

Classification: Public

Key Decision: No

Gravesham Borough Council

Report to: Report for Cabinet
Report for Finance & Audit Committee

Date: 7 September 2021 / 21 September 2021

Reporting officer: Assistant Director (Corporate Services)

Subject: General Fund Budget Monitoring Report
2021/22 – Quarter One

Purpose and summary of report:

To provide Members with information on actual performance against the approved Revenue and Capital budgets for 2021/22, including projected variances agreed or identified through budgetary control activity.

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

Recommendations:

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 2021/22 financial year for the first quarter to 30th June 2021, 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 recruitment activity which impacts on either budgetary provision or results in a permanent change to the staffing establishment to be considered and approved by Management Team
 - Monitoring the delivery of activity under the Medium Term Financial Strategy (MTFS).

2. EXECUTIVE SUMMARY

Revenue

- 2.1. There has been minimal movement against budget during Quarter One, and given the relatively early stage of the financial year, many nil variances are therefore being reported. At the end of Quarter One, there is a projected adverse variance for the year of £43,180.
- 2.2. As reported in the 2020/21 Outturn Report, the Council ended the previous year in a favourable position, enabling budgets totalling £147,290 to be approved for carry forward into 2021/22.
- 2.3. The level of Working Balances at year-end is projected to be £11.65m, constituted of minimum working balances of £2.0m, the General Fund reserve of £3.25m and usable Working Balances of £6.40m.
- 2.4. Movements in the year are projected to result in a net decrease in earmarked reserves of £7.31m. This reflects the start of the year position being £19.08m, and projected to be £11.77m at year-end. Of this movement, £4.41m relates to the NNDR Collection Fund Equalisation Reserve - see section 3.9.5 for further details.
- 2.5. It is important to note that 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 the financial consequences of the Covid-19 pandemic as central government supports starts to unwind in 2021/22.
- 2.6. **Capital**
- 2.7. The General Fund Capital Programme working budget is £57.32m, including £30.60m relating to The Charter, £5.15m for the St George's Centre, £4m for a New Leisure Centre, and a combined £6.95m relating to Property/Land Acquisition schemes. Actual spend, as at the end of Quarter One was £5.90m.

3. REVENUE

3.1. Budget 2021/22

- 3.1.1. The approved Original Budget Requirement for 2021/22 was £6,420,640, funded by a combination of retained Non-Domestic Rates, New Homes Bonus, and Council Tax. It also enabled a contribution of £98,270 to be made to Usable Working Balances, in accordance with the Medium Term Financial Strategy.
- 3.1.2. The table on the next page sets out the current assessment of performance against the Original Budget by Directorate, based on known and projected variances as at 30 June 2021.

Directorate / Budget Heading	Original Budget 2021/22 (£)	Forecast 2021/22 (£)	Variation 2020/22 (£)
Chief Executive	168,160	168,160	0
Communities	3,850,700	3,850,700	0
Corporate Services	2,917,210	2,836,580	(80,630)
Environment	5,511,040	5,511,040	0
Housing	1,225,680	1,225,680	0
Items carried forward from 2020/21	0	147,290	147,290
Non-Directorate Specific	888,960	888,960	0
Interest and Investment Income	(772,000)	(772,000)	0
Government Grant Funding	(1,308,260)	(1,308,260)	0
Transfers to/ (from) reserves	(7,148,150)	(7,276,210)	(128,060)
Transfers to/ (from) balances	311,050	311,050	0
Transactions below the line	776,250	880,830	104,580
BUDGET REQUIREMENT	6,420,640	6,463,820	43,180
Business Rates Income	(3,565,940)	(3,565,940)	0
Council Tax Income	(7,333,580)	(7,333,580)	0
Parish Precepts	(403,160)	(403,160)	0
New Homes Bonus	(311,050)	(311,050)	0
Lower Tier Services Grant	(126,260)	(126,260)	0
Transfers to/(from) the Collection Fund	5,221,080	5,221,080	0
Use of Working Balances	98,270	98,270	0
BUDGET SHORTFALL/(UNDERSPEND)	0	43,180	43,180

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 – NEUTRAL VARIANCE

3.3.1. **Street Lighting: Neutral variance** – reserve funding of £73k (£23k from the NNDR Growth Fund Reserve, and £50k from Revenue Grants not yet applied) has been released in 2021/22 to facilitate the continuation of a Street Lighting project which commenced during 2020/21. This involves the conversion, where possible, of Council-owned street and amenity lighting to LED lighting, as well as providing for maintaining and fixing existing assets.

3.3.2. **Leisure Services: Neutral variance** – reserve funding totalling £22k was initially made available during 2020/21 to support the furtherance of leisure development activities. This incorporated a refresh of the 2016 Indoor Leisure Facilities Strategy, and a subsequent feasibility study to investigate the future of existing leisure provisions within the borough. The study includes an evaluation of prospective future capital and revenue costs as well as a management options appraisal to assist the Council in determining

the optimum way forward. £6k of the reserve funding was spent during 2020/21, with the remaining £16k now released to enable the studies to be completed during 2021/22.

- 3.3.3. **Market Equipment: Neutral variance** – reserve funding totalling £33k was initially made available during 2020/21 to finance necessary works at the Borough Market to extend the number of units capable of accommodating food traders. This incorporated a combination of electrical, extraction and kitchen works, designed to extend food-trading capabilities to an additional six units, and linked with the Market Strategy, which was formally adopted in May 2020. £22k of the reserve funding was spent during 2020/21, with the remaining £11k now released to complete the works during 2021/22.

3.4 **CORPORATE SERVICES DIRECTORATE – £81k FAVOURABLE VARIANCE**

- 3.4.1 **Interest Payable: £81k favourable variance** – expenditure within the General Fund Capital Programme during 2020/21 was lower than originally budgeted, which meant that there was a reduced borrowing requirement than initially envisaged. This in turn led to lower associated interest costs, which has continued into 2021/22 generating a positive budgetary impact. Additionally, where borrowing has been required, it has been at lower interest rates than originally budgeted, and therefore a combination of these two factors has led to a favourable projected variance of £81k in 2021/22.

- 3.4.2 **Climate Change Initiatives: Neutral variance** – following the success of the “Recycling On the Go” project which was trialled at St Andrew’s Gardens during 2020/21, the scheme is now being extended across other park areas – Riverside Leisure Area, Woodlands Parks and Camer Park. Resultantly, £28k has been made available from the Climate Change Reserve to support this work, which will enable the purchase of dual compartment litter and recycling bins, increasing both the litter capacity available as well as the aesthetic appearance at these locations.

3.5 **ENVIRONMENT DIRECTORATE – NIL VARIANCE**

- 3.5.1 There are no significant variances to report.

3.6 **HOUSING DIRECTORATE – NIL VARIANCE**

- 3.6.1 There are no significant variances to report.

3.7 ITEMS CARRIED FORWARD FROM 2020/21 – £147,290

3.7.1 The following items from 2020/21 have been approved for carry forward to 2021/22 by the Section 151 Officer and the Council's Management Team:

Summary of General Fund 2020/21 year-end carry-forward requests			
Directorate	Service	Amount	Reason for carry-forward request into 2021/22
Communities	Environmental Health	£6,100	Statutory Air Quality Action Plan required by DEFRA
Communities	Community Engagement	£15,000	Match funding of Cultural Waterside Grant - grant decision awaited. To assist with welcoming back to town centre following easing of Covid-19 restrictions.
Communities	Basecamp	£7,610	MOD Funding to be used for future armed forces event.
Communities	Town Centre	£14,250	Light Festival postponed from 2020/21.
Communities	Town Centre	£21,000	Investment in Town Centre activities as part of welcome back post restrictions.
Communities	Arts Development	£16,140	Align funds to the 2021/22 Arts & Cultural delivery programme, following cessation of Gravesham Arts Council SLA during 2020.
Communities	Arts Development	£3,370	Ticket sales from outdoor events to be used to fund events in 2021/22.
Communities	Regulatory Services	£19,500	Digital offering improvements to enhance overall service delivery - IT software & equipment.
Environment	Cemeteries	£9,320	Major works planned for Northfleet Cemetery in 2021/22.
Housing	Private Housing	£35,000	Housing Stock Condition Survey.
Total carry-forward requests		£147,290	

Table 2: Items Carried Forward from 2020/21

3.8 FUNDING STREAMS – £23K FAVOURABLE VARIANCE

3.8.1 **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 £128k relates to projected reserve funded items as described within individual Communities and Corporate Services Directorate sections above.

3.8.2 **Transactions below the line – Minimum Revenue Provision (MRP): £23k favourable variance** – the MRP charge for 2021/22 is based on the Council's cumulative capital spend that is financed from either internal or external borrowing up to the end of 2020/21. As the capital spend in 2020/21 on schemes financed from these sources was lower than anticipated at the time of setting the 2021/22 budget, there is a resulting projected favourable variance relating to MRP in 2021/22 of £23k.

3.9 WORKING BALANCES AND RESERVES

3.9.1 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 2020/21	11,283,080
New Homes Bonus (Straight to working balances)	311,050
Budgeted use of Working Balances to support the General Fund	98,270
Variances per budget report (Incl.items Bfwd from 2020/21)	(43,180)
Forecast Working Balances C/Fwd (as at 30 June 2021) including Minimum GF Working Balance	11,649,220
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 2021)	6,399,220

Table 3: Effect on General Fund Balances

3.9.2 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 projected movements on these specific reserves during the year.

General Fund Earmarked Reserves	Opening Balance 01/04/2021 £'000	Forecast Use of Reserve (Expenditure) £'000	Forecast Contributions (Income) £'000	Forecast Balance 31/03/2022 £'000
Planning Policy Reserve	465	(232)	200	433
Asset Enhancement Reserve	1,163	(635)	100	628
Leisure Centres Reserve	1,657	(1,983)	359	33
Corporate Priorities Reserve	535	(100)		435
Town Pier Pontoon Reserve	123		13	136
Elections Reserve	74		18	92
NNDR Collection Fund Equalisation Reserve	5,075	(4,406)		669
IT Infrastructure Reserve	371	(200)	100	271
DSO Vehicle Capital Reserve	474	(132)	132	474
Freighter Replacement Reserve	1,223		221	1,444
NNDR Growth Fund Reserve	375	(376)	226	225
Lower Thames Crossing Reserve	140			140
Woodville Repairs Reserve	240		57	297
Investment Interest Equalisation Reserve	500			500
Housing & Commercial Growth Fund	700			700
St George's Income Protection Reserve	1,240			1,240
Commercial Income Protection Reserve	1,147	(15)		1,132
Service Review Reserve	83			83
Playgrounds Reserve	136	(160)	69	45
Decriminalisation Reserve	228	(210)		18
Enterprise Reserve	151	(353)	375	173
Climate Change Reserve	485	(28)		457
Sub-total - Specific Earmarked Reserves	16,585	(8,830)	1,870	9,625
Revenue Grants not yet applied	2,494	(345)	--	2,149
Total - All Earmarked Reserves	19,079	(9,175)	1,870	11,774

Table 4: Analysis of Specific Reserves

- 3.9.3 New approved uses of reserves are already referred to within individual directorates – see sections 3.3.1, 3.3.2, 3.3.3 and 3.4.2
- 3.9.4 Other reserve movements are initially forecast as per the original budget, and are subsequently updated as further expenditure plans are established. This can include use for both capital and revenue purposes, and incorporates any potential re-phasing of capital schemes between current and future years.
- 3.9.5 Of the overall projected net movement in earmarked reserves of around £7.3m, £4.4m, which equates to around 60% of this total, relates to the budgeted drawdown within the NNDR Collection Fund Equalisation Reserve. This is a unique situation for 2021/22, and is due to Collection Fund accounting arrangements arising from the Business Rates position attributable to the Covid-19 pandemic in 2020/21.
- 3.9.6 The additional Business Rates Section 31 grants received in 2020/21 (to compensate the Council for the loss of Business Rates income as a result of the extended retail relief given to retail, hospitality and leisure businesses, and nursery providers to support them through the pandemic), were transferred to the reserve at year-end 2020/21. The legislation that governs Collection Fund accounting means the related deficit as a result of the loss of Business Rates income during 2020/21 is not chargeable to the Council's General Fund until 2021/22. As a result, the £4.4m reflected in the table above, will be drawn down from the reserve to offset this deficit in 2021/22 and is therefore not an available resource to the Council.

3.10 MEDIUM TERM FINANCIAL PLANNING

3.10.1 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 MTFP shows that our budgeted expenditure will exceed our income for the foreseeable future. The latest version of the Medium Term Financial Plan is attached to this report at Appendix Two.

Wider Risk Implications

3.10.2 As government support unwinds and the financial legacy of COVID-19 impacts start to emerge, it is difficult to predict how the MTFP will be affected during the short to medium term. As far as possible provision was made during the budget setting process for known impacts at that time. The council has experienced an increase in demand for some services and there are some income streams that are likely to be adversely impacted during this financial year, however these impacts are not yet fully known.

3.10.3 During the pandemic, there has been an increase in demand for temporary accommodation requests and homelessness provision. This is currently being managed within current budgets and management are taking steps to make changes to improve efficiency. The situation will continue to be kept under review and any financial impacts will be noted in future reporting.

3.10.4 Although planning income is currently meeting expectations this could be affected going forward.

3.10.5 In the area of car parking income, the council had budgeted for a decrease in income of £394K this financial year. Income levels continue to be monitored and any variances will be reported at future budget monitoring reports.

3.10.6 The MTFP is continually monitored and it is intended that at the end of Quarter Two further updates will be possible to provide more clarity on the financial impacts to the MTFP.

Local Government Finance

3.10.7 There continues to be uncertainty on the long-term future of local government funding. Central Government support during the pandemic is starting to unwind and at the time of writing this report we are unaware of what future support will be made available to local government, if any. The Sales Fees and Charges compensation scheme came to an end on 30th June 2021. The final return under this scheme is expected during August 2021 and it is likely that we will receive our last payment sometime in the Autumn.

Spending Review 2021

3.10.8 Reports in the Financial Times during July 2021 indicated that the spending review would be launched sometime during the summer. However, due to the "pandemic", the Chancellor has been forced to delay its launch until September. As reported recently in the news both the Chancellor and the Prime Minister were self-isolating, which has delayed both the spending review and an announcement on social care.

- 3.10.9 The Chancellor had planned to formally launch the spending review before the Summer Recess. Treasury sources have been quoted as saying that “preparatory work for the review had already begun and would continue over the summer”. The delayed “formal launch” will be in September and will provide “details for how much overall government spending will rise by in the next financial year”. The delay probably also makes a November announcement more likely than October.
- 3.10.10 From a local government funding perspective, the Chancellor’s launch statement in September should give us a broad outline of the spending totals that are available. However, details about the package for local government in 2022-23 are not going to be known until later in November, or even the provisional settlement in December 2021. It is still anticipated that the spending review will cover the remainder of the parliament, but the tight timescales might now make a one-year settlement more likely.

Borrowing

Central Government Proposals, Capital Finance Framework

- 3.10.11 The current system to regulate capital finance, has been in place since 2004, and is based on the principle of local decision making and accountability. Local authorities are free to determine their own capital strategies and decide how they deliver services on the principle that they are best placed to make the decisions needed to support their local communities.
- 3.10.12 The risks associated with borrowing for commercial investments have received particular attention. Since 2016, there has been a significant increase in local authority borrowing correlated with an increase in commercial investment. The National Audit Office report Local Authority Investment in Commercial Property stated that the estimated local authority investment in commercial property from 2016-17 to 2018-19 was £6.6 billion and local authority commercial property acquisitions had risen by more than 14-fold in the period 2016-17 to 2018-19, compared with the preceding three years.
- 3.10.13 As a result, the Government plans to strengthen the current system while protecting the principles of local decision making. It intends to set out plans for both improving the stewardship role of MHCLG and to strengthen the current capital system so that it remains effective in driving good decision making and preventing excessive risk. It builds on some of the changes we have already seen, to the operation of the Public Works Loan Board (PWLB), which have been in place since November 2020 which are designed to stop local authorities from accessing PWLB borrowing if they are planning on undertaking investments primarily for yield. These changes were reported to members in July. We will inform members of the outcome of the government’s proposed changes and their potential impact in due course.

UK Infrastructure Bank

- 3.10.14 Launched in interim form in June 2021, the UK Infrastructure Bank (UKIB) is a private limited company wholly owned and backed by HM Treasury.
- 3.10.15 The new government-owned UK Infrastructure Bank (UKIB) is focused on increasing infrastructure investment across the United Kingdom. It will partner with the private sector and local government to finance a green industrial revolution and drive growth across the country.

The Bank's core objectives are to:

- Help tackle climate change, particularly meeting the net zero emissions target by 2050.
- Support regional and local economic growth through better connectivity, opportunities for new jobs and higher levels of productivity.

3.10.16 The Bank will help to finance important projects in every region and nation of the UK in sectors including clean energy, transport, digital, water and waste.

3.10.17 Working in partnership with local government and the private sector, the Bank will harness investment tailored to the needs of specific infrastructure projects, offering a range of financing tools including debt, equity, and guarantees.

3.10.18 The bank will have an initial £12 billion of capital to deploy and will be able to issue £10 billion of government guarantees, helping to unlock more than £40 billion of overall investment.

3.10.19 The Bank's £22 billion of financial capacity will consist of £5 billion of equity, £7 billion of debt, and £10 billion of guarantees.

3.10.20 Local authority projects will be supported later in 2021. From late summer 2021, financing will be available to local and mayoral authorities across the UK, for high-value and complex economic infrastructure projects.

3.10.21 There are restrictions on borrowing for certain projects and lending rates are expected to be in line with the Public Works Loan Board however, we as an authority will monitor any updates and add this institution for consideration as a potential source of funding should there be a suitable project that meets the lending criteria.

COVID-19

3.10.22 The Council continues to act in an agency capacity, administering a series of business grants as part of national schemes the Government designed to help support local economies. As of writing, the Council has paid out over £26m. This has been achieved through cross-departmental working involving officers from the Finance, Revenues & Benefits and Economic Development teams. This has enabled a further unlocking of Central Government funding in the region of £692K, which will be distributed to help support local businesses in the Borough.

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 2021/22, taking into consideration adjustments for carried forward items as approved by the Section151 Officer and the Council's Management Team.

Scheme	2021/22 Original Budget £	2021/22 Approved Adjustments £	2021/22 Working Budget £	2021/22 Actual Expenditure £	Outstanding Balance £
Essential Repairs to Buildings	615,000	307,350	922,350	24,010	(898,340)
Gravesend Cemetery Improvements	0	14,830	14,830	0	(14,830)
Purchase of Vehicles (DSO Fleet)	232,000	292,560	524,560	125,940	(398,620)
Gatekeeper Replacement	0	50,000	50,000	0	(50,000)
New Wheeled Bins for Flat Recycling	0	100,000	100,000	0	(100,000)
Waste & Horticulture back office system	108,690	(17,850)	90,840	0	(90,840)
Replacement Playground Programme	159,870	0	159,870	0	(159,870)
IT Equipment Air Conditioning Unit	0	40,000	40,000	5,610	(34,390)
Brookvale Office Accommodation	1,400,000	0	1,400,000	0	(1,400,000)
Property Acquisition Programme	3,286,980	0	3,286,980	0	(3,286,980)
Land Acquisiton Programme	3,658,810	0	3,658,810	0	(3,658,810)
Land at Dering Way	3,590,190	0	3,590,190	0	(3,590,190)
St George's Centre	5,151,550	(480)	5,151,070	0	(5,151,070)
Cascades Replacement Flumes	0	3,730	3,730	0	(3,730)
Heritage Assets	200,000	44,570	244,570	0	(244,570)
Gym Equipment Leisure Centres	0	47,800	47,800	0	(47,800)
Back up Generator	60,000	0	60,000	0	(60,000)
Parking Machines	251,200	0	251,200	0	(251,200)
LATCO development costs	0	18,600	18,600	0	(18,600)
LATCO working capital provision	0	225,010	225,010	0	(225,010)
Elizabeth Huggins Cottages	2,000,000	0	2,000,000	0	(2,000,000)
Parking Software	0	18,570	18,570	12,110	(6,460)
Purchase of Freighters	0	400,000	400,000	205,200	(194,800)
Enforcement of Private Housing	0	20,040	20,040	10,210	(9,830)
IT Infrastructure Assets	200,000	89,490	289,490	19,490	(270,000)
The Charter	27,295,500	3,299,680	30,595,180	5,451,860	(25,143,320)
Barrock Row Public Conveniences	0	4,340	4,340	2,360	(1,980)
Website Content Management System	65,000	0	65,000	0	(65,000)
MOT Lane, Brookvale Workshop	37,000	0	37,000	40,420	3,420
Street Cleaning Machine	49,000	0	49,000	0	(49,000)
New Leisure Centre	4,000,000	0	4,000,000	0	(4,000,000)
	52,360,790	4,958,240	57,319,030	5,897,210	(51,421,820)

Table 5: General Fund Capital Programme 2021/22

- **Essential Repairs to Buildings** – the phased upgrade of lighting within the Civic Centre to LED continues. Three roofs at Cascades leisure centre have been recovered. We are now awaiting prices on recovering roofs at the Brookvale Depot together with confirmation that works proposed comply with Building Regulations.
- **Gravesend Cemetery Improvements** - a number of improvement works are currently underway. This work is expected to be complete by the end of the 2021/22 financial year.
- **Purchase of Vehicles (DSO Fleet)** – the vehicle fleet replacement plan is currently under review to take account of the potential purchase of electric vehicles. A review is

being currently being undertaken by the Energy Saving Trust. The outcome of this review will help inform the decision making with regard to the purchase electric vehicles.

- **Gatekeeper Replacement** – Kent County Council approval has been received to introduce Automatic Number Plate Recognition (ANPR) enforcement of the King Street bus gate. Confirmation of the programme for installation is awaited prior to capital expenditure on the equipment being made.
- **New Wheeled Bins for Flat Recycling** – The review of all flatted developments across the borough is underway to establish the type of bins required to enable residents in flats to be able to recycle their waste. A project plan for the implementation of recycling bins in GBC owned flats has been produced and bins are being purchased to support this plan. We are working with privately owned blocks of flats to implement dry recycling services.
- **Waste & Horticulture Back Office System** – Work has started on the procurement of digital solutions for the Street Cleansing Service and to trial litter bin sensors.
- **Replacement Playground Programme** – a 20-year replacement programme is in place and is under review. Orders has been placed to undertake some surfacing repairs.
- **IT Equipment air conditioning unit** – contactors are now working on site with works due to complete by end of August.
- **Brookvale Office Accommodation** - Work to redesign the Brookvale depot and deliver commercial accommodation at the site has been deferred to this financial year. No further update has been received for Quarter One.
- **Property Acquisition Programme** – No property acquisitions were considered in the first quarter of the financial year.
- **Land Acquisition Programme** – No Land acquisition opportunities were considered in the first quarter of the financial year.
- **St George's Centre** – There are currently no further works planned to the St Georges Shopping Centre during this quarter.
- **Cascades Replacement Flumes** - The flumes are now available to be used once the Cascades pool re-opens in the summer in line with Covid-19 restrictions being lifted. A small amount of remedial work remains to the external flume steelworks. This work is expected to be completed during the summer.
- **Heritage Assets** – capital expenditure to date relates to surveys and site investigations in support of progressing works to the council's heritage property assets. Preparations are being made for works to the St Andrew's Riverwall and maintenance works to the Gravesend Blockhouse. Expressions of interest are being finalised for submission of projects for funding to the National Heritage Lottery Fund.
- **Gym Equipment Leisure Centres** – The main gym equipment at both leisure centres has been updated during the Covid-19 pandemic period. A decision to hold back on replacing the spin bikes was taken with GCLL whilst current Government guidelines restricted the amount of people that could take part in-group exercise sessions. Therefore, it is anticipated that these will be replaced later in the financial year once the leisure centres are able to operate without a limit on participant numbers.

- **Back-up Generator** – an upgrade option is being investigated and a possibility of used replacement is being explored.
- **Parking Machines** - options are currently being appraised for the replacement and upgrade of Pay & Display machines. Steps are being taken to make a recommendation for decision later in the year.
- **LATCO Development Costs** - no request for further drawdown were received in first quarter of the financial year.
- **LATCO Working Capital Provision** - no request for further drawdown of the working capital provision were received from Rosherville Limited as at the end of the first quarter.
- **Elizabeth Huggins Cottages** - no request for drawdown of funding was received in the first quarter of the financial year. On 18 May 2021 Full Council authorised the loan facility to be made available for all stages of the development scheme, not just the element of the scheme previously referred to as phase one.
- **Parking Software** - the back office parking software and the virtual permit system has been implemented and is now live. The environmental enforcement module and the bus gate enforcement module has not been implemented yet. Both are due to go live in the during this financial year.
- **Purchase of Freighters** - two new refuse collection vehicles have been ordered and are due to be delivered. The current replacement programme has been suspended until the results of the Consistency in Household Waste Consultation has been released, so any potential effect to service delivery can be assessed.
- **Enforcement of Private Housing Standards** - This programme of work has now been completed and signed-off by our Senior Environmental Health Officer (Private Housing). There are some outstanding invoices yet to be received and paid.
- **IT Infrastructure Assets** – there has been no change in expenditure. However, approx. £100k will be spent in September 2021 on licence renewals and upgrades to the Citrix system.
- **The Charter** - Legal agreements between all parties were agreed on 16th March 2021 and works on site are underway to bring forward 242 residential units and a new multi-storey car park. A ground-breaking ceremony took place on 15 June 2021.
- **Barrock Row Public Conveniences** – This is part of a wider Kent County Council bus interchange project and relates to the inclusion of public toilets. £4k was rolled over to the 21/22 budget to cover the remaining cost towards the electricity connection and the expected cost from Southern Water for the new facility.
- **Website Content Management System** – Officers are currently exploring procurements options for the most effective way of facilitating this project with a decision to be made during the 2nd quarter of 2021/22 on the most appropriate way forward.
- **MOT Lane, Brookvale Workshop** – The MOT Lane has now been procured. The groundworks are underway with expected completion to be August/September 2021.
- **New leisure Centre** – A feasibility study on future leisure centre provision is currently being undertaken by KKP leisure consultants. This work is in two phases. The first phase includes an update on the existing indoor built leisure strategy work undertaken in

2016 in order to revise current and future deficiencies; with the second phase outlining options for a new built facility, with a primary focus on the Cascades Leisure Centre site. It was estimated that both phases of this initial strategic work would be completed by September 2021.

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 01/04/2021 £	Actual Income 2021/22 £	Anticipated use of Funding 2021/22 £	Projected Balance 31/03/2022 £
Capital Receipts	(473,940)	(6,670)	480,610	0
S106 Capital Contributions	(577,200)	(285,280)	0	(862,480)
Capital Grants unapplied	(138,500)	0	0	(138,500)
Total Capital Resources	(1,189,640)	(291,950)	480,610	(1,000,980)

Table 6: General Fund Capital Resources 2021/22

Capital Grants Unapplied	Opening Balance 01/04/2020 £	Actual Income 2021/22 £	Anticipated use of Funding 2021/22 £	Projected Balance 31/03/2022 £
Transport Quarter Stage 3	0	0	0	0
Localised Council Tax Support	(83,500)	0	0	(83,500)
Land at South of Hever Court Road	(55,000)	0	0	(55,000)
Total Capital Grants Unapplied	(138,500)	0	0	(138,500)

Table 7: Capital Grants Unapplied 2021/22

5.1. 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 2021/22 £	Purpose of S106
Infrastructure Maintenance Depot (IMD) Compensation fund	(2,590)	0.00	0.00	(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	0.00	0.00	(80,000)	(80,000)	Highways contribution.
Whitehill Open Space	(52,000)	0.00	0.00	(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)	0.00	0.00	(17,000)	Flood Risk Management - £12,000, Bus Shelter - £5,000.
Whitehill Road	0.00	0.00	(2,680)	(2,680)	Highways contribution
Springhead Leisure Contribution	(150,000)	0.00	0.00	(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	(189,120)	0.00	0.00	(189,120)	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)	0.00	0.00	(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.
Cold Harbour Road	(92,000)	0.00	0.00	(92,000)	To be used to fund projects to improve and enhance the Fleet Leisure Centre or such other leisure facilities situated within 5 miles of the Site.
Meopham Police Station	(24,500)	0.00	0.00	(24,500)	Income received - Planning number is 20141214. We await a copy of the S106 agreement to the Development of the Meopham Police Station.
Rosherville Property Development Ltd	(285,270)	0.00	(155,230)	(440,500)	£285,266 & £155,232 expected NHS contributions toward Strategic Access Management & Monitoring Scheme & towards the improvement of Lanscaping at St Andrews garden.
Total S106 Contributions	(862,480)	0.00	(237,910)	(1,100,390)	

Table 8: S106 Contributions 2021/22

6. TREASURY MANAGEMENT

- 6.1 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 23 February, Full Council approved the Treasury Management Strategy Statement for 2021-22, 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
- 6.2 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 2021 can be found at Appendix Three of this report.
- 6.3 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 0.23%.
 - 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%.
- 6.4 In 2020/21, despite the pandemic, Property Funds produced an income return of 4.15% overall and Money Market Funds produced an average dividend return of 3.40%. Return on internally managed investments for 2020/21 was 0.36% against a benchmark return of 0.11%.
- 6.5 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.
- 6.6 The following summary of Key economic developments within this reporting period has been provided by Link Asset Services, the authority's Treasury Management advisors.
- 6.7 The Bank of England Monetary Policy Committee voted unanimously to keep Bank Rate unchanged at 0.10%. The Bank revised expectations for growth in Q2 of 2021 from 4.25% to 5.5%. The Bank of England expects a spike in inflation over the next six months but that this will be short lived. The Bank is also undertaking a review of its current policy to raise Bank Rate before unwinding quantitative easing. Money markets are currently expecting Bank Rate to start rising in mid-2022 but elsewhere there is an

expectation that only a minimal increase in Bank Rate is likely before 2023 or possibly no increases before 2024.

The background papers to this report are held within the Finance 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 2021/22 financial year, and assess full year projections to 31 March 2022. 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.