

Classification: Public

Key Decision: No

Gravesham Borough Council

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

Date: 08 November 2021 / 10 November 2021

Reporting officer: Assistant Director (Corporate Services)

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

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.

To inform members of a proposed in year addition to the Capital programme.

Recommendation:

Cabinet to:

Approve the addition of the St Georges Creative Hub to the current year capital programme as set out in sections 4.2 and 4.3 of this report.

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 September 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. At the end of Quarter Two, there is a projected underspend for the year of £235,300. Movements affecting the forecast position against the original budget for the year are largely attributable to the projected salary underspend, movements within the parking income budget, and several other variations across income lines.
- 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 £11.93m, constituted of minimum working balances of £2.0m, the General Fund reserve of £3.25m and usable Working Balances of £6.68m.
- 2.4. Movements in the year are projected to result in a net decrease in earmarked reserves of £8.62m. This reflects the start of the year position being £19.08m, and projected to be £10.46m at year-end. Of this movement, £4.41m relates to the NNDR Collection Fund Equalisation Reserve - see section 3.10.5 for further details. Other significant movements arise from reserve-funded items carried forward within the Capital Programme from 2020/21 e.g. Waste Freighters, DSO Vehicles and IT Infrastructure projects.
- 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 during 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 Two was £7.98m.
- 2.8. An in year addition is proposed to the agreed Capital Programme with regard to the St George's Creative Hub. Details of which are found in sections 4.2 and 4.3 of this report.

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 September 2021.

Directorate / Budget Heading	Original Budget 2021/22 (£)	Forecast 2021/22 (£)	Variation 2021/22 (£)
All Directorate - Salaries	0	(250,000)	(250,000)
Chief Executive	168,160	168,160	0
Communities	3,850,700	3,877,220	26,520
Corporate Services	2,917,210	2,821,580	(95,630)
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)	(7,346,240)	(198,090)
Transfers to/ (from) balances	311,050	311,050	0
Transactions below the line	776,250	910,860	134,610
BUDGET REQUIREMENT	6,420,640	6,185,340	(235,300)
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	(235,300)	(235,300)

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

3.2. ALL DIRECTORATE – SALARIES

- 3.2.1 **Staffing: £250k favourable** variance – the General Fund staffing budget for 2021/22 incorporates a vacancy allowance for £350k for the year. It is anticipated that this will occur throughout the establishment as a whole from natural staff turnover within day-to-day business activities, as well as posts being held vacant pending the re-design of services. The projection is an underspend of £600k, therefore giving rise to the net favourable variance of £250k.

3.3. CHIEF EXECUTIVE’S DIRECTORATE – NIL VARIANCE

- 3.3.1 There are no significant variances to report.

3.4. COMMUNITIES DIRECTORATE – £27k adverse variance

- 3.4.1. **Parking Income: £27k net adverse variance** – the impact of the Covid-19 pandemic continues to have a detrimental impact on the Council's income streams, particularly within parking services. Although parking charges – both on-street and within car parks – have been levied throughout the financial year to date, a continued reduction in the number of commuters, town centre workers and visitors to the town centre has led to an overall projected income deficit of £222k, compared to the original budget for 2021/22. However, it is worth noting that the Council had already factored into the original budget an expected loss for 2021/22 of £394k, and therefore the gross income deficit compared to pre-Covid levels, would be £616k.
- 3.4.2. In order to help Local Authorities mitigate income losses arising from the pandemic and associated restrictions, the Government has continued its Sales, Fees & Charges Compensation Scheme which began in 2020/21, and run a similar initiative for the first quarter of this year i.e. covering the period April-June 2021. The estimate for parking services is compensation of £195k, therefore giving rise to the net adverse variance across the service of £27k.
- 3.4.3. **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.
- 3.4.4. **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.
- 3.4.5. **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.
- 3.5 **CORPORATE SERVICES DIRECTORATE – £96k FAVOURABLE VARIANCE**
- 3.5.1 **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.
- 3.5.2 **Rosherville LATCO Service Level Agreement (SLA) Income: £15k favourable variance** – as part of arrangements to facilitate the work of Rosherville Limited and its subsidiary organisations, the Council provides a range of services which are recharged to the company on a quarterly basis. These include services such as Finance, Communications and Information Technology services where officers undertake specific duties on behalf of Rosherville Limited as part of the SLA. The majority of the functions

recharged sit within the Corporate Services directorate, and thus the £15k projected additional income for 2021/22 is shown here for clarity of reporting.

3.5.3 **Microsoft 365 Technical Support: Neutral variance** – as part of the Council’s commitment to technology enhancement as well as facilitating a range of agile working mechanisms, Microsoft 365 has recently been installed. In order to support the rollout of this substantial project, provide resilience within IT services and allow the new system to generally bed-in, reserve funding has been made available to finance the engagement of two Microsoft 365 Project Support Officers, each with 6 month contracts during 2021/22.

3.5.4 **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.

3.6 **ENVIRONMENT DIRECTORATE – NIL VARIANCE**

3.6.1 There are no significant variances to report.

3.7 **HOUSING DIRECTORATE – NIL VARIANCE**

3.7.1 There are no significant variances to report.

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

3.8.1 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

3.9 FUNDING STREAMS – £63K FAVOURABLE 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 £198k relates to projected reserve funded items as described within individual Communities and Corporate Services Directorate sections above.

3.9.2 **Retirement Benefits: £40k favourable variance** – in addition to the Past Service pension lump sum payable to KCC (Kent County Council), which is set on a triennial basis by pension actuaries, the Council also holds a budget to make individual retirement benefit payments for former employees through KCC. This budget has consistently generated favourable year-end variances in recent years, and similarly a £40k favourable variance is now projected in 2021/22. Ongoing provision in this area will be reviewed as part of the current budget-setting process.

3.9.3 **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.

3.10 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 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)	235,300
Forecast Working Balances C/Fwd (as at 30 September 2021) including Minimum GF Working Balance	11,927,700
Less: Minimum GF balance	(2,000,000)
Less: Additional General Fund Reserve	(3,250,000)
Forecast Usable Working Balances C/Fwd (as at 30 September 2021)	6,677,700

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 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	(860)	100	403
Leisure Centres Reserve	1,657	(2,016)	359	--
Corporate Priorities Reserve	535	(112)		423
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	(290)	100	181
DSO Vehicle Capital Reserve	474	(425)	132	181
Freighter Replacement Reserve	1,223	(400)	221	1,044
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	(50)		33
Playgrounds Reserve	136	(160)	69	45
Decriminalisation Reserve	228	(228)		--
Enterprise Reserve	151	(353)	375	173
Climate Change Reserve	485	(28)		457
Sub-total - Specific Earmarked Reserves	16,585	(9,951)	1,870	8,504
Revenue Grants not yet applied	2,494	(535)	--	1,959
Total - All Earmarked Reserves	19,079	(10,486)	1,870	10,463

Table 4: Analysis of Specific Reserves

- 3.10.3 New approved uses of reserves are already referred to within individual directorates – see sections 3.4.3, 3.4.4, 3.4.5, 3.5.3 and 3.5.4.
- 3.10.4 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.
- 3.10.5 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.
- 3.10.6 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.

3.11 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 MTFP shows that our budgeted expenditure will exceed our income for the foreseeable future. The MTFP is continually monitored to ensure that the financial position of the council is accurately reflected. The Medium Term Financial Plan showing the position as at 30 September 2021 is attached to this report at Appendix Two.

Wider Risk Implications

Homelessness Reduction Act

- 3.11.2 The Council has a duty under the Homelessness Reduction Act (HRA) 2018 to prevent and relieve homelessness, and facilitate temporary accommodation until alternative accommodation is secure or relief duty ends. Over the last 18 months, there has been a steady increase in the demand for temporary accommodation requests and homelessness provision, exacerbated by circumstances arising from the COVID-19 pandemic. As of writing, there are 138 households in temporary accommodation, of which 65 are within Gravesham's own stock, and 73 are in nightly paid accommodation. Increasing demand coupled with the decreasing supply of suitable accommodation locally inevitably means that the service is now reliant on nightly paid options both in and outside of the Gravesham borough which is challenging the temporary accommodation budget.
- 3.11.3 Since the introduction of the HRA Act in 2018, the Council has been in receipt of various grants from central government, which have supported this work, for example Flexible Homelessness Grant, Homeless Prevention Grant as well as New Burdens funding. The current budget for temporary accommodation is £570,960 and comprises £50,000 as the Council's own contribution, £320,960 Homeless Prevention Grant, and £200,000 forecast Housing Benefit temporary accommodation income receipts. As at the end of Quarter Two, actual expenditure was around £265k, and therefore it is hoped that service demand will remain within the overall budgetary framework. This will continue to be monitored and updated in future reports.

Sales Fees & Charges Compensation Scheme

- 3.11.4 Final payment relating to the 2020/21 Sales Fees and Charges compensation scheme was received on 5th October, with a further claim due to be submitted by 22nd October relating to the period April-June 2021. The parking element of this claim is referenced in section 3.4.1 with the overall compensation expected to be around £410k. This will make a contribution to income deficits rather than providing full compensation, with income budgets continuing to be monitored over the rest of the financial year

Planning Fee Income

- 3.11.5 Within Planning, the position for application fee income as at the end of Quarter Two, indicates the budgeted level will be achieved in 2021/22, however this could be affected going forward into future years.

The Woodville

- 3.11.6 For The Woodville, a balanced position is currently projected, albeit the original budget for 2021/22 already incorporated an anticipated income reduction of £323k. Through a

combination of this, general overhead expenditure reductions, the Sales, Fees & Charges Compensation scheme, and anticipated income streams realised as the cinema and theatre reopen, it is currently envisaged that a neutral budget position will be realised at year-end. This will continue to be monitored closely over the coming months.

Car Parking Income

3.11.7 In the area of Car Parking income, the Council had already budgeted for a decrease in income of £394k this financial year. Current monitoring as set out in section 3.4.1 shows the gross deficit being £616k, and therefore the net deficit, compared to the original budget is £222k.

HGV Drivers

3.11.8 National Heavy Goods Vehicle (HGV) driver shortages are affecting waste collections across the County, compounded by recent problems with fuel supplies. The Assistant Director (Operations) has indicated the Council is currently in a strong position to continue to provide a full waste service to residents, including Garden Waste and additional bulky waste collections. This is being facilitated via extra agency resources, funded by the additional income achieved from the 2020/21 Inter Authority Agreement with Kent County Council, whereby the Council receives a share of income for local recycling targets met.

Local Government Pay Settlement

3.11.9 Discussions regarding a potential pay rise for Local Government staff applicable from 1st April 2021 are ongoing, with the latest pay offer being an increase of 1.75%. The impact of this to the General Fund salaries budget would be an initial additional cost of around £210k, which would then increase on a compound basis over the course of the MTFP. This is not expected to impact the salaries underspend for 2021/22 as set out in section 3.2.1, but will need to be considered and reflected as part of the budget-setting process.

Spending Review 2021

3.11.10 On 7 September the Chancellor launched the spending review for 2021, which will conclude on 27 October alongside the Autumn Budget. This will be a three year review and will set the Governments' resource and capital budgets for 2022-23 to 2024-25. This could indicate that a multi-year settlement for local government may follow.

3.11.11 The Government has announced several work streams that the spending review will cover. These are:

- Ensuring strong and innovative public services
- Levelling up across the UK
- Leading the transition to net zero
- Advancing Global Britain
- Delivering on Growth

3.11.12 Details of spending review announcements and what this means for local government will be reported to members in due course.

4. GENERAL FUND CAPITAL PROGRAMME

4.1 The following table details the position of General Fund Capital Programme as at the end of Quarter Two. 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	44,100	(878,250)
Gravesend Cemetery Improvements	0	14,830	14,830	0	(14,830)
Purchase of Vehicles (DSO Fleet)	232,000	292,560	524,560	77,610	(446,950)
Gatekeeper Replacement	0	50,000	50,000	0	(50,000)
New Wheeled Bins for Flat Recycling	0	100,000	100,000	2,660	(97,340)
Waste & Horticulture back office system	108,690	(17,850)	90,840	9,410	(81,430)
Replacement Playground Programme	159,870	0	159,870	22,990	(136,880)
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	1,400	(243,170)
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	54,750	(170,260)
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	410,400	10,400
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	7,193,740	(23,401,440)
Barrock Row Public Conveniences	0	4,340	4,340	2,910	(1,430)
Website Content Management System	65,000	0	65,000	24,000	(41,000)
MOT Lane, Brookvale Workshop	37,000	0	37,000	42,120	5,120
Street Cleaning Machine	49,000	0	49,000	49,000	0
New Leisure Centre	4,000,000	0	4,000,000	0	(4,000,000)
	52,360,790	4,958,240	57,319,030	7,982,510	(49,336,520)

Table 5: General Fund Capital Programme 2021/22

- **Essential Repairs to Buildings** – the upgrade of Civic Centre LED lighting is ongoing and nearing completion. A programme is in place to complete installation in November 2021, with the intention to be fully operational by Christmas. The Cascade Leisure Centre roof works are complete, and are currently awaiting final inspection and sign off, with the majority of monies paid out recoverable from insurers. For Brookvale Depot roofing, it is now confirmed that proposed works are exempt from Building Regulations requirements, as they are deemed repairs. A meeting is being held mid-October with the contractor and product manufacturer to agree specification, and to enable works to be called off from the framework agreement the Council has access to, with a view to commencing works immediately.

- **Gravesend Cemetery Improvements** – a number of improvements to the Cemeteries are currently underway. The 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. Officers are awaiting outcome of this review from the Energy Saving Trust before any electric vehicles are purchased.
- **Gatekeeper Replacement** – Kent County Council approval has been received to Automatic Number Plate Recognition (ANPR) enforcement of the King Street bus gate and a legal agreement is in place. Confirmation of the programme for installation is awaited, prior to capital expenditure on the equipment being made.
- **New Wheeled Bins for Flat Recycling** – the installation of wheelie bins in flats for recycling is underway. A project plan is in place relating to HRA properties, whilst discussions are underway with private blocks of flats to ensure recycling is available in all flats across the borough.
- **Waste & Horticulture Back Office System** – an order for this project has been placed, and work has started on the implementation of the Street Cleansing Software.
- **Replacement Playground Programme** – the 20-year replacement programme is in place and has been reviewed. This will progress in quarter 3 of 2021/22.
- **IT Equipment air conditioning unit** – contractors have installed the equipment but final commissioning is awaited. The project will not be invoiced until all works are completed.
- **Brookvale Office Accommodation** - work to redesign the Brookvale depot and deliver commercial accommodation at the site is not currently being progressed, pending further consideration of the operational use and configuration of the wider Brookvale site.
- **Property Acquisition Programme** – no property acquisitions were considered in the first half of the financial year.
- **Land Acquisition Programme** – no land acquisition opportunities were considered in the first half of the financial year.
- **St George's Centre** – there are currently no further works planned to the St Georges Shopping Centre.
- **Cascades Replacement Flumes** - the flumes are available for use as part of the swimming timetable programme, but a small amount of remedial works remain to the external flume steelworks.
- **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 vast majority of the gym equipment has been replaced as reported earlier in the year. However, a decision was made along with GCLL to hold back on the replacement spin bike programme whilst customer participation numbers could be monitored. It is still anticipated that these will be replaced

later in the financial year once the leisure centres are able to ascertain demand for class activities going forwards.

- **Back-up Generator** – given potential plans for the building and new ways of working, officers are investigating alternative options other than the possibility of used replacement equipment.
- **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 requests to utilise these funds have been made in the first half of the financial year.
- **LATCO Working Capital Provision** – Cabinet approved a working capital drawdown of £54,750 by Rosherville Limited in September 2021. This was to continue the work of Rosherville Property Development Limited in bringing forward The Charter development.
- **Elizabeth Huggins Cottages** – the Council is in active discussions with the Elizabeth Huggins Cottages Charity to implement the decision taken by Full Council. This will see the loan facility provided by the council opened for Phase One of the planned development at the site, consisting of the demolition of four units and construction of 14 units. Works commenced on site on 1 October 2021.
- **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 have not been implemented yet. Both are due to go live in this financial year.
- **Purchase of Freighters** – two new vehicles have now been delivered. The current replacement programme has been suspended until the results of the Consistency in Household Waste Consultation have 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 all invoices relating to the project have been paid.
- **IT Infrastructure Assets** – over the previous quarter officers have replaced all of the thin client devices at the Civic Centre with laptops to support the new telephone system. Running alongside this, older desktop PC's (3 years old or more) have been replaced with new laptops. Citrix software to support homeworking has been re-licensed, but hardware renewal and moving some elements to the cloud will be completed next quarter. Officers have completely replaced the backup system at the Civic Centre and Gun Wharf (Medway) to provide better protection in the event of a ransomware cyber-attack. The telephony project has also commenced although not all expenditure has been incurred. The majority of costs falling due in the next quarter.
- **The Charter** – works continue on site to bring forward the planned development, focusing on groundworks and works required to utilities on site.
- **Barrock Row Public Conveniences** – this facility was brought forward by the Council to enhance the wider Kent County Council bus interchange project and relates to the inclusion of public toilets. £4k was rolled over to the 2021/22 budget to cover the remaining cost towards the electricity connection and the expected cost from Southern Water for the new facility, with payment being made during August. Additional

construction and reinstatement works are now being considered, and will be reported under the “Essential Repairs to Buildings” budget in due course.

- **Website Content Management System** – the website CMS project started in this quarter, and it is anticipated that the project will be complete by May 2022. There will be some costs incurred this year but the majority will fall in Q1 2022/23.
- **MOT Lane, Brookvale Workshop** – the MOT Lane has been installed and is now in operation.
- **Street Cleaning Machine** – the machine has been purchased and is now in general operation around the town centre.
- **New leisure Centre** – a feasibility study on future leisure centre provision is anticipated to be completed in the autumn, including an outline business proposal and design for a new leisure centre at Cascades.

4.2 The St George’s Creative Hub will be a new arts facility in the heart of Gravesend town centre, offering gallery space, a range of activities linked with an active cultural programme, and workspace for creative businesses. This will be delivered through the redevelopment of two vacant adjacent units in the St George’s Centre, which are owned by Gravesham Borough Council and which together occupy a prominent site. The project forms a core part of Gravesham’s Arts and Cultural Strategy and complements existing cultural spaces in Gravesend and an extensive programme of events, festivals and educational and cultural outreach. The total cost of this project is £474,527 which is intended to be funded via a grant secured from South East Local Enterprise Partnership (SELEP) of £323,204, with the balance being met from S106 contributions and revenue grants unapplied.

4.3 Section 4.4.6 of the Financial Procedure Rules permits Cabinet to incur, without Council’s prior approval, expenditure not within the approved budget where the cost is to be met from external funding, a contingency or reserve set up for the purpose. This report therefore incorporates a recommendation to ensure that the Project is treated as an in-year addition to the capital programme.

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)	0	473,940	0
S106 Capital Contributions	(577,200)	(285,270)	0	(862,470)
Capital Grants unapplied	(138,500)	0	0	(138,500)
Total Capital Resources	(1,189,640)	(285,270)	473,940	(1,000,970)

Table 6: General Fund Capital Resources 2021/22

Capital Grants Unapplied	Opening Balance 01/04/2021 £	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	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	(2,680)	(2,680)	Highways contribution
Springhead Leisure Contribution	(150,000)	0	(60,650)	(210,650)	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	0	(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	0	(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	0	(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	0	(24,500)	Income received - Planning number is 20141214. We await a copy of the S106 agreement to the Development of the Meopham Police Station.
St Andrews Gardens	(285,270)	0	(155,230)	(440,500)	£285,270 & £155,230 expected - Contributions towards Strategic Access Management & Monitoring Scheme & towards the improvement of Landscaping at St Andrew's Gardens.
Total S106 Contributions	(862,480)	0	(298,560)	(1,161,040)	

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 September 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 the first half of 2021/22, despite the pandemic and the difficult economic situation, Property Funds produced an income return of 4.37% overall and Money Market Funds produced an average dividend return of 3.25%. Return on internally managed investments to 30 September 2021 was 0.21% against a benchmark return of -0.05%.
- 6.5 The following summary of Key economic developments within this reporting period has been provided by Link Asset Services, the authority's Treasury Management advisors.
- 6.6 At its September meeting, the Bank of England Monetary Policy Committee (MPC) voted unanimously to keep Bank Rate unchanged at 0.10%. The Bank has now indicated there had been a marked increase in concern that more recent increases in prices, particularly the increases in gas and electricity prices in October and due again next April, are likely to lead to faster and higher inflation expectations and underlying wage growth, which would in turn increase the risk that price pressures would prove more persistent next year than previously expected. The primary concern is that underlying price pressures in the economy are likely to get embedded over the next year and elevate future inflation to stay significantly above its 2% target and for longer.

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 September 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.