

Classification: Part 1 – Public

Key Decision: No

Gravesham Borough Council

Report to: Report for Cabinet
Date: 30 January 2023
Reporting officer: Leader of the Executive
Chief Executive
Director (Corporate Services)
Subject: General Fund Revenue and Capital Estimates 2023-24

Purpose and summary of report:

To present Cabinet with the draft revenue and capital estimates for General Fund services in 2023-24. To recommend to Council the level of council tax to be levied for 2023-24.

Key Implications:	
Item	Implications
Legal	The Local Government Finance Act 1992 (Chapter III Sect. 32) requires the council to set the council tax and calculate a budget for each financial year by 11 th March in the preceding financial year. The Local Government Act 2003 requires the Chief Financial Officer to provide a view of the robustness of the estimates and the adequacy of the level of reserves.
Finance and Value for Money	This report sets out the parameters and processes in place for preparing a balanced budget for 2023-24. It also sets out the updated Medium Term Financial Strategy for the council for the period 2022-23 to 2026-27.
Corporate Plan	Strategic Objective #3 Progress; Sound Financial Management & Successfully Managing Key Business Risks.
Climate Change	Reserve funding is included in the budget proposals for Climate Change Activity.

Recommendations:

1. That Cabinet agree for a resolution to be placed before the meeting of the Council on 21 February 2023, specifying the council tax to be levied in the Borough of Gravesham for the year 2023-24.

Cabinet recommends to Council that:

2. The updated Medium Term Financial Strategy for 2022-23 – 2026-27 be approved;
3. The draft revenue estimates for 2023-24 together with revised estimates for 2022-23, be approved, subject to any final amendments agreed by the Section 151 Officer in consultation with the Chief Executive and Leader of the Executive;
4. The provisional estimates for the following eight years be noted;
5. The draft capital estimates for 2023-24, together with the revised estimates for 2022-23, be approved subject to detailed reports coming forward on new schemes where applicable;
6. Due consideration is given to the view of the Director (Corporate Services) (as S151 Officer) on the robustness of estimates for the coming year, the medium-term financial strategy and the adequacy of proposed reserves and balances, as required under Section 25 of the Local Government Finance Act 2003.
7. The threshold for Key Decisions to remain at £100,000.
8. Approval is given to the application of the 100% council tax premium on properties empty for at least 1 year but less than 5 years, applicable from 1 April 2024, should the Regeneration & Levelling-Up Bill receive Royal assent. Delegated authority be given to the Director (Corporate Services) (as S151 Officer) to take all necessary and timely action to implement this recommendation, taking into account any Secretary of State Guidance that may be issued.
9. Approval is given to the application of a 100% council tax premium on 'second homes', applicable from 1 April 2024, should the Regeneration & Levelling-Up Bill receive Royal Assent. Delegated authority be given to the Director (Corporate Services) (as S151 Officer) to take all necessary and timely action to implement this recommendation, taking into account any Secretary of State Guidance that may be issued.

1. Background

- 1.1 The council has a statutory duty to set the level of council tax and calculate the budget for the forthcoming financial year by 11 March.
- 1.2 Under the Policy Framework and Budget Procedure Rules of the Constitution, the Cabinet has responsibility for making proposals to Full Council for the adoption of the council's Budget.
- 1.3 This report presents the draft General Fund revenue and capital estimates for the year 2023-24 to enable the Cabinet to recommend to Full Council its proposal in respect of the council budget for 2023-24 and the level of Council Tax to be levied. These estimates have been prepared in accordance with the council's Corporate Plan and the Council's Partnership Framework.

2. Format of this report

- 2.1 This report is presented in seven sections. A summary is provided in the main body of this report for each section, with further detailed and contextual information presented in the supporting appendices as needed:
 - Section One – Policy Context
 - Section Two – Government Funding
 - Section Three – Medium Term Financial Strategy and Planning for the council and its community
 - Section Four - General Fund Revenue Budget
 - Section Five – Council Tax
 - Section Six - Robustness of Estimates and Adequacy of Reserves
 - Section Seven - Capital Programme

3. SECTION ONE – POLICY CONTEXT

Corporate Plan 2019-2023 – Delivering a Gravesham to be proud of

- 3.1 In October 2019, Full Council adopted a new Corporate Plan for the period 2019 to 2023 which set the direction and guiding principles for council activity during the period to deliver a Gravesham to be proud of. The Corporate Plan recognises the need for the council to work differently to enable it to deliver more homes, more jobs and more investment in the borough and focuses on three strategic objectives for the plan period:

People – Protected environment, quality living

Place – Vibrant economy, connected community

Progress – Entrepreneurial authority, strong leadership

- 3.2 Performance against the plan has been reported throughout the year with quarterly performance update reports and budget monitoring reports; these reports include the General Fund Medium Term Financial Plan and HRA Business Plan, which both seek to express the delivery of the Corporate Business Plan objectives in financial terms.

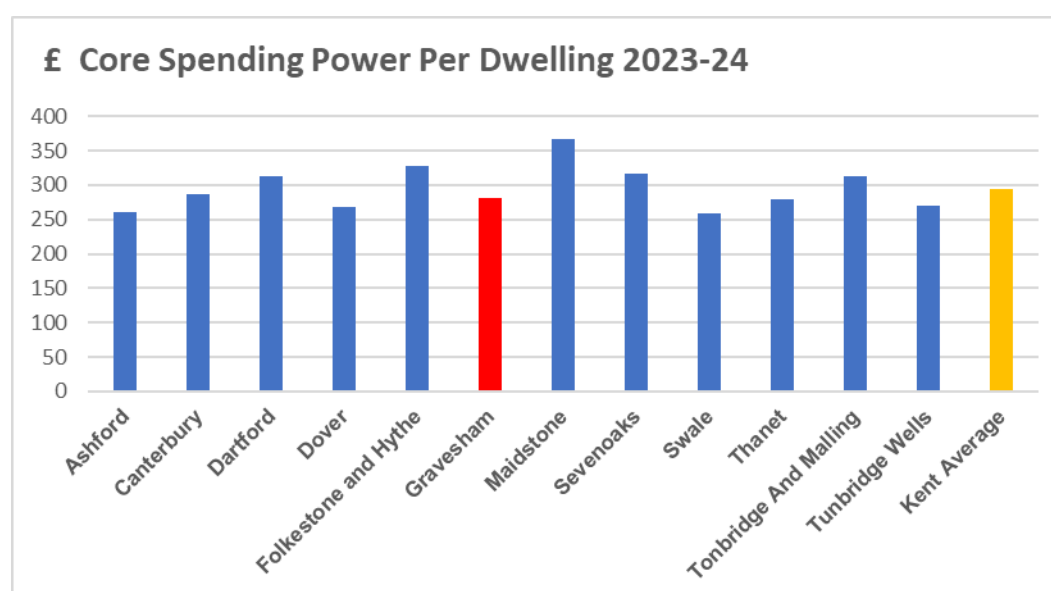
- 3.3 Activity delivered during the corporate plan period includes:

- The creation of 18 new play parks for the Borough and delivery of a programme of refurbishment for others
- Delivered a new art centre at St George's shopping centre, providing exhibition space, workshop and studio space for the local community
- Delivered plans for a new leisure centre in the east of the borough through to planning application stage
- Investment in street cleaning by providing new street cleansing equipment and 140 new litter bins
- Creation of an Environmental Enforcement Team to tackle fly tipping which had led to successful prosecutions.
- Building of 122 new council owned homes
- Purchase and refurbishment of a property to accommodate and support rough sleepers
- Investment in The Charter development to bring forward 242 apartments in the Borough
- Action to reduce our own operational carbon emissions by 0.462kt (17%), improve the energy efficiency of our housing stock and take a lead on the reduction of carbon emissions in the wider borough.

4. SECTION TWO – GOVERNMENT FUNDING (See also Appendix 1)

Local Government Finance Settlement

- 4.1 On 19 December 2022 the Provisional Local Government Finance Settlement for 2023-24 was announced by The Department for Levelling Up, Housing and Communities and Local Government (DLUHC). As like last year the provisional settlement is for one year only, with the future funding of local government remaining unknown, albeit the principles for the 2024-25 local government finance settlement were outlined in the Local Government Finance Policy Statement published on 12 December 2022. Other local government funding reforms that were planned for introduction from April 2021 (including the Fair Funding Review and reforms to the current Business Rates Retention System) continue to be put on hold until after the next Comprehensive Spending Review due to take place in 2025.
- 4.2 The Kent view of assumed Core Spending Power per dwelling for individual districts authorities is shown in the graph below.



- 4.3 As a result of the provisional settlement, the council will experience an increase in its core spending power of 4.9% for 2023-24 and will have the sixth lowest level of assumed spending power per dwelling in Kent at £282, an increase of £14 per dwelling on last year. This is based on the assumption by central government that the council will increase council tax by the maximum amount permissible.

New Homes Bonus Scheme

- 4.4 Under the scheme the council has secured indicative NHB funding for 2022-23 of £500,560. Allocations continue to be as un-ring-fenced grant, thus enabling the council to maintain its policy of taking NHB Funding directly into Working Balances
- 4.5 It continues to remain unknown how the Government will address the New Homes Bonus Scheme in the future.

Business Rates Retention Scheme

- 4.6 In order to maximise the level of business rates retained locally, the council has been part of the Kent Business Rates Pool since 2015-16 and it has been confirmed that the Pool will continue to operate in 2023-24. The pool is a partnership between Kent County Council and most of the Kent Districts with the primary objective of promoting growth within the respective partner areas. The establishment of the pool delivers the benefit of enabling the levies on business rates growth payable by the districts to be offset by the tariff payable by the County Council and Kent Fire, thus enabling more business rates income to be retained locally. There is, however, the risk associated with the pool that should a council's business rates decline to a level below their respective safety net level, it will receive no national support to reduce its losses. In recognition of this, the pool agreement distributes any levy saved between the council, the County Council and a Growth Fund in equal shares and a small percentage to fund a safety net provision.

5. SECTION THREE – MEDIUM TERM FINANCIAL STRATEGY AND PLANNING FOR THE COUNCIL AND ITS COMMUNITY (See also Appendix 2 and Appendix 3)

- 5.1 In 2016 the council adopted a four-year Medium Term Financial Strategy in response to the rising challenges to its financial position and embarked on a multi-faceted programme of activity intended to optimise income generation, innovate service delivery of services and ensure that resources were appropriately focused on the needs of the borough. The council demonstrated its ability to deliver against this programme and, in February 2020, was able to announce that £4.25m of base budget reductions had been reflected in the MTFP and that the council had in place a sustainable financial plan for the next 10 years, the period which is covered by the MTFP.
- 5.2 Since this time, the council has faced significant financial challenges as a result of the COVID-19 Pandemic and the economic situation.
- 5.3 The proposed net budget requirement for 2023/24 is c.£14 million. It is important to recognise that if the council had taken no action over the last 12 years, inflation alone would have seen the proposed budget being nearer to £23 million.
- 5.4 Last year council approved a five-year Medium Term Financial Strategy spanning 2022-23 to 2026-27. This has been refreshed to consider the current economic climate the council now operates in and considers initiatives to reduce the budget gap that the council is now facing on its General Fund Services. This Strategy is attached at Appendix Two for Member approval.
- 5.5 Progress has been made during the year in delivering the initiatives set out in the MTFP presented in February 2022. The table below shows the progress made to date, this equates to a combination of budget reductions and increases in income of £776,450 for 2023/24.

Budget Rationalisation		£305,130
Fees & Charges		£110,110
Asset Optimisation		£178,650
Trading & Commercial		£182,560
Total		£776,450

- 5.6 Over the period to 2026/27, base budget reductions have been reflected in the MTFs equating to £1.4m.

	Total
Budget Rationalisation	508,340
Fees & Charges	110,510
Asset Optimisation	620,540
Trading & Commercial	185,650
Total	1,425,040

- 5.7 Analysis has indicated that despite taking proactive action to deliver £1.4m of base budget savings in the MTFP, external factors have continued to detrimentally affect the council's financial position over the short to medium term, leading to a residual budget gap of £4.3m and potential challenges in balancing the budget in the 2024-25 financial year should no further action be taken. The council does, however, have a plan of activities to respond to this and further information will be presented to Members over the coming months.

6. SECTION FOUR – GENERAL FUND REVENUE BUDGET (See also Appendix 3)

Revised Budget 2022-23

- 6.1 The Projected Outturn for 2023-24 indicates a projected overspend for the year of £1.45m however it is to note that income and expenditure variances in the last quarter of the year will impact on this figure. Details of such variances will be included in the Budget Outturn report to Cabinet and the Finance & Audit Committee after the end of the 2022-23 financial year.

Revenue Budget 2023-24

- 6.2 The Original Estimate for 2023-24 represents a balanced budget position, with a contribution of £2.26m being made from working balances to support expenditure in the year (assuming a Council Tax increase of £6.48)
- 6.3 The budget proposals for 2023-24 maintain the ambitions of the council set out in the corporate plan and continue to include funding to support the delivery of a new Leisure Centre, programmed replacement plans for council-owned play sites, the delivery of new housing, improved town centre street scene and a commitment to become carbon neutral by 2030.
- 6.4 A draft Budget Book is attached at Appendix 3a for Member information. This Budget Book also contains the budget for the Housing Revenue Account.

7. SECTION FIVE – COUNCIL TAX (See also Appendix 4)

Council Tax Setting 2023-24

- 7.1 The Provisional Finance Settlement announcement confirmed the continued flexibility for district councils in setting council tax levels.
- 7.2 The budget proposals reflect the council implementing an annual increase of £6.48 to its council tax charge in 2023-24. This is within the referendum principles and equates to an increase of less than 13 pence per week for a Band D property. 58.1% of residential properties within the borough fall

within the bands of A-C and therefore the annual council tax increase will be less than £6.48 for those properties.

- 7.3 The total annual charge for the Gravesham element of the council tax bill will be £224.46; by way of comparison, the Band D equivalent council tax for 2022-23 was £217.98.

8. SECTION SIX - ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES (See also Appendix 5)

- 8.1 The Local Government Act 2003 requires the Chief Financial Officer to certify that, when setting the annual Council budget, the estimates are robust and that the level of reserves is sufficient for the Authority. To support this, the Director (Corporate Services), as Section 151 Officer, has conducted a review of reserves and working balances, the findings and conclusions of which can be found at Appendix 5. The reserves policy can be found at appendix 5a and a risk assessment at appendix 5b.
- 8.2 It is the view of the Director (Corporate Services), as Section 151 Officer, that the estimates presented to Members are robust, that the level of reserves is currently sufficient for the Authority and that the threshold for Key Decisions has been reviewed and is to remain at £100,000.

9. SECTION SEVEN - CAPITAL PROGRAMME (See also Appendix 6)

- 9.1 The General Fund Capital programme is set out in Appendix Six to this report and for 2023-24 is estimated at £74.2m

10. Background Papers

- 10.1 The background papers pertaining to this report are available from the Finance Team in the first instance.

Secondary Implications	
Risk Assessment	The risks associated with the General Fund revenue and capital estimates are set out in the Medium-Term Financial Strategy.
Data Protection Impact Assessment	<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>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>No</p>
	<p>b. If yes to question a, have you completed and attached a DPIA including Data Protection Officer advice?</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>
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.</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>No.</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>
Crime and Disorder	N/A
Digital and website implications	No direct implications
Safeguarding children and vulnerable adults	N/A