

Classification: Public

Key Decision: No

Gravesham Borough Council

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

Date: 31 January 2022 / 14 February 2022

Reporting officer: Assistant Director (Corporate Services)

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

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.

Recommendation:

1. This report is for information only

1. INTRODUCTION

- 1.1. The Constitution of the Council requires Members to receive reports in respect of the Council's finances and financial performance. This report therefore provides an assessment of performance against approved budgets for the 2021/22 financial year for the third quarter to 31 December 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 Three there is a projected underspend for the year of £598,670. 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, reduced interest payable charges 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 £12.29m, constituted of minimum working balances of £2.0m, the General Fund reserve of £3.25m and usable Working Balances of £7.04m.
- 2.4. Movements in the year are projected to result in a net decrease in earmarked reserves of £7.14m. This reflects the start of the year position being £19.08m and projected to be £11.94m at year-end. Within this movement, £4.41m relates to a drawdown from the NNDR Collection Fund Equalisation Reserve – see section 3.10.5 for further details. Other significant movements largely relate to the financing of the General Fund Capital Programme e.g. Asset Enhancement Reserve, DSO Vehicle Capital Reserve, IT Infrastructure Reserve and Decriminalisation Reserve.
- 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.

Capital

- 2.6. The General Fund Capital Programme working budget is £22.8m, with schemes having been re-profiled where necessary as part of the budget-setting process for 2022/23. The current working budget includes £14.2m relating to The Charter, and £4m relating to the Property Acquisition Programme. Actual spend, as at the end of Quarter Three was £12.39m.

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 31 December 2021.

Directorate / Budget Heading	Original Budget 2021/22 (£)	Forecast 2021/22 (£)	Variation 2021/22 (£)
All Directorate - Salaries	0	(575,000)	(575,000)
Chief Executive	168,160	168,160	0
Communities	3,850,700	3,958,230	107,530
Corporate Services	2,917,210	2,712,310	(204,900)
Environment	5,511,040	5,502,040	(9,000)
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)	(2,827,730)	(1,519,470)
Transfers to/ (from) reserves	(7,148,150)	(6,160,870)	987,280
Transfers to/ (from) balances	311,050	311,050	0
Transactions below the line	776,250	1,243,850	467,600
BUDGET REQUIREMENT	6,420,640	5,821,970	(598,670)
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	(598,670)	(598,670)

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

3.2. ALL DIRECTORATE – SALARIES

3.2.1 **Staffing: £575k 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 £925k, therefore giving rise to the net favourable variance of £575k.

3.3. CHIEF EXECUTIVE’S DIRECTORATE – NIL VARIANCE

3.3.1 There are no significant variances to report.

3.4. COMMUNITIES DIRECTORATE – £107k adverse variance

3.4.1. **Leisure Services Income: £48k adverse variance** – the Council has considered further support to Gravesham Community Leisure Limited, who manage Cascades and

Cygnet Leisure Centres within the borough, in the light of the centres reduced activities resulting from government actions to combat Covid-19. Resultantly, fees payable for 2021/22 have been adjusted with the effect of reduced income to the Council of £48k.

- 3.4.2. **Garages rental income: £33k adverse variance** – the New Build scheme within the HRA Capital Programme has utilised a number of garage sites for development. This has therefore reduced the number of units available for rent and therefore the potential income from garages has decreased. An exercise has been carried out as part of the budget-setting process for 2022/23 to align future garage rental income budgets with the revised potential income. This has identified a forecast adverse variance compared to the current year's budget of £33k.
- 3.4.3. **Parking Income: £26k 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.
- 3.4.4. 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 £196k, therefore giving rise to the net adverse variance across the service of £26k.
- 3.4.5. **Leisure Services Studies: 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.
- 3.4.6. **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.
- 3.4.7. **Rental income at Stuart Road, Gravesend: Neutral variance** – during quarter 3 of 2021/22, a revised tenancy arrangement was concluded with the occupier of this site, Wickes, securing a long-term rental income stream for the Council. The renegotiation has created an initial budgetary income shortfall, which has been offset by a corresponding transfer from the Commercial Income Protection Reserve, thus resulting in an overall projected neutral variance for the year.

- 3.5 **CORPORATE SERVICES DIRECTORATE – £205k FAVOURABLE VARIANCE**
- 3.5.1 **Interest Payable: £190k 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 £190k 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 **St George’s Phase 2 Professional Services: Neutral variance** – in order to facilitate the wider St George’s Phase 2 development, a range of external professional services are required. These incorporate, legal, financial, tax, and property services and are estimated to cost £200k in 2021/22. The costs are being funded from the Housing & Commercial Growth Fund earmarked reserve, resulting in a neutral variance within the 2021/22 MTFP.
- 3.5.4 **Corporate Initiatives Professional Services: Neutral variance** – similar to the above, external professional support and advice has been engaged to support the furtherance of various corporate initiatives, for example Elizabeth Huggins Cottages and residual Charter advice. Resultantly, reserve funding of £70k has been transferred from the NNDR Growth Fund reserve, ensuring a neutral variance within the 2021/22 MTFP.
- 3.5.5 **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 of £48k has been made available to finance the engagement of two Microsoft 365 Project Support Officers, each with 6 month contracts during 2021/22.
- 3.5.6 **Local Partnerships Net Zero Project: Neutral variance** – within the Council’s Climate Change agenda, a range of options are being explored across different directorates and service areas. During quarter 3 of 2021/22, the Council engaged Local Partnerships, a joint venture between the Local Government Association and HM Treasury, to assist with the Net Zero Project, at a cost of £30k funded from the Climate Change earmarked reserve.
- 3.5.7 **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 – £9k FAVOURABLE VARIANCE**

3.6.1 Planning Pre-Application Income: £9k favourable variance – income within the Planning service from pre-applications is continuing to hold up well, and there is currently additional income of £9k projected for 2021/22.

3.7 **HOUSING DIRECTORATE – NEUTRAL VARIANCE**

3.7.1 Homelessness – 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 31 December, there are 159 households in temporary accommodation, of which 77 are within Gravesham's own stock, and 82 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.

3.7.2 There are a number of recent factors that have impacted the Council's temporary accommodation budget including:

- Relationship breakdowns have led to the largest number of homelessness approaches over the last six months.
- Domestic Abuse Act 2021 – since the introduction of this on 5 July 2021, there have been 77 approaches to the Council where individuals have lost their last settled accommodation in these circumstances.
- Lifting of the eviction ban has seen a steady flow of residents presenting Section 8 and Section 21 Notices. In the last two quarters of 2021/22 there have been 141 cases opened who required Housing Options Team support.
- Households affected with loss of income through loss of employment/furlough that has affected their ability to meet their housing costs.

3.7.3 The current budget for temporary accommodation is £699,060. This comprises: £80,000 as the Council's own contributions, £77,130 grants carried forward from 2020/21, £341,930 Homelessness Prevention Grant 2021/22 and £200,000 forecast Housing Benefit temporary accommodation income receipts. It is currently estimated that by year-end 2021/22, there will be additional expenditure within the temporary accommodation budget of up to £300k. This is being financed by the 2021/22 Central Government Covid-19 grant designed to assist local authorities with expenditure pressures arising from the pandemic, which has had noticeable impact within the Homelessness Service as described above, and therefore a neutral variance is projected overall for the year.

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 – £64k FAVOURABLE VARIANCE

3.9.1 **Government Grant Funding: £1,519k favourable variance** – as part of the Government's continuing response to the Covid-19 pandemic in supporting businesses and the local economy, a number of business rate reliefs have been awarded during 2021/22, primarily in the retail and hospitality sectors. These were announced after the 2021/22 budget-setting process had been concluded, and are therefore projected to result in an additional £1,519k received by the Council in 2021/22. This funding is in the form of Section 31 grants, and is effectively in-lieu of monies that would otherwise have been directly due from NNDR rate-payers through the regular billing process.

3.9.2 **Transfers to/(from) reserves: £987k adverse variance** – as a result of the process described above, a deficit has arisen on the NNDR Collection Fund whereby a reduced level of income is due via that route. Under accounting arrangements, deficits are repayable to the Collection Fund in future years, and therefore the additional Section 31 grants receivable of £1,519k in 2021/22 are being transferred to the Business Rates Equalisation Reserve this year for use in subsequent years.

3.9.3 Additionally within the transfers to/(from) reserves section, a total of £531k is reported relating reserve funded items as described within individual Communities and Corporate Services Directorate sections above. Furthermore, there is a £1k favourable variance resulting from an equalisation of reserves being used to be the finance capital programme, which has been actioned during quarter 3.

3.9.4 Thus the total of £987k within the transfers to/(from) reserves line comprises £1,519k Section 31 grants transferred to the NNDR Equalisation Reserve, £531k drawn down

from reserves to fund specific service expenditure, and a £1k favourable variance to equalise reserve-funded capital expenditure.

- 3.9.5 **Transactions below the line: £468k adverse 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. This accounts for £531k of the reported movement in this section.
- 3.9.6 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.
- 3.9.7 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.
- 3.9.8 Thus, the total of £468k within the transactions below the line section comprises a £531k transfer relating to reserve-funded expenditure, a £40k favourable variance within retirement benefits, and a £23k Minimum Revenue Provision favourable variance.

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)	598,670
Forecast Working Balances C/Fwd (as at 31 December 2021) including Minimum GF Working Balance	12,291,070
Less: Minimum GF balance	(2,000,000)
Less: Additional General Fund Reserve	(3,250,000)
Forecast Usable Working Balances C/Fwd (as at 31 December 2021)	7,041,070

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	(909)	100	354
Leisure Centres Reserve	1,657	(2,016)	359	--
Corporate Priorities Reserve	535	(113)	33	455
Town Pier Pontoon Reserve	123	--	13	136
Elections Reserve	74	--	18	92
NNDR Collection Fund Equalisation Reserve	5,075	(4,406)	1,519	2,188
IT Infrastructure Reserve	371	(290)	100	181
DSO Vehicle Capital Reserve	474	(425)	132	181
Freighter Replacement Reserve	1,223	(410)	221	1,034
NNDR Growth Fund Reserve	375	(95)	226	506
Lower Thames Crossing Reserve	140	--	--	140
Woodville Repairs Reserve	240	(57)	57	240
Investment Interest Equalisation Reserve	500	--	--	500
Housing & Commercial Growth Fund	700	(200)	--	500
St George's Income Protection Reserve	1,240	--	--	1,240
Commercial Income Protection Reserve	1,147	(142)	--	1,005
Service Review Reserve	83	(83)	--	--
Playgrounds Reserve	136	--	68	204
Decriminalisation Reserve	228	(228)	--	--
Enterprise Reserve	151	(353)	375	173
Climate Change Reserve	485	(58)	--	427
Sub-total - Specific Earmarked Reserves	16,585	(10,017)	3,421	9,989
Revenue Grants not yet applied	2,494	(546)	--	1,948
Total - All Earmarked Reserves	19,079	(10,563)	3,421	11,937

Table 4: Analysis of Specific Reserves

- 3.10.3 New approved uses of reserves are already referred to within individual directorates – see sections 3.4.5, 3.4.6, and 3.5.3 to 3.5.7 inclusive.
- 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 £6.7m, £4.4m relates to the budgeted drawdown within the NNDR Collection Fund Equalisation Reserve. This 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 31 December 2021 is attached to this report at Appendix Two.

Local Government Finance

3.11.2 There is continued uncertainty over the long-term future of local government funding. On 16 December 2021, the Secretary of State for Levelling Up, Housing, Communities (DLUHC), set out the Provisional Local Government Settlement for 2022/23. As like last year, this is a one-year settlement due to delays in the outcome of the local government funding reforms. A fundamental review of local government funding is due to take place in 2022.

3.11.3 The key points arising from the 2022/23 provisional settlement are:

- **Council Tax** referendum principal for 2022/23 allows authorities to raise charges by the greater of 2% or £5.
- Negative **Revenue Support Grant** (RSG), eliminated for 2022/23
- As announced in SR21, the **business rates** multiplier has been frozen for 2022/23. Therefore, the three elements of the Business Rates Retention system (Baseline Need, NNDR Baseline and Tariff/Top Up amounts) remain at 2021/22 levels. However, compensation for freezing the business rates multiplier will be calculated using the Retail Price Index (RPI).
- The **New Homes Bonus** allocations have been announced and will include a final year of legacy payments.
- The **Lower Tier Services** grant which was introduced last year will continue into 2022/23.
- Introduction of a one off **Services Grant** of £822m for 2022/23

3.11.4 There were also announcements around specific grants that are to be distributed outside of the settlement. These being for:

- Homelessness
- Public Health
- Troubled Families

3.11.5 Details of final settlement announcements and what this means for Gravesham 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 3. This includes the revised original budget for 2021/22, taking into consideration adjustments for carried forward items as approved by the Section 151 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	171,050	786,050	111,460	(674,590)
Gravesend Cemetery Improvements	0	14,830	14,830	0	(14,830)
Purchase of Vehicles (DSO Fleet)	232,000	292,560	524,560	202,040	(322,520)
Gatekeeper Replacement	0	50,000	50,000	0	(50,000)
New Wheeled Bins for Flat Recycling	0	100,000	100,000	10,000	(90,000)
Waste & Horticulture back office system	108,690	(17,850)	90,840	30,980	(59,860)
Replacement Playground Programme	159,870	125,130	285,000	60,440	(224,560)
IT Equipment Air Conditioning Unit	0	40,000	40,000	30,240	(9,760)
Brookvale Office Accommodation	1,400,000	(1,400,000)	0	0	0
Property Acquisition Programme	3,286,980	713,020	4,000,000	0	(4,000,000)
Land Acquisition Programme	3,658,810	(3,658,810)	0	0	0
Land at Dering Way	3,590,190	(3,590,190)	0	0	0
St George's Centre	5,151,550	(5,151,550)	0	0	0
Cascades Replacement Flumes	0	3,730	3,730	0	(3,730)
Heritage Assets	200,000	(137,000)	63,000	13,500	(49,500)
Gym Equipment Leisure Centres	0	47,800	47,800	0	(47,800)
Back up Generator	60,000	(60,000)	0	0	0
Parking Machines	251,200	35,920	287,120	0	(287,120)
LATCO development costs	0	18,600	18,600	0	(18,600)
LATCO working capital provision	0	54,750	54,750	54,750	0
Elizabeth Huggins Cottages – Loan	2,000,000	(1,585,300)	414,700	67,160	(347,540)
Parking Software	0	18,570	18,570	12,110	(6,460)
Purchase of Freighters	0	410,400	410,400	410,400	0
Enforcement of Private Housing	0	20,040	20,040	10,210	(9,830)
IT Infrastructure Assets	200,000	89,490	289,490	219,150	(70,340)
Rosherville Loan (The Charter)	27,295,500	(13,048,460)	14,247,040	10,718,920	(3,528,120)
Barrock Row Public Conveniences	0	4,340	4,340	4,340	0
Website Content Management System	65,000	0	65,000	26,000	(39,000)
MOT Lane, Brookvale Workshop	37,000	5,120	42,120	42,120	0
Street Cleaning Machine	49,000	0	49,000	49,000	0
New Leisure Centre	4,000,000	(3,714,730)	285,270	0	(285,270)
Electric Vehicle Charging Points	0	127,170	127,170	0	(127,170)
St Georges Creative Hub	0	474,530	474,530	314,580	(159,950)
	52,360,790	(29,546,840)	22,813,950	12,387,400	(10,426,550)

Table 5: General Fund Capital Programme 2021/22

- **Essential Repairs to Buildings** – The upgrade of Civic Centre LED lighting is ongoing and nearing completion. Unfortunately, due to problems with the supply chain, there are some minor areas that still require completion, although it is anticipated these will be completed by the end of 2021/22. The Cascade Leisure Centre roof works are complete, with the majority of monies paid out recoverable from insurers. The Brookvale Depot main building and vehicle workshop roofing schemes are currently under review in order to identify the most cost effective solution, with works likely to carry over into the next financial year. Temporary works are due to be undertaken to Westcourt Parade to make weather tight, to allow sufficient time for a review of the major works required to the site which are likely to carry over to 2022/23. Vigo car park resurfacing work has

now been completed. Orders have been placed for replacement entrance doors to Woodville Main Auditorium and Kent Room, and are currently being manufactured. Cygnets Leisure Centre pool hall roof refurbishment works are completed.

- **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 the 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 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. Implementation of system will be during quarter 4 of 2021/22.
- **Replacement Playground Programme** – A review of the replacement programme was undertaken in Q3 to ensure that the allocated budget and any potential grant funding is maximised. All sites have been reviewed and it is anticipated that the programme will be delivered in Q4.
- **IT Equipment air conditioning unit** - contractors have installed the equipment and work is now 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. Therefore this budget is not likely to be required within the Capital Programme.
- **Property Acquisition Programme** – The council has started to consider potential options, but no acquisitions have been progressed in the financial year to 31 December 2021.
- **Land Acquisition Programme** – No land acquisition opportunities have been considered in the financial year to 31 December 2021.
- **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. Expressions of interest are being prepared for submission to the National Lottery Fund, initially in respect of three assets, to help inform project applications which will follow. In the meantime consultants have been appointed to undertake repair works to the Blockhouse.
- **Gym Equipment Leisure Centres** – The majority of the new gym equipment has been installed as reported previously, but the replacement spin bikes is still on hold whilst customer participation numbers can be monitored due to the effects of Covid-19. It is still anticipated that these will be replaced later in the financial year or early in 2022/23, once GCLL are able to ascertain demand for class activities going forward.
- **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 financial year to 31 December 2021.
- **LATCO Working Capital Provision** – Cabinet approved a working capital drawdown of £54,750 by Rosherville Limited in September 2021 to further the work of Rosherville Property Development Limited in bringing forward The Charter development.
- **Elizabeth Huggins Cottages – Loan** – As reported to Cabinet on 8 November, the council has been successful in helping the Elizabeth Huggin’s Cottages Charity secure £500,000 from Homes England to facilitate the planned Phase One redevelopment of their site at Cross Lane West. This has been reflected as an in-year adjustment to the approved capital programme. The council is in the process of drafting and finalising the documentation regarding the loan facility for the remaining funding required. Works commenced on site on 1 October 2021.
- **Parking Software** – The parking software project was to implement a new parking back-office system, a new virtual permit system and an Environmental Enforcement system. The parking and permit system has been implemented and all invoices for this project have been paid. The Environmental Enforcement system is still outstanding and we will be looking to start work on this project in Q4 2022.
- **Purchase of Freighters** – 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** – As reported previously, the project is complete with all invoices fully paid.
- **IT Infrastructure Assets** – Expenditure in quarter 3 of 2021/22 related to the ongoing improvements with staff equipment for effective working from home (laptops, docks and monitors) and the procurement of telephone handsets for use with the new telephony platform.

- **Rosherville Loan (The Charter)** – Rosherville Limited continue to request monthly drawdown of the loan facility made available by the council for the purpose of bringing forward The Charter development, in line with the latest cash flow projections for the project.
- **Barrock Row Public Conveniences** – Construction of the Gravesend bus hub continues with the toilet unit being brought on site within this quarter. A recharge to cover drainage and service ducts, earthworks, toilet block base and changes during the construction phase has been paid and further recharge costs are anticipated in Q4. Any additional construction and reinstatement works will be reported under the “Essential Repairs to Buildings” budget within the final outturn report.
- **Website Content Management System** – The new website content management system implementation is progressing at a good pace and some important milestones have been achieved in this quarter. The supplier worked with the Digital Team to design the website mock-ups and final designs were demonstrated to Management Team in November. The team have signed the designs off and the supplier is currently building the designs into the platform. The team have been given the backend platform to begin creating or replicating existing website content from the old to the new content management system. This phase of the work will continue through January 2022. The project is still on track and within budget.
- **MOT Lane, Brookvale Workshop** – The MOT Lane has been installed and is now operational, and thus this scheme has been completed.
- **Street Cleaning Machine** – The machine has been purchased and paid. The machine is now in general operation around the town centre.
- **New Leisure Centre** – A feasibility study on future leisure centre provision and accompanying Cabinet Report, including an outline business proposal and outline design for a new leisure centre at Cascades is anticipated to be put forward at the end of January.
- **Electric Vehicle Charging Points** – The Office for Zero Emission Vehicle funding has been secured to install 10 x dual connection Electric Vehicle Charge Points in Parrock Street car park. It is anticipated that the project will be completed in March/April 2022 at which point the Council will be invoiced in full for the costs.
- **The St George’s Creative Hub** – The fitting out of two vacant units within the St George’s Shopping Centre commenced in Summer 2021 for opening of the new arts hub on 11 December 2021. The capital costs are funded by a combination of Council S106 receipts and the Government’s Getting Building Fund, which is allocated Kent County Council via the South East Local Enterprise Partnership.

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	(5,900)	(5,900)	Highways contribution
Springhead Leisure Contribution	(150,000)	0	(60,590)	(210,590)	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	(301,720)	(1,164,200)	

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 investments held by the Council at 31 December 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 31 December 2021 was 0.24% against a benchmark return of -0.02%.

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 December meeting, the Bank of England Monetary Policy Committee (MPC) voted to raise Bank Rate by 0.15% from 0.10% to 0.25%. Inflationary pressures continue and indications are that there will be more increases to come with financial markets predicting 1% by the end of 2022. GDP only rose by 0.10% in October which suggested that economic growth had already slowed even before the Omicron variant was discovered. There are suggestions that growth in November may have been better, but the Government's Plan B Covid-19 restrictions could cause the economy to contract in December.

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 31 December 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.