

Section Four - General Fund Revenue Budget

Revised Budget 2020-21

1. During 2020-21, the Cabinet and Finance & Audit Committee (which provides the scrutiny function over budgetary control) have received three quarterly budget monitoring reports. Each Budget Monitoring report has included a summary of the known variances contributing to the projected year-end financial position of the authority.
2. The COVID-19 Pandemic has had a significant impact on the financial position of the council, particularly impacting on income streams. The Budget Monitoring Report showing the projected financial position at the end of Quarter Three (period to 31 December 2020) indicates a projected overspend for the year of £2,050,080 against the original budget indicating a contribution of £270,100 would be made to working balances, albeit income and expenditure variances in the last quarter of the year will impact on this figure.

Revenue Budget 2021-22

3. The ongoing impact from the COVID-19 Pandemic on the council, businesses and residents of the Borough cannot be easily forecast with any certainty. The proposed budget for 2021-22 has been developed on the basis of using prudent and considered assumptions around key expenditure and income items for the year.
4. The Original Estimate for 2021-22 represents a balanced budget position, with a contribution of £57,850 being made to working balances in 2021-22 (assuming a Council Tax increase of £4.95 (2.38%) in 2021-22).
5. A draft Budget Book is attached at Appendix 4a for Member information. The key factors considered when proposing the budget for 2021-22 are set out below.

Employee Costs

6. As per the Spending Review announcements on public sector pay in November, the budget reflects no inflationary increase for 2021-22 with the exception of those earning less than £24k per annum (who will receive a pay increase of at least £250).
7. A Vacancy Allowance of £350,000 has been retained for the General Fund.
8. In response to the COVID-19 Pandemic and in its role as a key employer in the Borough, the council will be proactively promoting opportunities for apprenticeships, work experience and career development. This will be achieved by the council including 23 apprentice and 11 career-graded posts within its workforce, developing its offering of work experience placement and supporting the national Kickstart Scheme on behalf of itself and local businesses as a way of assisting young people at risk of long-term unemployment to access the job market.

Running Expenses

9. The council maintains budgets for regular expenditure on supplies and services which support the council in delivering its services to residents and achieving its objectives. Working with budget holders, these budget lines have been reviewed for 2021-22 to ensure that sufficient financial provision is made for such costs and that budgets remain fit for purpose.
10. The council is less exposed to inflationary pressures than other similar organisations due to a number of services (such as waste collection and recycling) being delivered in-house. Where known, inflationary increases have been built into the budget and the council retains an inflation provision to respond to any further pressures that may arise during the year.

Capital Financing

11. The council repaid its existing, long-standing external borrowing for the General Fund in May 2020. However, as part of the capital programme for both current and future years, new external borrowing has been planned. Resultantly, net interest payable on this borrowing is budgeted to be £264,590 in 2021-22.
12. The council is required to charge an expense to its revenue account for the repayment of external debt associated with its investment in capital assets (known as Minimum Revenue Provision, or MRP). For 2021-22, the required provision for this purpose is £605,960.

Other Government Grants

13. The council receives a number of grants from government; over this last year the number of grants have increased, principally to respond to the financial impacts on the council of the COVID-19 Pandemic and to compensate the council for lost Business Rates due to reliefs granted to businesses by central government.
14. The provisional settlement has indicated government's intention to continue to support expenditure pressures and losses of sales, fees and charges income for the first quarter of the year, as well as providing additional support. In 2021-22, the council will also receive funding to support the administration of Homelessness and Rough Sleeping services, Housing Benefit and Localised Support for Council Tax. In addition, the council has secured funding of £417,950 to support the Kickstart Scheme.

Investment Income

15. Generating returns from traditional investment sources continues to be incredibly challenging due to low interest rates albeit the council has sought to maximise its returns where possible in recent years through a considered diversification of its investment portfolio into Property Funds and Diversified Income Funds. The council's treasury advisors, Link Asset Services, are currently forecasting that the Bank of England base rate will remain at a historic low of 0.10% until March 2024. This, along with the expected returns from Property Funds and Diversified Income Funds, has been factored into the investment income projections within the MTFP.

Fees and Charges

16. The responsibility for determining fees and charges has been delegated to Directors and Assistant Directors (with the exception of car park fees). The council reviews its fees and charges structure at least annually, and a report on the outcomes of this will be reported to Cabinet alongside this budget report. This income line has been significantly impacted in particular car parking income as a result of COVID-19 pandemic, it is currently unclear how much central government funding will be received to compensate for these losses, however the government will continue its sales, fees and charges compensation scheme during the first quarter of 2021/22. (April to June 2021).

Rental Income

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

Appropriations

18. The council will make a number of planned transfers into working balances and reserves during 2021-22 to support future spending plans and help cushion the impact of uneven cashflows or unexpected events, avoiding the need for temporary borrowing. As set out in Appendix 6, as part of the budget setting process the Director (Corporate Services) has considered the adequacy of the council's reserves and working balances; the proposed appropriations to and from reserves and balances are in accordance with the review and are in line with the council's Reserves Policy.
19. In 2021-22 the council will continue its policy decision of taking New Homes Bonus Funding directly to working balances when received.

Medium Term Financial Planning for the council and its community

20. In February 2020, Full Council considered the financial position of the council. At that time the proactive strategy adopted by the council since 2016 had enabled the 2020-21 budget proposal to be presented alongside a Medium Term Financial Plan which requires no additional savings to be delivered in the plan period to 2028-29. The council set a focus on bringing forward the ambitions set out in the Corporate Plan 2019-2023 to deliver a Gravesham to be proud of.
21. The budget proposals for 2021-22 maintain these ambitions and continue to include funding to support the delivery of a new Leisure Centre, programmed replacement plans for council-owned playsites, the delivery of new housing, improved town centre street scene and a commitment to become carbon neutral by 2030.
22. The COVID-19 Pandemic has created significant uncertainty regarding the potential impacts on the economy. Whilst central government has set in place schemes to support businesses during the pandemic, the council recognises that businesses and individuals will also need support to respond and adapt to the economic environment that emerges as the country recovers from the current situation. The budget proposals for 2020-21 incorporate a programme of support for those seeking to develop new skills or access the job market. Further proposals for an Economic Stimulus Package for the Borough will be presented to Full Council alongside the budget proposal for 2021-22.

23. The COVID-19 Pandemic has also created new challenges to the future sustainability of the council, which are compounded by the ongoing and prolonged uncertainty around the future funding of local government. In setting the budget for 2021-22, the council is once again facing a situation of emerging financial pressures in future years which will require action to address. The council has a strong track record in planning and delivering activity to respond to the financial challenges it faces, fully delivering on its £4.2m Bridging the Gap and Balancing the Budget programmes planned to respond to a decade of significant and sustained cuts to local government funding. To reflect the position the council now finds itself in, a review will commence in early 2021-22 to ensure that council resources are being applied effectively to ensure financial sustainability of the organisation in the longer term.