MPC) made two emergency cuts to the Bank of England Base rate, reducing it firstly from 0.75% to 0.25% and then further to 0.10%. The value of equity markets have fallen to record lows and property rental income streams have become uncertain as business no longer need.
- 3.8.2 The Council generates investment income through dividends from Property Funds and Multi Asset funds as well as interest earned from investing the remaining cash balances in Fixed Term deposits, Call accounts and Money Market Funds.
- 3.8.3 The dividend from Property Funds is forecast to be down around £67k on initial forecasts. Whilst Property Fund Managers are working closely with all their tenants to secure the rental income, a reduction in dividend income is expected as some companies will not be able to fully meet their rental obligations, void properties may not be able to re-let as quickly as they might previously have been and additional legal costs being incurred to renegotiate tenancies.
- 3.8.4 The income from Multi Asset Funds is expected to be reduced by some £50k for a number of reasons including some companies holding off paying shareholders dividends and investments not returning the expected level of interest due to the reduction in the Bank of England base rate.
- 3.8.5 For internally invested cash balances, the reduction in the Bank of England's Base Rate, will result in a forecast loss of investment income of around £78k.

3.9 FUNDING STREAMS – NEUTRAL VARIANCE

- 3.9.1 **Transfers to/(from) reserves & Transactions below the line: net neutral variance** – under accounting arrangements the corresponding entries relating to reserve-funded expenditure within services (the drawdown from the reserve and the transfer into the specific service) are shown here. The total of £155k relates to projected reserve funded items as described within individual Corporate Services, and Planning & Development Directorate sections above.

3.10 WORKING BALANCES AND RESERVES

- 3.10.1 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 2019/20	10,350,750
New Homes Bonus (Straight to working balances)	603,010
Budgeted contribution to Working Balances	270,100
Variances per budget report (Incl.items Bfwd from 2019/20)	(3,359,890)
Forecast Working Balances C/Fwd (as at 30 June 2020) including Minimum GF Working Balance	7,863,970
Less: Minimum GF balance	(2,000,000)
Less: Additional General Fund Reserve	(3,250,000)
Forecast Usable Working Balances C/Fwd (as at 30 June 2020)	2,613,970

Table 3: Effect on General Fund Balances

3.10.2 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 01/04/2020 £'000	Forecast Use of Reserve (Expenditure) £'000	Forecast Contributions (Income) £'000	Forecast Balance 31/03/2021 £'000
Planning Policy Reserve	369	(280)	50	139
Asset Enhancement Reserve	1,320	(464)	100	956
Spend to Save Reserve	160	(162)	2	--
Leisure Centres Reserve	1,649	(189)	359	1,819
Corporate Priorities Reserve	250	--	--	250
Town Pier Pontoon Reserve	111	(24)	12	99
Local Authority Mortgage Scheme (LAMS)	25	(25)	--	--
Elections Reserve	74	--	--	74
NNDR Collection Fund Equalisation Reserve	500	--	--	500
IT Infrastructure Reserve	340	(330)	75	85
DSO Vehicle Capital Reserve	102	(105)	105	102
Freighter Replacement Reserve	1,002	(400)	231	833
NNDR Growth Fund Reserve	588	(110)	239	717
Lower Thames Crossing Reserve	150	(100)	--	50
Woodville Repairs Reserve	227	--	58	285
Investment Interest Equalisation Reserve	500	--	--	500
Housing & Commercial Growth Fund	700	--	--	700
St George's Income Protection Reserve	948	--	--	948
Commercial Income Protection Reserve	483	--	210	693
Service Review Reserve	241	(158)	--	83
Playgrounds Reserve	117	(55)	--	62
Decriminalisation Reserve	185	(285)	100	--
Enterprise Reserve	--	(349)	500	151
Climate Change Reserve	--	--	500	500
Sub-total - Specific Earmarked Reserves	10,041	(3,036)	2,541	9,546
Revenue Grants not yet applied	1,865	(175)	--	1,690
Total - All Earmarked Reserves	11,906	(3,211)	2,541	11,236

Table 4: Analysis of Specific Reserves

3.10.3 New approved uses of reserves are already referred to within individual directorates – see sections 3.4.2, 3.6.3 and 3.6.4.

3.10.4 Other reserve movements are forecast as per the original budget and will be updated once further expenditure plans/drawdowns are established.

3.11 MEDIUM TERM FINANCIAL PLANNING

- 3.11.1 The Medium Term Financial Plan (MTFP) is reviewed on an ongoing basis in order to take into account longer-term assumptions around cost pressures and central government funding announcements, together with building in all known variances to the Council's budget as a result of Management Team and Cabinet decisions. The latest version of the Medium Term Financial Plan is attached to this report at Appendix Two.
- 3.11.2 The financial environment within which the Council operates continues to remain challenging and with significant uncertainty in 2020/21. The anticipated comprehensive review of Local Government Finance pending the outcomes of the Fair Funding Review was originally due to take place during 2020/21. This has since been postponed until after April 2021 given the current Covid-19 pandemic.
- 3.11.3 The Covid-19 pandemic is also affecting the Council's financial outlook in 2020/21. Although this commenced in March 2020, there was limited impact in terms of year-end accounting and reporting for 2019/20, with the major effect being increased debt impairment provisions set aside.
- 3.11.4 However, as already described within several sections of this report, it is anticipated that during the current financial year, 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
- 3.11.5 As of writing, the Council has received around £1.3m funding from Central Government in order to assist with the response to the pandemic. This comprises of three separate tranches received of £53k, £1,054k and £194k respectively, and is specifically designed to finance direct expenditure pressures resulting from the pandemic.
- 3.11.6 Although providing a useful contribution, the local government sector continues to lobby Central Government for further support to assist with the projected income losses described in section 3.11.4. On which note, it was announced on 2nd July that the Government would be implementing a scheme whereby 75% of sales, fees and charges related income losses beyond 5% of budgeted income, would be reimbursed. Detailed technical guidance on this mechanism has yet to be received, and therefore all income deficits covered in this report, do not take account of this.
- 3.11.7 In relation to Council Tax and Business Rates, the Government is implementing a further scheme to assist with Covid-19 related income shortfalls. Whilst under conventional collection fund accounting arrangements, any deficits experienced in 2020/21 would normally be repayable from the General Fund in the following year i.e. 2021/22, provision has been made to spread these payments over a three year-period instead. This will assist both the Council's Medium Term Financial Plan and cash-flow arrangements over the next three years.
- 3.11.8 The Council has also been acting in an agency capacity, administering a whole series of small business grants as part of a national scheme the Government designed to help support local economies. As of writing, around £14.5m has been distributed to local businesses qualifying under this scheme, which has been enabled through a range of officers across the Finance and Economic Development teams.

4. GENERAL FUND CAPITAL PROGRAMME

4.1 The following table details the position of General Fund Capital Programme as at the end of Quarter One. This includes the revised original budget for 2020/21, taking into consideration adjustments for carried forward items as approved by the Section 151 Officer and the Council's Management Team.

Scheme	2020/21 Original Budget inc C/Fwd £	2020/21 Actual Expenditure £	Outstanding Balance £
Essential Repairs to Buildings	898,870	143,370	(755,500)
Gravesend Cemetery Improvements	14,830	0	(14,830)
Parrock St Car Park - resurfacing	11,740	26,990	15,250
Purchase of Vehicles (DSO Fleet)	275,830	52,820	(223,010)
Gatekeeper Replacement	50,000	0	(50,000)
New Wheeled Bins for Flat Recycling	100,000	0	(100,000)
Waste & Horticulture back office system	108,690	0	(108,690)
Replacement Playground Programme	104,870	0	(104,870)
IT Equipment Air Conditioning Unit	40,000	0	(40,000)
Brookvale Office Accommodation	1,400,000	0	(1,400,000)
Property Acquisition Programme	3,286,980	0	(3,286,980)
Land Acquisiton Programme	3,658,810	0	(3,658,810)
Land at Dering Way	4,702,910	1,095,740	(3,607,170)
Heritage Quarter - St George's Centre	130,000	0	(130,000)
Cascades Replacement Flumes	29,440	15,440	(14,000)
Heritage Assets	388,580	0	(388,580)
Gym Equipment Leisure Centres	386,000	0	(386,000)
Back up Generator	75,000	0	(75,000)
Parking Machines	251,200	0	(251,200)
LATCO development costs	24,110	3,410	(20,700)
LATCO working capital provision	500,000	0	(500,000)
Elizabeth Huggins Cottages	2,000,000	0	(2,000,000)
Town Centre Improvements	67,590	44,050	(23,540)
Parking Software	74,750	0	(74,750)
Purchase of Freighters	400,000	0	(400,000)
Enforcement of Private Housing Standards	55,000	0	(55,000)
IT Infrastructure Assets	330,000	0	(330,000)
	19,365,200	1,381,820	(17,983,380)

Table 5: General Fund Capital Programme 2020/21

- **Essential Repairs to Buildings**

The following work has been completed this year:

- Refurbishment of First Floor Flats;
- The replacement of the main roof at Cascades Leisure Centre has now been completed. The majority of these costs will be reimbursed via an insurance claim.

- Flume repairs at Cascades Leisure Centre

On-going work to be funded from the Essential Repairs budget includes:

- LED lighting for the remainder of the council Building. Work is now being planned to replace the lighting in the Flats; basement, and Foyer areas;
 - Cascade Ceiling repairs.
- **Gravesend Cemetery Improvements** – the infrastructure of both Cemeteries (such as litter bins) is currently being reviewed to establish the priority of improvements.
 - **Parrock Street Car park resurfacing** – the resurfacing work has now finished, coming in over budget by £15,250, all invoices have now been paid.
 - **Purchase of Vehicles (DSO Fleet)** – The fleet replacement programme for 2020/21 is in place with vehicles having either been ordered or delivered.
 - **Gatekeeper Replacement** – KCC approval has been received for Automatic Number Plate Recognition (ANPR) enforcement of the King Street bus gate. The legal agreement is currently being drafted. Once this has been done the capital spend on equipment can be made.
 - **New Wheeled Bins for Flat Recycling** – due to the Covid-19 pandemic, the review of flats was suspended, this will be re-started later in the year. A project plan for recycling in flats will be produced once the review has been completed.
 - **Waste & Horticulture Back Office System** – the second stage of implementation, focusing on trade waste, is underway and will be operational from 1st July 2020.
 - **Replacement Playground Programme** – a 20 year replacement programme is in place, however any renewals for 2020/21 are currently under review due to restrictions arising from the Covid-19 pandemic.
 - **IT Equipment air conditioning unit** – this is currently undergoing the final specification and will then be passed to Finance for tendering.
 - **Brookvale Office Accommodation** – as a result of lockdown restrictions arising from the Covid-19 pandemic, there have been delays to commencement of the private vehicle servicing operation. This has had a corresponding delay on work to redesign the Brookvale depot. As Covid-19 related restrictions are lifted, attentions are now returning to this scheme with expenditure schedule in due course.
 - **Property Acquisition Programme** – this activity is currently on hold given the pandemic situation but in the meantime the acquisition criteria for investments is being reviewed for member consideration.
 - **Land Acquisition Programme** – 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** – as a first step, a master planning exercise of the various landholdings in the wider area is being undertaken. The 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. As such the project has been re-profiled within the Capital Programme.

- **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** – the major internal and external works have now been completed and will be operational once the pools are fully re-open. Only minor follow up painting/snagging works remain, which will be completed in due course.
- **Heritage Assets** – capital expenditure relates to surveys and site investigations in support of progressing works to the council's heritage property assets, including repairs to the Larkin Memorial, Higham, a conservation management plan for Gravesend Cemetery and maintenance of the Gravesend Blockhouse. Preparations have been made for works to the river wall at St Andrew's, which is now out to tender. Submissions to the National Heritage Lottery Fund have been on hold due to the Covid-19 pandemic, but it is an aspiration to submit applications to that fund, once supporting information is in place.
- **Gym Equipment Leisure Centres** - Cascades and Cygnet Leisure Centres have both received brand new fitness kit, which was installed prior to the re-opening of the sites on 25 July. In light of the Covid-19 pandemic, a decision has been made, in partnership with GCLL, not to replace the specialist spin bike equipment at the present time and so approximately £47k is left within the capital budget for future replacement, anticipated to take place later in 2020/21.
- **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.
- **Parking Machines** - options are currently being appraised for the replacement and upgrade of Pay & Display machines and recommendations will be put forward for decision later in the year.
- **LATCO Development Costs** – the work has now been completed; no further costs are expected.
- **LATCO Working Capital Provision** – funds have been set aside to facilitate Rosherville Limited bringing forward The Charter development scheme within Gravesend town centre. Now that necessary Council approvals have been put in place, Rosherville Limited is actively involved in negotiations with Reef (partners in the scheme), which will be backed by service level agreements with the Council.
- **Elizabeth Huggins Cottages** – Trustees are now actively seeking external grant funding and tender submissions in order to take this scheme forward, and will return to officers in due course once pre-conditions of the Council's loan agreement have been met.
- **Town Centre Improvements** - the capital budgeted expenditure to date has funded the acquisition of a MV7000 Gladiator Machine. This is now operational in the Town Centre. The remaining budget will be spent on the purchase of 28 Big Belly bins as itemised in the report to Full Council, 25 February 2020.

- **Parking Software** – a supplier has been confirmed and an order will be placed shortly for supply, installation and training in accordance with the Capital Budget.
- **Purchase of Freighters** – two new refuse collection vehicles are currently on order and due to be delivered during quarter three. A replacement programme is in place to ensure refuse collection vehicles are replaced in a timely manner.
- **Enforcement of Private Housing Standards** – the planned enforcement action has been delayed as a result of the Covid-19 pandemic. However, over the past few weeks, quotes for works have been obtained and the contractor is likely to start on site on 05 October 2020. The works are estimated to be completed within 12 weeks.
- **IT Infrastructure Assets** - new IT Storage and Disaster Recovery hardware and software has just been purchased for £183k. The hardware components have been delivered to site, but the installation by Dell engineers was initially postponed due to the Covid-19 pandemic. However, engineers are now making visits on site again and a project manager has been assigned to Gravesham who will be leading officers through the installation process. Procurement of a new telephony platform is about to begin. Demonstrations will be held from all suppliers during the first weeks of August and identification of suitable framework agreements will follow.

4.2 Capital Resources

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

General Fund Capital Resources	Opening Balance 01/04/2020 £	Actual Income 2020/21 £	Anticipated use of Funding 2020/21 £	Projected Balance 31/03/2021 £
Capital Receipts	(596,280)	(6,670)	602,950	0
S106 Capital Contributions	(531,050)	0	67,590	(463,460)
Capital Grants unapplied	(147,190)	0	0	(147,190)
Total Capital Resources	(1,274,520)	(6,670)	670,540	(610,650)

Table 6: General Fund Capital Resources 2020/21

Capital Grants Unapplied	Opening Balance 01/04/2020 £	Actual Income 2020/21 £	Anticipated use of Funding 2020/21 £	Projected Balance 31/03/2021 £
Transport Quarter Stage 3	(2,970)	0	0	(2,970)
Localised Council Tax Support	(89,220)	0	0	(89,220)
Land at South of Hever Court Road	(55,000)	0	0	(55,000)
Total Capital Grants Unapplied	(147,190)	0	0	(147,190)

Table 7: Capital Grants Unapplied 2020/21

4.4 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 2020/21	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 2020/21

5 TREASURY MANAGEMENT

5.1 The Council has adopted the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management, which sets out the principles and guidelines to be followed in borrowing and investment operations undertaken by Local Authorities. On 25 February, Full Council approved the Treasury Management Strategy Statement for 2020-21, based on the Code. The authority's Annual Investment Strategy is incorporated in the TMSS and outlines the authority's investment priorities as being:

- Security of Capital
- Liquidity
- Yield

5.2 An update on Treasury Management performance is provided to Members through budget monitoring reports, with more detailed reporting of treasury management activity to the Finance & Audit Committee every six months. A full list of internally managed investments held by the Council at 30 June 2020 can be found at Appendix Three of this report.

5.3 The Council currently pursues a variety of investment opportunities within its Treasury Management strategy which prior to Covid-19 were generating the following returns:

- a) Around £10m is invested in Externally Managed Property Funds generating returns in the region of 3-5%
- b) A further £10m is invested in three Multi-Asset funds generating returns of around 3-4%.
- c) Remaining cash balances are generally invested in short-term deposits and overnight money market funds currently generating returns of around 0.67%.
- d) A total of £22.9m has been expended purchasing Investment Properties (including acquisitions and external professional support) from which initial yields have typically been upwards of 6%.

5.4 Due to the current economic climate, investment returns have reduced but are being carefully monitored by Officers within Finance, who are in regular contact with the External Fund Managers.

5.5 The following summary of Key economic developments within this reporting period has been provided by Link Asset Services, the authority's Treasury Management.

5.6 **UK** – Economic growth in 2020 started with optimistic business surveys pointing to growth after the ending of political uncertainty following the general election result in December that settled the Brexit issue. Since then, the whole world has changed because of the coronavirus outbreak. The overall growth rate in quarter 1 was -2.2%. However, the main fall in growth did not occur until April when it came in at -24.5% year on year after the closedown of whole sections of the economy. What is uncertain, however, is the extent of the damage that will have been done to businesses by the end of the lockdown period, how consumer confidence and behaviour may be impacted afterwards, whether there could be a second wave of the outbreak, how soon a vaccine will be created and then how quickly it can be administered to the population. This

leaves huge uncertainties as to how quickly the economy will recover to what was formerly regarded as normality. However, some changes during lockdown are likely to be long lasting e.g. a shift to online purchasing, working from home, etc. The lockdown has also had a sharp effect in depressing expenditure by consumers which means their level of savings have increased and debt has fallen. This could provide fuel for a potential surge in consumer expenditure once some degree of normality returns.

- 5.7 Although the UK left the EU on 31 January 2020, we still have much uncertainty as to whether there will be a reasonable trade deal achieved by the end of 2020. At the end of June, the UK government rejected extending the transition period beyond 31 December 2020. This has increased the chances of a no-deal Brexit. However, the most likely outcome is expected to be a slim deal on trade in order to minimise as much disruption as possible. However, uncertainty is likely to prevail until the deadline date which will act as a drag on recovery
- 5.8 After the Monetary Policy Committee left Bank Rate unchanged at 0.75% in January 2020, but the onset of the coronavirus epidemic in March forced it into making two emergency cuts in Bank Rate first to 0.25% and then to 0.10%. These cuts were accompanied by an increase in quantitative easing (QE). In June, the MPC decided to add further QE purchases of gilts, but to be implemented over an extended period to the end of the year. The total stock of QE purchases will then amount to £745bn. It is not currently thought likely that the MPC would go as far as to cut Bank Rate into negative territory, although the Governor of the Bank of England has said all policy measures will be considered. The Governor also recently commented about an eventual tightening in monetary policy – namely that he favours unwinding QE before raising interest rates. Some forecasters think this could be as far away as five years.
- 5.9 The Government and the Bank were also very concerned to stop people losing their jobs during this lockdown period. Accordingly, the Government introduced various schemes to subsidise both employed and self-employed jobs and put in place a raft of other measures to help businesses access loans from their banks, (with the Government providing guarantees to the banks against losses), to tide them over the lockdown period when some firms may have little or no income. The Bank of England expects the unemployment rate to double to 8%.
- 5.10 The Government measures to support jobs and businesses will result in a huge increase in the annual budget deficit for the current year, from about 2% to nearly 17%. The ratio of debt to GDP is also likely to increase from 80% to around 105%. In the Budget in March, the Government also announced a large increase in spending on infrastructure; this will also help the economy to recover once the lockdown is ended. Economic statistics during June were giving a preliminary indication that the economy was recovering faster than previously expected. However, it may be a considerable time before economic activity recovers fully to its previous level.
- 5.11 **Inflation.** The annual inflation rate dropped to 0.5% in May from 0.8% in April and could reach zero by the end of the year. Inflation rising over 2% is unlikely to be an issue for the MPC over the next two years as the world economy will be heading into a recession. Other UK domestic prices will also be under downward pressure; wage inflation was

already on a downward path over the last half year and is likely to continue that trend in the current environment where unemployment will be rising significantly. In May's Monetary Policy Report, the Bank of England predicted that inflation would hit their 2% target by 2022. This was in the context of its forecast that GDP would rise by 3% in 2022 after a recovery during 2021. While inflation could even turn negative in the Eurozone, this is currently not likely in the UK.

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 report is to demonstrate financial performance as at 30 June against the original budget set for the 2020/21 financial year, and assess full year projections to 31 March 2021. It also illustrates how the projected position affects the Working Balances and Earmarked Reserves held by the Council.
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

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