

Classification: Public

Key Decision: No

Gravesham Borough Council

Report to: The Finance and Audit Committee
Date: 19 July 2022
Reporting officer: Assistant Director (Corporate Services)
Subject: General Fund Provisional Outturn Report 2021/22

Purpose and summary of report:

To present:

- The 2021/22 provisional General Fund Outturn Report, including movements in the General Fund working balances and earmarked reserves.
- The 2021/22 provisional General Fund Capital Outturn

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

Recommendation:

1. This report is for information only

Key Implications:	
Item	Implications
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 the report
Corporate Plan	Strategic Objective #3 Progress; Sound Financial Management & Successfully Managing Key Business Risks
Climate Change	No direct implications

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 provides details of the provisional budget outturn for the 2021/22 financial year and complements the 2021/22 Financial Statements for the authority, which will subsequently be considered by the Finance & Audit Committee.
- 1.2. During 2021/22, the Council continued 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. The provisional outturn position for the year is an underspend of £256,690. 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.
- 2.2. The level of Working Balances at year-end is £11.95m, constituted of minimum working balances of £2.0m, the General Fund reserve of £3.25m and usable Working Balances of £6.7m.
- 2.3. Movements in the year have resulted in a net decrease in earmarked reserves of £7.14m. This reflects the start of the year position being £19.08m, with the balance being £11.94m at year-end. Within this movement, £2.89m relates to a net drawdown from the NNDR Collection Fund Equalisation Reserve, £1.97m released from the Leisure Centres Reserve and £1.24m drawn down from the St George's Income Protection Reserve – see section 3.11.1 for further details on reserve movements.
- 2.4. 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 support is significantly reducing in 2022/23. Additionally, the national fiscal and economic situation is also expected to create pressures on the Council's finances. These risks and financial pressures were reported in a separate report to Cabinet on 30 May 2022.

Capital

- 2.5. 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, and in line with final expenditure at year-end.

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 provisional General Fund outturn against the Original Budget is presented in the table below. It should be noted that headings for directorates, reserves and transactions below the line have been adjusted to neutralise the effect of year-end accounting entries such as depreciation, and incorporate the correct accounting treatment for reserves and grant income. As a result, the table may not be directly comparable to previous budget monitoring reports.

Directorate / Budget Heading	Original Budget 2021/22 (£)	Outturn 2021/22 (£)	Variation 2021/22 (£)
All Directorate - Salaries	15,403,770	15,125,600	(278,170)
Chief Executive	(360,460)	(392,330)	(31,870)
Communities	(1,887,760)	1,192,740	3,080,500
Corporate Services	1,690,040	1,138,850	(551,190)
Environment	619,720	694,050	74,330
Housing	38,230	145,630	107,400
Non-Directorate Specific	888,960	792,330	(96,630)
Interest and Investment Income	(772,000)	(859,120)	(87,120)
Government Grant Funding	(2,827,730)	(3,272,100)	(444,370)
Transfers to/ (from) reserves	(5,128,670)	(7,139,830)	(2,011,160)
Transfers to/ (from) balances	311,050	311,050	0
Transactions below the line	(1,554,510)	(1,579,760)	(25,250)
BUDGET REQUIREMENT	6,420,640	6,157,110	(263,530)
Business Rates Income	(3,565,940)	(3,552,860)	13,080
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	5,214,840	(6,240)
Use of Working Balances	98,270	98,270	0
BUDGET SHORTFALL/(UNDERSPEND)	0	(256,690)	(256,690)

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

3.2. ALL DIRECTORATE – SALARIES

- 3.2.1 **Staffing: £278k favourable variance** – the General Fund staffing budget for 2021/22 incorporated a vacancy allowance of £350k for the year. It was anticipated that this would 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 year-end position was an underspend of £628k, therefore giving rise to the net favourable variance of £278k.

3.3. CHIEF EXECUTIVE'S DIRECTORATE – £32k FAVOURABLE VARIANCE

3.3.1 **Communications: £26k favourable variance** – an annual provision exists within this budget to support communications and advertising for Woodville events; however due to a lower volume of activity compared to previous years before the Covid-19 pandemic, this budget was not required to the same extent.

3.3.2 **Other Net Variances: £6k favourable variance** – the net effect of other variances across the Chief Executive's Directorate is a favourable variance of £6k.

3.4. COMMUNITIES DIRECTORATE – £3,080k adverse variance

3.4.1. **District Shopping Centres & Industrial Estates rental income: £330k favourable variance** – as part of the 2021/22 budget-setting process, consideration was given to a potential reduction in rental income due to business circumstances arising from the Covid-19 pandemic. For the overall rental income portfolio, of which a large share relates to District Shopping Centres and Industrial estates, a provision to allow for reduced rents of £158k was built into the budget. At outturn, rental income returns have held up well, with the Council benefiting from a combination of continued tenancies as well as rent reviews at a number of sites. The net effect of these and the release of the Covid-19 provision set aside is an overall favourable variance in 2021/22 of £330k.

3.4.2. **The Woodville: £228k favourable variance** – given the nature of the Covid-19 pandemic and the restrictions placed upon services offered by the Woodville, during the 2021/22 budget-setting process an amount of £323k was factored in to account for potential income losses. Due to a combination of maximising income opportunities at the Theatre including a successful Christmas Pantomime run, use by the NHS of the Woodville as a Covid-19 vaccination centre, and receipt of Government Sales, Fees and Charges Compensation funds for the period April-June, the overall outturn across the Woodville is a favourable variance in 2021/22 of £228k.

3.4.3. **Car Parks: £206k favourable variance** – within the budget-setting process for 2021/22 an allowance of £394k was made within the Parking service to account for potential lost income resulting from circumstances arising from the Covid-19 pandemic e.g. reduced commuter activity in car parks due to new working patterns, and a reduction in visitors to the town centre. Income during the year has held up better than budgeted, and along with the Sales, Fees and Charges Compensation scheme funds received for the first quarter of 2021/22, and resulted in a year-end favourable variance of £206k.

3.4.4. **Town Centre Events: £87k favourable variance** – as the Council has continued to experience ongoing effects arising from the Covid-19 pandemic, there has been a reduced call on events budgets across 2021/22, with a year-end favourable variance of £87k arising.

3.4.5. **Legal Shared Service: £53k favourable variance** – as a result of year-end underspends in the shared service hosted by Medway Council, largely due to staff turnover and vacancies, there is a reduction in the Council's contribution to the shared service budget. The result of this is a year-end favourable variance of £53k.

3.4.6. **Civic Centre running expenses: £42k favourable variance** – a net underspend of £42k from across various repairs and maintenance and utility budgets has arisen during 2021/22. Due to the Covid-19 pandemic and subsequent hybrid working patterns, there has been a reduced officer presence in the Civic Centre compared to pre-Covid years

Consequently, there has been a reduced call on various day-to-day premises budgets which has generated a favourable variance of in 2021/22 of £42k.

3.4.7. **Community Engagement: £34k favourable variance** – during 2021/22 the Council received various grant funds, both from Kent County Council and Central Government, including Contain Management Outbreak Funds, Winter Support, Self-Isolation Practical Support, and Household Support grants. These have enabled the Council to facilitate a wide programme of support to local community organisations involved with the Covid-19 response in the local area. Consequently, there has been less call on the Council's own budget, leading to a favourable year-end variance of £34k.

3.4.8. **Reprographics/Photocopiers: £33k favourable variance** – due to the Covid-19 pandemic and subsequent hybrid working patterns, there has been a reduced call on various stationery and photocopier budgets than would usually be the case. Additionally, as a reduced programme of Council events has taken place in 2021/22, there was a lower demand within Reprographics for producing publicity material and other related information. These factors combined have led to a net favourable variance of £33k in 2021/22.

3.4.9. **St George's Centre – net rental income: £645k adverse variance** – rental of units in shopping centres continues to be challenging, particularly in the period of recovery following the Covid-19 pandemic which has led to changing customer behaviour and business delivery models. As a result of there are a number of vacant units within the Centre. Throughout 2021/22, the Council has incurred service charges and business rates which would otherwise have been chargeable to tenants, this amounts to £569k. Additionally, this variance incorporates an element of rental arrears which were owing at year-end and once cleared, will be received during 2022/23. Local and London based agents have been appointed to promote and proactively search for unit occupiers. The frequency of meetings between the Council, Reef and agents has increased to respond to interests received and to move them forward as rapidly as possible. At year-end a number of occupier interests were being dealt with.

3.4.10. **St George's Centre – additional interest costs: £3,458k adverse variance** – see section 4 below.

3.4.11. **Other net variations: £10k favourable variance** – the net effect of other variances across the Communities Directorate is a favourable variance of £10k.

3.5 **CORPORATE SERVICES DIRECTORATE – £551k FAVOURABLE VARIANCE**

3.5.1 **Covid-19 Grant Funding: £300k favourable variance** – as part of the Government's continued response to the Covid-19 pandemic, the Council was given responsibility in 2021/22 to administer a series of grant support measures to business and individuals within the local community. In order to meet these additional work pressures, the Council received £300k of New Burdens funding, primarily contributing to staff and IT/system costs incurred in facilitating these schemes.

3.5.2 **Interest Payable: £194k 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 variance of £194k in 2021/22.

3.5.3 **Corporate Inflation Provision: £130k favourable variance** – the Council holds a central fund for supplies and services inflation within the Corporate Services directorate

to act as a safeguard against inflationary increases to contract payments and general supplies and services costs. In 2021/22, due to a combination of services largely being able to manage inflationary increases within existing budgets, in addition to reduced expenditure in certain areas following circumstances arising from the Covid-19 pandemic, there has been a reduced call on this fund compared to the original budget. The impact of this is a year-end underspend of £130k.

- 3.5.4 **Information Technology: £44k adverse variance** – as the Council continues to develop technology to support new ways of working and delivering services, additional expenditure has been incurred in 2021/22 over and above budgetary provision of £44k. This relates to IT equipment, software support and telephony system enhancements.
- 3.5.5 **St George’s Centre external valuations: £45k adverse variance** – as a result of the ongoing Statement of Accounts audit process, external professional advice in consultation with Grant Thornton, the Council’s external auditor, has indicated that new asset valuations for the St George’s centre are required for each year since 2018/19. Resultantly Colliers, who manage the centre on behalf of the Council and thus already have specialist knowledge of the site, have been engaged to carry these out. Once received, these valuations will be reflected in revised sets of accounts, which will then be subject to the usual external audit process.
- 3.5.6 **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 has now been 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 has enabled the purchase of dual compartment litter and recycling bins, increasing both the litter capacity available as well as the aesthetic appearance at these locations.
- 3.5.7 **Other Net Variances: £16k favourable variance** – the net effect of other variances across the Corporate Services Directorate is a favourable variance of £16k.
- 3.6 **ENVIRONMENT DIRECTORATE – £74k ADVERSE VARIANCE**
- 3.6.1 **Planning Application Income: £60k favourable variance** – income within the service from planning applications has continued to fare well in 2021/22 with a reported year-end favourable variance of £60k.
- 3.6.2 **Garden Waste Income: £53k favourable variance** – the service continues to grow with an increase of 447 customers for the subscription service during 2021/22, which has led to a favourable year-end income variance of £53k.
- 3.6.3 **Waste Recycling Income: £35k favourable variance** – greater use of recycling banks across the borough combined with increases in the value of recyclable materials has led to increased income of £35k.
- 3.6.4 **Refuse Collection – Special & Bulky Waste Income: £26k favourable variance** – the increase in the number of collection times offered to customers has made it easier and quicker for residents to have their items collected. This has enabled more collections to be made throughout the borough, resulting in a favourable variance of £26k during 2021/22.
- 3.6.5 **Cemeteries – Grounds Maintenance costs: £14k adverse variance** – there have been additional costs involved in improvement works at Northfleet Cemetery during

2021/22 to provide additional burial spaces. This will have a positive impact on future income streams at the site.

- 3.6.6 **Trade Refuse – Additional Rubbish Clearance costs: £29k adverse variance** – due to higher tonnages of trade waste collected and increases in ‘tipping’ charges at the Waste Disposal Facility, trade waste disposal costs have been greater than anticipated leading to a year-end adverse variance of £29k.
- 3.6.7 **Trade Refuse Income: £29k adverse variance** – during quarter one of 2021/22, a number of businesses were closed or working at reduced capacity which resulted in a reduction in the number of trade waste collections made during this part of the year, leading to the reported adverse variance of £29k.
- 3.6.8 **Street Cleansing Transport costs: £30k adverse variance** – during 2021/22 one of the small refuse vehicles was unavailable for use whilst undergoing essential repairs. A hire vehicle had to be used during this period in order to fulfil operational requirements, which resulted in additional expenditure of £30k.
- 3.6.9 **Waste Recycling – Inter Authority Recycling Income: £50k adverse variance** – high residual waste tonnages collected have reduced the proportion of recyclables collected which has led to a projected reduction in the recycling savings payment receivable from Kent County Council. Work is being undertaken to reduce residual waste tonnages and maximise recycling levels across the borough to help reduce any likely adverse budgetary impact in 2022/23.
- 3.6.10 **Vehicles costs: £80k adverse variance** – the combination of ageing refuse vehicles requiring more frequent maintenance, and the inflationary impact of higher costs for vehicle parts and fuel, has resulted in an adverse variance at year-end of £80k.
- 3.6.11 **Other Net Variances: £16k adverse variance** – the net effect of other variances across the Environment Directorate is an adverse variance of £16k.

3.7 HOUSING DIRECTORATE – £107k ADVERSE VARIANCE

- 3.7.1 **Homelessness – Temporary Accommodation: £54k adverse variance** – 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. In 2021/22, the Housing service has seen over 1,300 homeless approaches.
- 3.7.2 Whilst some provision is made to provide temporary accommodation within the Council’s own housing stock, this is supplemented by use of private rented accommodation. During 2021/22 there has been an increasing need to rely on more expensive, nightly paid options as the supply of suitable private rental accommodation has decreased.
- 3.7.3 Whilst the Council has been able to draw on Covid-19 grant funding from Central Government to a larger extent to manage these expenditure pressures, there remains a net adverse variance of £54k for the year.
- 3.7.4 **Private Housing – non-recoverable costs: £35k adverse variance** – following an improvement notice being served on a property in Alexandra Road, works in default were undertaken across 2020/21 and 2021/22. These were required to rectify hazards that were considered to be a risk to the health and safety of the occupants, and of visitors to the property and others. Originally it was hoped that the cost of these works could be recovered from the property owner – either directly or via a charge placed upon

the property. Unfortunately, neither has been possible, and therefore there is a resultant cost to the Council of £35k.

3.7.5 **Playgrounds & Play Equipment: £25k adverse variance** – extra ground and surfacing work has been required at a number of play sites to ensure they are safe and well maintained in order for the public to use and enjoy. This has led to additional costs of £25k in 2021/22

3.7.6 **Other Net Variances: £7k favourable** variance – the net effect of other variances across the Housing Directorate is a favourable variance of £7k.

3.8 NON-DIRECTORATE SPECIFIC – £97k favourable variance

3.8.1 **Retirement Benefits: £97k 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. There has been reduced call on this second aspect of the budget in 2021/22, leading to a favourable year-end variance of £97k.

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

3.9.1 The following items from 2020/21 were 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

3.10 **INTEREST AND INVESTMENT INCOME – £87K FAVOURABLE VARIANCE.**

3.10.1 There is an overall variance of £87k against the budget for interest earned on investment. The Bank of England base rate remained at 0.10% for the majority of the year which resulted in very little investment opportunities. However, the Council managed to secure returns above the standard benchmark during the period by maximising the use of notice accounts, which were paying higher rates of interest. The Council has been able to benefit from the rate rises in December 2021, February and March 2022 by investing monies at higher rates as existing investments mature thus earning higher rates of investment income.

3.10.2 Despite the difficult economic backdrop, Property Funds have continued to perform well and generated a dividend return of just over £410k, which is equivalent to a 4.1% return on the initial deposit, and a slight improvement on 2020/21. Multi Asset Funds have produced a dividend return of £318k this financial year, equivalent to the 3.2% return generated in 2020/21.

3.11 **FUNDING STREAMS – £2,473k FAVOURABLE VARIANCE**

3.11.1 **Government Grant Funding: £444k favourable variance** – as part of the Government's continued 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 have resulted in an additional £444k 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.

3.11.2 **Transfers to/(from) reserves: £2,011k favourable variance** – following analysis of the overall year-end position the opportunity has been taken to review amounts held within specific earmarked reserves. Resultantly the following additional movements compared to the original budget position have been actioned:

- St George's Income Protection Reserve – in order to partly offset the St George's Centre deficit described within the Communities Directorate section, £1,240k has been transferred from the reserve into working balances.
- DLUHC Covid-19 Grant – as exposure to expenditure pressures arising from the Covid-19 pandemic levels off, £500k has been released into general working balances from non ring-fenced Covid-19 grant received during 2020/21.
- Commercial Income Protection Reserve – at the 2020/21 outturn, this reserve was reviewed with the provision increased to represent 25% of the Council's MTFP rental income budget (previously it was set at 15%). In the light of emergence from the largest impacts of Covid-19, and with rental income budgets generally holding up well, this reserve has been reset back to represent 15% of the rental income budget. Consequently, there is a favourable variance, as an additional £344k has been released into working balances.
- Leisure Centres Reserve – an additional £9k has been released from this reserve above what was originally budgeted, reflecting the final position of both revenue and capital schemes funded from this source.
- Corporate Priorities Reserves – there is a £1k favourable variance resulting from an equalisation of reserves being used to be the finance capital programme, which was initially actioned during quarter 3.

- NNDR Growth Fund Reserve – membership of the Kent Business Rates Pool has generated £308k that has been transferred into the NNDR Growth Fund Reserve. This represents an increase of £83k from what was previously anticipated in the original budget for 2021/22.

3.11.3 **Transactions Below the Line – Minimum Revenue Provision (MRP): £25k 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 favourable year-end variance relating to MRP in 2021/22 of £25k.

3.11.4 **Business Rates Income: £13k adverse variance** – as a result of timing differences between the completion of the statutory NNDR1 return and the annual budget-setting process, an adverse variance of £13k has arisen.

3.11.5 **Transfers to / (from) the Collection Fund: £6k favourable variance** – following the year-end reconciliation of the Council Tax Collection Fund, there is a reduced required repayment to the Fund, resulting in a favourable variance to the Council’s Medium Term Financial Plan of £6k. Thus, the total of £2,473k within the funding streams section comprises of an additional £444k Government Grant Funding, a net £2,011k transfer from reserves, a £25k Minimum Revenue Provision favourable variance, a £13k Business Rates adverse variance and a £6k favourable variance relating to the Collection Fund.

3.12 WORKING BALANCES AND RESERVES

3.12.1 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)	256,690
Working Balances C/Fwd (as at 31 March 2022) including Minimum GF Working Balance	11,949,090
Less: Minimum GF balance	(2,000,000)
Less: Additional General Fund Reserve	(3,250,000)
Usable Working Balances C/Fwd (as at March 2022)	6,699,090

Table 3: Effect on General Fund Balances

3.12.2 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	Actual Use of Reserve (Expenditure) £'000	Actual Contributions (Income) £'000	Closing Balance 31/03/2022 £'000
Planning Policy Reserve	465	(66)	200	599
Asset Enhancement Reserve	1,163	(286)	100	977
Leisure Centres Reserve	1,657	(1,969)	359	47
Corporate Priorities Reserve	535	(31)	83	587
Town Pier Pontoon Reserve	123		13	136
Elections Reserve	74		63	137
NNDR Collection Fund Equalisation Reserve	5,075	(4,406)	1,519	2,188
IT Infrastructure Reserve	371	(219)	100	252
DSO Vehicle Capital Reserve	474	(165)	132	441
Freighter Replacement Reserve	1,223	(412)	221	1,032
NNDR Growth Fund Reserve	375	(173)	308	510
Lower Thames Crossing Reserve	140			140
Woodville Repairs Reserve	240	(57)	57	240
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	(486)		661
Service Review Reserve	83	(83)		--
Playgrounds Reserve	136		68	204
Decriminalisation Reserve	228		41	269
Enterprise Reserve	151	(353)	375	173
Climate Change Reserve	485	(62)		423
Sub-total - Specific Earmarked Reserves	16,585	(10,008)	3,639	10,216
Revenue Grants not yet applied	2,494	(840)	69	1,723
Total - All Earmarked Reserves	19,079	(10,848)	3,708	11,939

Table 4: Analysis of Specific Reserves

3.12.3 Significant or new approved uses of reserves, other than those already referred to in section 3.11 or within individual directorates include:

- Asset Enhancement Reserve - £187k Civic Centre works, £45k Cygnet Pool Repairs, £32k Barrack Row Conveniences, all included within the "Essential Repairs to Buildings" section of the Capital Programme.
- IT Infrastructure Reserve - £219k released to fund works within the "IT Infrastructure Assets" element of the Capital Programme.
- Freighter Replacement Reserve - £412k transferred to cover expenditure within the "Purchase of Freighters" line within the Capital Programme.

3.13 MEDIUM TERM FINANCIAL PLANNING

3.13.1 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.

Risks and Financial Uncertainty Impacts

3.13.2 Despite the financial challenges faced throughout the year, the General Fund has ended in a favourable position. However, as an authority our budgeted expenditure continues to exceed our income and the latest MTFP shows an emerging budget gap in 2026-27 of approximately £3m. In response to this a five year Medium Term Financial Strategy was adopted by Full Council in February 2022, which sets out the initiatives the Council will follow during the period to 2026/27 to make reductions to its base budget requirement.

3.13.3 During the budget-setting process consideration was given to known financial challenges. However, since that process was undertaken there have been further rises in inflation, increases in the cost of living, rises in fuel, materials and food prices, and the outbreak of the war in Ukraine. This continued uncertainty makes medium term financial planning far more challenging than previously.

3.13.4 A paper outlining these risks and pressures was presented and considered by Cabinet at the meeting held on 30 May 2022.

3.13.5 (Please click on "[Report](#)" to view).

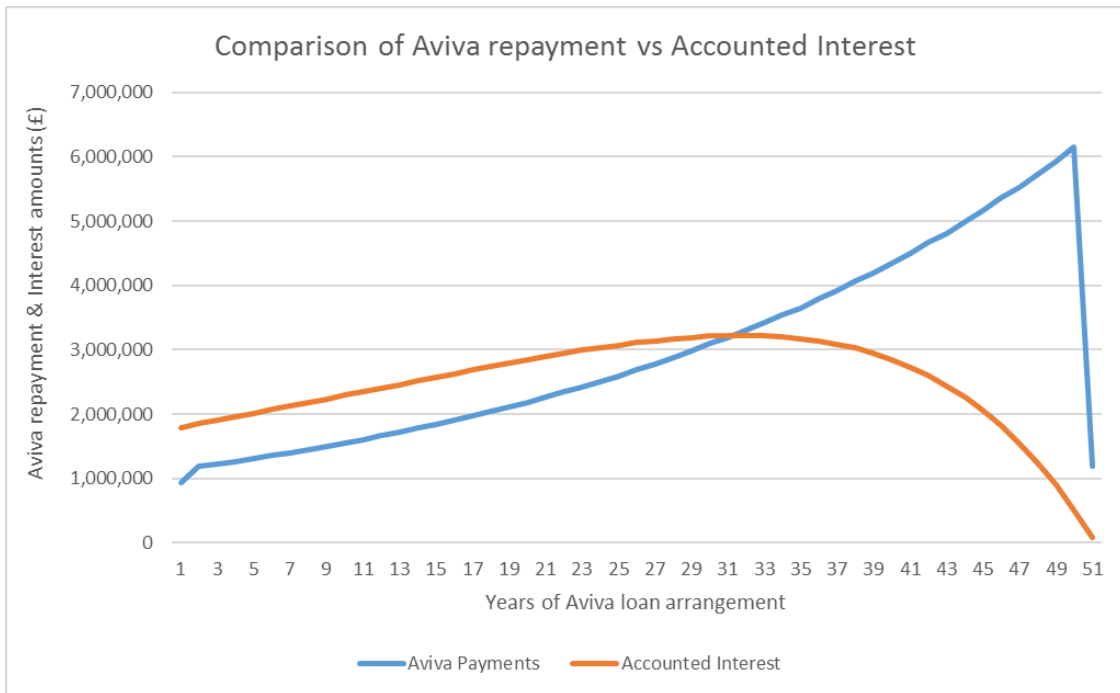
Central Government Announcements

3.13.6 To help with the financial impact on individuals, The Chancellor of the Exchequer, Rishi Sunak, has announced a new Cost of Living Support package of support to help with the rising cost of living, including measures to support eight million vulnerable households who will receive at least £1,200 of extra support this year. The Chancellor also announced a £500 million increase for the Household Support Fund, extending it from October until March 2023. Rishi Sunak also announced that the energy bills discount due to come in from October will be increased from £200 to £400, while the requirement to pay it back will be removed. (source: Local Government Association).

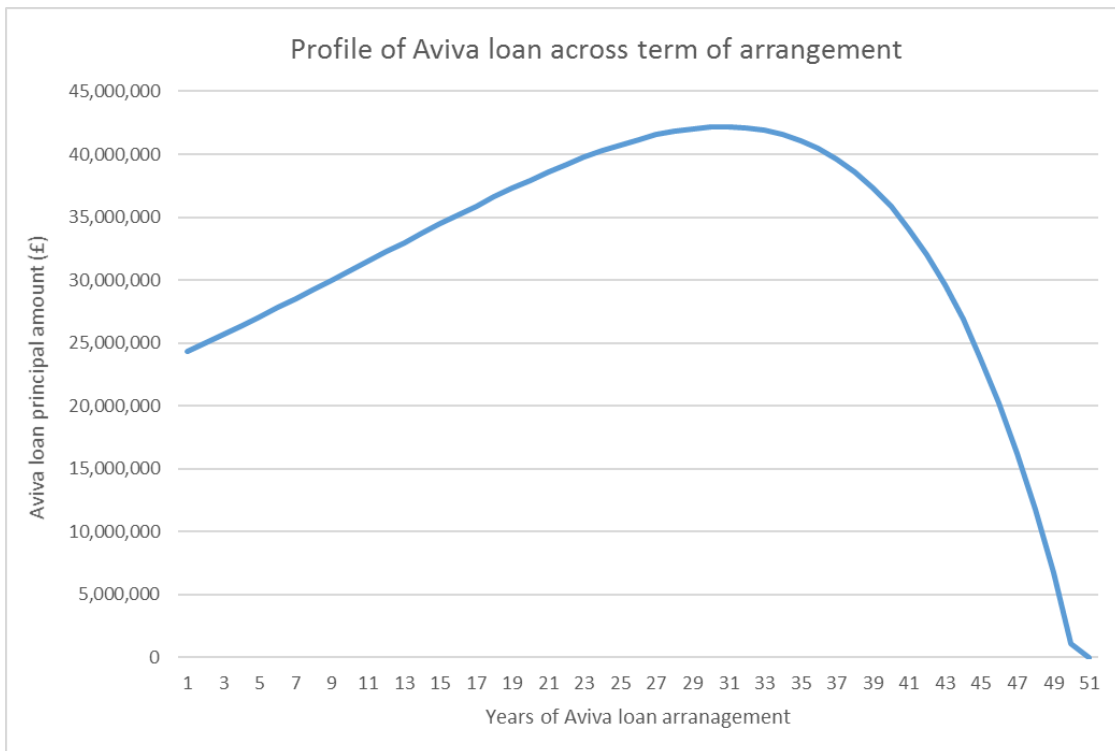
4. ST GEORGES SHOPPING CENTRE TRANSACTION

- 4.1.1. In April 2018, Cabinet agreed for the Council to enter into an agreement with Reef Estates Group for redevelopment of the St George's Shopping Centre. Detailed financial modelling was undertaken, incorporating projected annual payments to Aviva (the investor). The expectation was that the inflows to the Council of rental and investment income would be equal, or more than equal, to the annual payments for the 50-year term of the arrangement.
- 4.1.2. The link to the Cabinet papers where this was discussed can be found here [Agenda for Cabinet on Monday, 30 April 2018, 7.30 pm – Gravesham Borough Council](#)
- 4.1.3. In our accounting statements for 2018/19, this transaction was treated as finance lease arrangement following assessment of the accounting treatment required. This included discussions prior to entering into the agreement with representatives for the council's auditor, Grant Thornton. This treatment was accepted by Grant Thornton in their audit of the 2018/19 financial statements of the council, with the 2018/19 Annual Audit Letter confirming that the auditors had reviewed the accounting treatment for the St George's Shopping Centre as a finance lease and had issued an unqualified opinion on the Council's financial statements on 30 July 2019.
- 4.1.4. The Annual Audit Letter provided by Grant Thornton for the 2018/19 Statement of accounts can be found by clicking on the following link, [Annual Audit Letter](#)
- 4.1.5. A new audit team from Grant Thornton was appointed to audit the Council's 2019/20 financial statements, and during this audit process, the auditors questioned the existing accounting treatment being applied for the St Georges Shopping Centre transaction, indicating that the treatment for this transaction should be that of a loan agreement and also questioning the recording of the implicit interest rate applied.
- 4.1.6. The Council then sought advice from various sources to ascertain which accounting treatment should be applied for this transaction. Advice was sought from CIPFA, Link (the Council's treasury management advisors) and a technical expert in Local Government Accounting. All confirmed that this transaction should be treated as a loan, and that additional interest costs derived from the implicit interest rate within the arrangement, should be reflected within the Council's General Fund balance. Therefore all external advice sought was in agreement with the new team from Grant Thornton.
- 4.1.7. The cumulative effect of the interest charge from the year 2018/19 when the transaction was entered into until 2021/22, is an additional interest cost of £3,458k. This has been partially offset by the release of accumulated funds held in the St George's Income Protection reserve as described in **section 3.11.2**
- 4.1.8. Graphical illustrations of the transaction and its effect over the 50 years of the arrangement are shown below.

4.1.9. The first graph shows the difference between the physical payments projected to be made to Aviva over the life of the loan, compared to the amounts accounted for. This shows additional costs accounted for until around year 30, before a reduction in the remaining term.



4.1.10. The second graph shows the impact the above accounted payments have on the profile of the loan principal amount across the duration of the arrangement. This shows debt increasing up to around year 30, before falling and then being fully repaid.



- 4.1.11. The council has sought initial advice on potential legal remedies available to it regarding the performance of Grant Thornton in this matter.
- 4.1.12. It is to note too that local government external audit resources across the country are strained as audit firms are struggling to complete audits within the specified time frame. The Council hopes to conclude its 2019/2020 audit by September 2022. The Council continues to actively engage with Grant Thornton to formalise a time line for the completion of the 2020/21 and the 2021/22 audits.

5. GENERAL FUND CAPITAL PROGRAMME

5.1. The following table details the final outturn for the General Fund, which 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 Final Outturn £	Variance £	C/Fwd and Adj's to 2022/23 £	2022/23 Approved budget £	2022/23 Original Budget including C/Fwd £
Essential Repairs to Buildings	615,000	171,050	786,050	355,620	(430,430)	430,430	435,000	865,430
Gravesend Cemetery Improvements	0	14,830	14,830	0	(14,830)	14,830	0	14,830
Purchase of Vehicles (DSO Fleet)	232,000	292,560	524,560	265,120	(259,440)	259,440	413,400	672,840
Gatekeeper Replacement	0	50,000	50,000	0	(50,000)	50,000	0	50,000
New Wheeled Bins for Flat Recycling	0	100,000	100,000	0	(100,000)	83,400	0	83,400
Waste & Horticulture back office system	108,690	(17,850)	90,840	30,980	(59,860)	59,860	0	59,860
Replacement Playground Programme	159,870	125,130	285,000	351,400	66,400	0	159,870	159,870
IT Equipment Air Conditioning Unit	0	40,000	40,000	30,240	(9,760)	0	0	0
Brookvale Office Accommodation	1,400,000	(1,400,000)	0	0	0	0	0	0
Property Acquisition Programme	3,286,980	713,020	4,000,000	0	(4,000,000)	4,000,000	0	4,000,000
Land Acquisiton Programme	3,658,810	(3,658,810)	0	0	0	0	2,945,790	2,945,790
Land at Dering Way	3,590,190	(3,590,190)	0	0	0	0	3,590,190	3,590,190
St George's Centre	5,151,550	(5,151,550)	0	148,950	148,950	(148,950)	9,019,640	8,870,690
Cascades Replacement Flumes	0	3,730	3,730	0	(3,730)	0	0	0
Heritage Assets	200,000	(137,000)	63,000	10,120	(52,880)	52,880	331,570	384,450
Gym Equipment Leisure Centres	0	47,800	47,800	0	(47,800)	47,800	0	47,800
Back up Generator	60,000	(60,000)	0	0	0	0	0	0
Parking Machines	251,200	35,920	287,120	0	(287,120)	287,120	0	287,120
LATCO development costs	0	18,600	18,600	0	(18,600)	18,600	0	18,600
LATCO working capital provision	0	54,750	54,750	54,750	0	0	170,260	170,260
Elizabeth Huggins Cottages – Loan	2,000,000	(1,585,300)	414,700	0	(414,700)	0	1,364,000	1,364,000
Parking Software	0	18,570	18,570	0	(18,570)	18,570	0	18,570
Purchase of Freighters	0	410,400	410,400	411,740	1,340	0	0	0
Enforcement of Private Housing	0	20,040	20,040	10,210	(9,830)	0	0	0
IT Infrastructure Assets	200,000	89,490	289,490	219,150	(70,340)	70,340	100,000	170,340
Rosherville Loan (The Charter)	27,295,500	(13,048,460)	14,247,040	14,187,160	(59,880)	59,880	45,439,010	45,498,890
Barrock Row Public Conveniences	0	4,340	4,340	4,340	0	0	0	0
Website Content Management System	65,000	0	65,000	27,830	(37,170)	37,170	0	37,170
MOT Lane, Brookvale Workshop	37,000	5,120	42,120	42,120	0	0	0	0
Street Cleaning Machine	49,000	0	49,000	49,000	0	0	0	0
New Leisure Centre	4,000,000	(3,714,730)	285,270	0	(285,270)	285,270	7,632,590	7,917,860
Electric Vehicle Charging Points	0	127,170	127,170	0	(127,170)	127,170	0	127,170
St Georges Creative Hub	0	474,530	474,530	474,530	0	0	0	0
Alleyways	0	0	0	0	0	0	45,000	45,000
Disabled Facilities Grant - GF	0	0	0	0	0	1,098,850	832,800	1,931,650
	52,360,790	(29,546,840)	22,813,950	16,673,260	(6,140,690)	6,852,660	72,479,120	79,331,780

Table 5: General Fund Capital Programme 2021/22

- **Essential Repairs to Buildings** – The upgrade of Civic Centre LED lighting is nearly complete; the remainder of the work will be completed in 2022/23. The replacement entrance doors for the Woodville Main Auditorium and Kent Room, have now been fitted. The Cascade Leisure Centre roof works are complete, and the majority of monies paid out have now been recovered from the insurers. Vigo car park resurfacing work has now been completed. Cygnets Leisure Centre pool hall roof refurbishment works are complete.
- **Gravesend Cemetery Improvements** – A number of improvements to the Cemeteries, which were originally scheduled to commence in 2021/22, will now be brought forward in 2022/23 instead.

- **Purchase of Vehicles (DSO Fleet)** – a number of vehicles were purchased during the year, with the vehicle fleet replacement plan reviewed for future years, taking into account the potential purchase of electric vehicles.
- **Gatekeeper Replacement** – Approvals were obtained from Kent County Council for Automatic Number Plate Recognition (ANPR) enforcement of a bus gate at King Street. However, steps are now being taken to remove buses from the pedestrian area and to direct bus services to the new bus hub. This will be undertaken over a trial period shortly to assess impacts, and will remove a need for Gatekeepers.
- **New Wheeled Bins for Flat Recycling** – £16,600 was spent on this scheme in 2021/22. However, the expenditure was accounted for within revenue budgets, as the bin purchases were below the de-minimus limits for consideration as capital expenditure.
- **Waste & Horticulture Back Office System** – The project was commenced in 2021/22 to implement Street Cleansing Software. The installation of the street cleansing module will be completed during quarter one 2022/23.
- **Replacement Playground Programme** – Quarter four saw the delivery of new play parks at Windmill Hill and Kings Farm recreation ground. An impressive large-scale scheme was also delivered at Camer Park as well as new picnic benches and bins. Quarter four also saw the delivery of a new sensory play scheme at Woodlands Park as part of the Queens Green Canopy and Jubilee Celebrations. All of these schemes were funded from Contain Management Outbreak Fund (COMF) monies.
- **IT Equipment air conditioning unit** – Contractors have installed the equipment and work is now completed.
- **Property Acquisition Programme** – During the last quarter of the financial year the Council started to progress a potential acquisition within the Borough, albeit this did not complete before the end of the financial year.
- **Land Acquisition Programme** – No land acquisition opportunities were considered in the financial year.
- **St George's Centre** – Various improvement works continued to take place earlier during 2021/22. There are currently no further works planned to the St George's Shopping Centre.
- **Cascades Replacement Flumes** – The flumes work completed during 2021/22, and the flumes are fully operational.
- **Heritage Assets** – Expressions of Interest have been submitted to the National Lottery Heritage Fund, initially in respect of three assets, to inform next stages in respect of project applications. In response to these, the Heritage Fund have asked that the community engagement/audience development aspects be developed further prior to re-submission.
- **Gym Equipment Leisure Centres** – Although the main gym equipment was replaced in 2020 a decision was made along with GCLL during 2021/22 to hold back on spin bike replacement, due in part to Covid-19 and the recovery of membership and attendance levels during the year. A decision on the outstanding replacement gym equipment will be reviewed in partnership with GCLL during 2022/23.

- **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. There was, therefore, no spend against this project during 2021/22.
- **Parking Machines** – Although officers were progressing this scheme during 2021/22, as at the year-end, no expenditure had taken place. A supplier has now been found to replace the existing Pay & Display machines in Rathmore Road, Milton Place and Parrock Street Car Parks, and the new systems will be implemented during 2022/23.
- **LATCO Development Costs** – No requests to utilise these funds were received in the financial year.
- **LATCO Working Capital Provision** – No further drawdown requests were received in the last quarter of the financial year.
- **Elizabeth Huggins Cottages – Loan** – Works continue at the site on Cross Lane West with funding being drawn down from the council on a monthly basis, incorporating both the financial grant secured from Homes England and the loan to the charity by the council.
- **Parking Software** – The new parking software system has been implemented, and all invoices have been paid. As part of the project, it was originally proposed that the littering Fixed Penalty Notices would also be moved to an electronic system. Due to various changes within the Environmental Enforcement team, this has not been progressed yet, and therefore there was no expenditure in 2021/22. The budget has therefore been rolled over to 2022/23.
- **Purchase of Freighters** – During 2021/22 the current programme for the purchase of waste freighters was delivered as budgeted. The replacement programme is under review for future years and will be updated in the budget-setting process accordingly.
- **Enforcement of Private Housing Standards** – The project is complete with all invoices fully paid.
- **IT Infrastructure Assets** – During the last quarter, the Council implemented its new telephone system (Ring Central)
- **Rosherville Loan (The Charter)** – Construction on site continues at pace, with monthly drawdowns of the loan to Rosherville Property Development Limited being made in line with the projected cashflow for the project.
- **Barrack Row Public Conveniences** – During quarter four of 2021/22, the focus of the project was the water and electric connections which included some difficulties with the waste water arrangements. As the works on the toilet were still ongoing, KCC's recharge of costs related to the toilet block works are now anticipated in quarter one 2022-23. Any additional construction and reinstatement works will be reported under the "Essential Repairs to Buildings" budget within future budget monitoring reports.
- **Website Content Management System** – Steady progress continued during quarter four on the redesign of the corporate website and moving the content management system to a new cloud-based platform. The system successfully went live in mid-May 2022.

- **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** – Building on the original Feasibility study and outline business case, Faithful & Gould have recently been appointed via the Pagabo Procurement Framework as lead project management consultants for the new leisure centre and have assembled a design team to develop the project to RIBA stage 1. This includes formalisation of the project brief, project budget, site information and associated surveys, preparation of project programme, and pre-application planning advice etc.
- **Electric Vehicle Charging Points** – As part of the Kent600 project there are eight sites owned by the council which are earmarked for the delivery of 30 fast chargers by Connected Kerb. Installation will take place during the summer of 2022, therefore the budget is being carried forward.
- **The St George's Creative Hub** – The new arts hub opened on 11 December 2021 and a rolling programme of displays, workshops and events has been developed. Council capital funding was supported by funding from the Government's Getting Building Fund allocated by the South East LEP/KCC.

6. CAPITAL RESOURCES

6.1 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 £	Use of Funding 2021/22 £	Closing Balance 31/03/2022 £
Capital Receipts	(473,940)	(41,350)	160,210	(355,080)
S106 Capital Contributions	(577,210)	(406,290)	151,330	(832,170)
Capital Grants unapplied	(138,500)	0	42,120	(96,380)
Total Capital Resources	(1,189,650)	(447,640)	353,660	(1,283,630)

Table 6: General Fund Capital Resources 2021/22

Capital Grants Unapplied	Opening Balance 01/04/2021 £	Actual Income 2021/22 £	Use of Funding 2021/22 £	Closing Balance 31/03/2022 £
Localised Council Tax Support	(83,500)	0	42,120	(41,380)
Land at South of Hever Court Road	(55,000)	0	0	(55,000)
Total Capital Grants Unapplied	(138,500)	0	42,120	(96,380)

Table 7: Capital Grants Unapplied 2021/22

6.2 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	0.00	0.00	Highways contribution
Springhead Leisure Contribution	(150,000)	0	0.00	(150,000)	To provide additional and/or improved play facilities at the Recreational ground and if not expended in 7 years after payment any unspent sum should be repaid
Bluewater - Gravesend Town Centre Improvements	(37,790)	0	0	(37,790)	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	(184,000)	0	0	(184,000)	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.
Rosherville Property Development - NHS Contribution	0.00	0	(155,230)	(155,230)	Refurb, configuration and/or extension of either Gravesend medical centre or the Springhead Health Centre
Rosherville Property Development - St Andrews Gardens	(285,260)	0	0	(285,260)	Towards the improvement of Landscaping at St Andrew's Gardens.
Heritage Funds	(29,030)	0	0	(29,030)	Purpose of implementing measures to enhance the interpretation of heritage assets
Total S106 Contributions	(832,170)	0.00	(235,230)	(1,067,400)	

Table 8: S106 Contributions 2021/22

Secondary Implications	
Risk Assessment	The purpose of this provisional outturn report is to identify performance against the original budget set for the 2021/22 financial year and illustrate how this affects the Working Balances and Earmarked Reserves held by the council at the end of the financial year (subject to audit).
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? A definition of each type of data can be found on the Information Commissioner's Office website via the above links. N/A</p> <p>b. If yes to question a, have you completed and attached a DPIA including Data Protection Officer advice? N/A</p> <p>c. If no to question b, please seek advice from your nominated DPIA assessor or the Information Governance Team at gdp@medway.gov.uk. 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. 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. No decision – paper is for information only.</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>
Crime and Disorder	No direct implications
Digital and website implications	No direct implications
Safeguarding children and vulnerable adults	No direct implications